

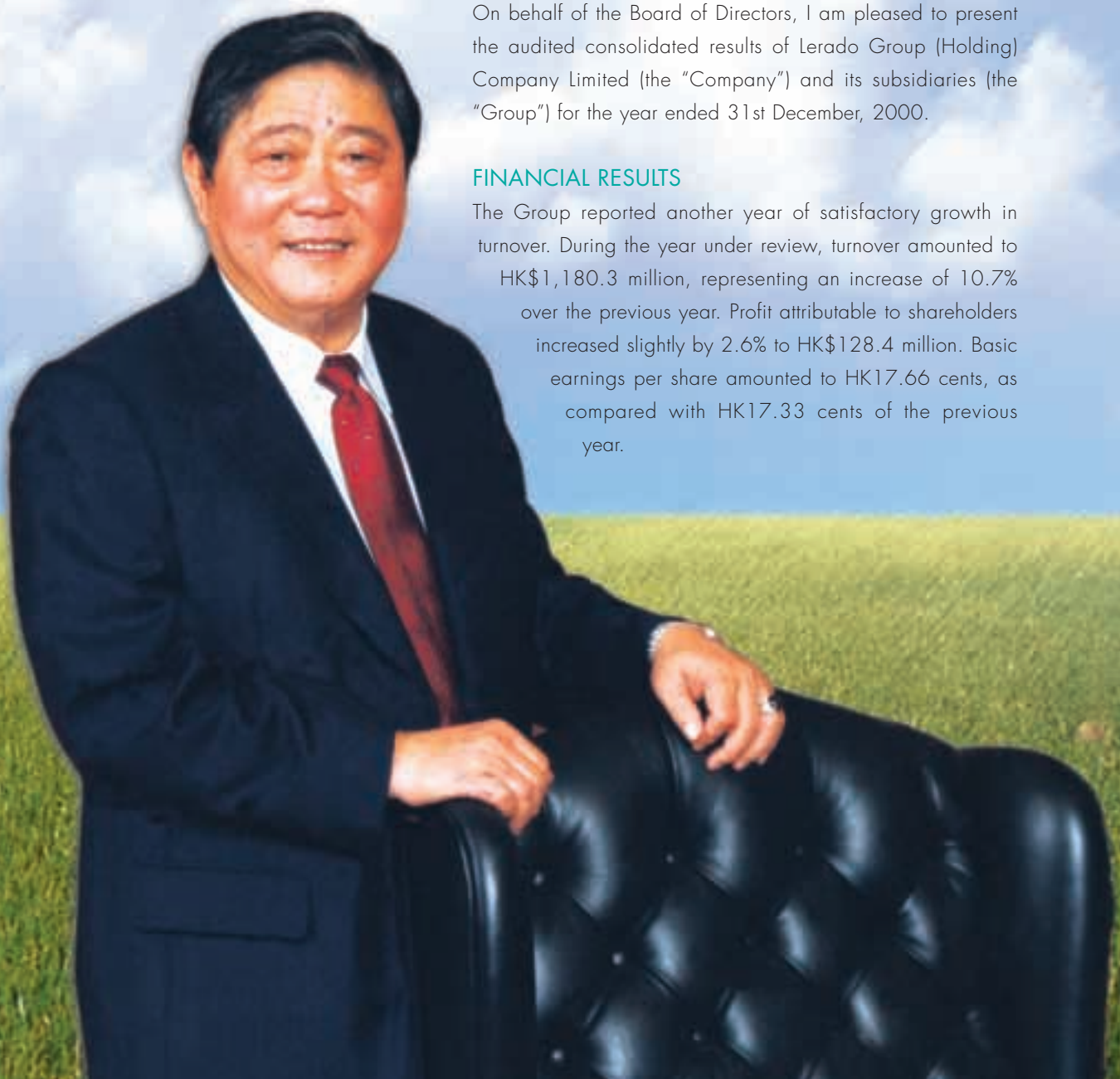
Being one of the most reputable ODM and OEM manufacturers for baby and pre-school products, the Group continues to enjoy a leading market position in its major markets.

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the audited consolidated results of Lerado Group (Holding) Company Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31st December, 2000.

FINANCIAL RESULTS

The Group reported another year of satisfactory growth in turnover. During the year under review, turnover amounted to HK\$1,180.3 million, representing an increase of 10.7% over the previous year. Profit attributable to shareholders increased slightly by 2.6% to HK\$128.4 million. Basic earnings per share amounted to HK17.66 cents, as compared with HK17.33 cents of the previous year.



Chairman's Statement

DIVIDEND

The Board of Directors (the "Board") recommends a final dividend of HK8 cents per share. Together with an interim dividend of HK3 cents per share, the total dividend of the year under review will amount to HK11 cents.

BUSINESS REVIEW

Market Review

Being one of the most reputable ODM and OEM manufacturers for baby and pre-school products, the Group continues to enjoy a leading market position in its major markets. As in previous years, the US and Europe remain to be the Group's largest markets, accounting for 65.2% and 20.7% of the turnover respectively, while sales to Australia, South America and other countries accounted for 3.6%, 3.0% and 7.5% of the total turnover.

