

## Chairman's Statement



*“With our solid foundation and financial position, the Group is able to maintain continuous growth in turnover and profit attributable to shareholders.”*

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, 1999.

### FINANCIAL RESULTS

The Group recorded encouraging results during the year under review with continuous growth in both turnover and profit contributable to shareholders; turnover reached HK\$1,066.7 million, representing a growth of 11.1% over that of 1998. Profit attributable to shareholders amounted to HK\$125.1 million, an increase of 24.0% compared to that of the previous year. Earnings per share stood at HK\$17.33 cents. We have a healthy balance sheet. As at 31st December 1999, the Group has a net bank and cash balance of HK\$237.3 million.

### DIVIDEND

The Board of Directors will recommend to pay a final dividend of HK6 cents per share. Together with an interim dividend of HK3 cents, the total dividend of the year under review will amount to HK9 cents per share.

### MARKET REVIEW

As in past years, the US and Europe remained our largest markets, accounting for 70.3% and 19.6% of the total turnover respectively during the year under review. However, owing to the weak economy in Australia and South America, a slight decline in turnover is seen in these regions.

Turnover generated from the US increased by 17.0% to HK\$750.0 million. Although the birth rate in the US has seen a decrease for eight consecutive years since 1990, it started to pick up again in 1998. Coupled with the upward trend of average household spending per child in recent years, we expect to see stable growth in this market in the coming years.

Sales to Europe, our second largest market, increased mildly by 12.7% to HK\$208.5 million, the Group was benefited from the strong economic growth in Europe. Besides, European product manufacturers who used to produce their own products are now outsourcing to other manufacturers capable of producing quality products at lower prices to increase their competitiveness. The Group will take advantage of this market trend to further expand its market share in Europe.

### MAJOR ACHIEVEMENTS IN 1999

#### Join Forces with US Based Step2 Company

Renowned for manufacturing top quality products for children, we have always looked forward to cooperating with international leaders to further

enhance our position in the infant products industry. In December 1999, we successfully formed a strategic alliance with Step2 Company ("Step2"), a leading US-based manufacturer of quality plastic products for children. Under this joint business venture, Step2 has transferred its technical expertise and production mouldings to Lerado. We have already entered into the trial and testing stage of certain products, some of which will be ready for sale later this year. This business venture will strengthen Lerado's sales and expand our product category range, enabling us to explore new market opportunities.

#### Battery Operated Ride-on Cars

With a mission of bringing happiness and comfort to children, we have launched three new models of battery operated ride-on cars that comply with the highest safety standards. The US will remain our major market. As our in-house designed battery operated ride-