Sales to the US recorded a mild increase of 2.6% over the previous year, amounting to HK\$769.4 million. Reaping the fruits of our efforts placed in ensuring product quality and safety standards, we are pleased to see that the leading baby product brands in the US continue to be our long-term customers.

Strong growth is seen in Europe market. Turnover from Europe recorded a growth of 17.1%, amounting to HK\$244.2 million. As European brands have gradually outsourced to manufacturers that are capable of producing quality products at lower cost, the Group has seized the opportunity to increase its presence in Europe and successfully acquired further market shares. The Board believes that such outsourcing trend in Europe will continue, offering enormous opportunities for the Group in this potential market.

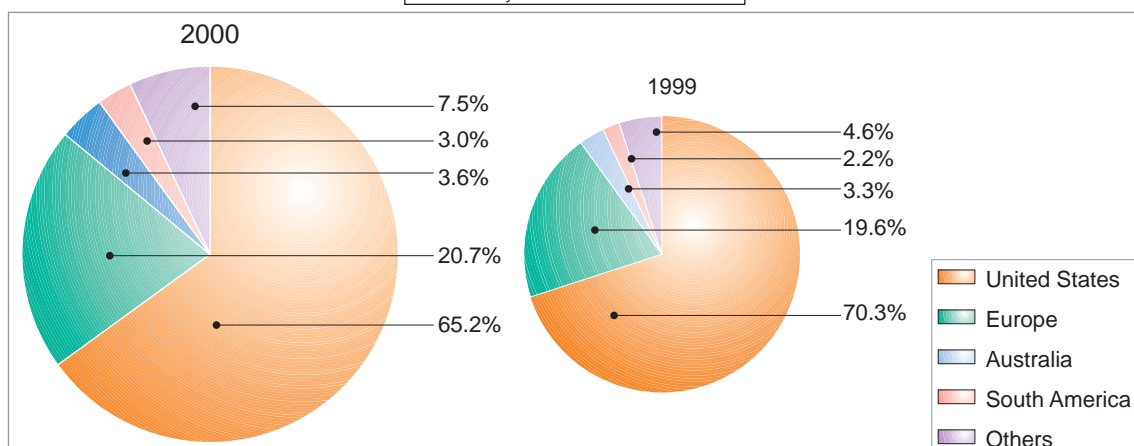
Encouraging growth is also reflected in Australia, South America as well as other Asian countries. The aggregated turnover of these markets amounted to HK\$166.7 million, representing an average increase of 54.1%.

The Board believes that the increased sales contribution from Europe market is a healthy move in line with the Group's strategy of broadening revenue sources from different geographical markets. Such development will lower the risk of reliance on any single market and benefit the Group's long term development.



Turnover by Region

For the year ended 31st December



New Product Development

In addition to the four main product categories, namely strollers, beds, soft goods and accessories, the Group has also embarked on new product development as a further step to broaden its product range. During the year under review, our Shanghai plant resumed operation and was then engaged in the production of two new lines of products — Step2 products and feeding bottles & nipples. A new production line for baby garments was also established in Zhongshan in April last year. To our satisfaction, trial orders for these products, though in small quantities, were received shortly after the initial launches.

A series of marketing activities for battery operated ride-on cars were conducted. Encouraging responses were received during our participation at the Hong Kong Toys Fair in January 2001. The Board is confident that increased revenue from this product category will be recorded in the second half of year 2001.

Since pre-operating and R&D expenses for the new products were incurred, there was a slight decline in the Group's overall net profit margin, dipping from 11.7% to 10.9%. However, the Board is confident that positive contributions from these new products will be generated when the products are gradually accepted by the market.



PROSPECTS AND FUTURE PLANS

Product research and development has always been one of the key elements that leads Lerado to the road of success. Looking ahead, the Group will continue to strengthen its product research and development team with an aim to incorporate new product features and broaden product range to cater for customer needs.

The Board believes that Europe market will offer tremendous potential due to the increasing outsourcing trend. Taking advantage of this, the Group will utilize its manufacturing expertise and product innovation to seize emerging opportunities. It is expected that the Europe market will be the Group's key growth driver in the coming years.

The Board anticipates steady growth in the US market. Seeing signs of economy slowdown in the US, the Group will review its business strategy and product portfolio to strengthen its presence in the US, further consolidating its market position.

The PRC market is full of challenges and opportunities. Baby products such as strollers and beds are gaining wider market acceptance in major cities. Products under our own "Angel" brand name are now being sold in department stores in major cities and provinces. With China's imminent entry into the World Trade Organization, coupled with the increasing affluence of society, we are optimistic of the growth potential of this dynamic market in the next few years. The Group will further explore suitable opportunities to increase its market penetration and will make an effort to expand its sales network in the PRC.

We will further identify suitable business development and investment opportunities, particularly in Europe and the emerging PRC market. Based on our solid manufacturing expertise, strong research and development capabilities and extensive customer base, we are well positioned to capture the market opportunities ahead.

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, 10th April, 2001

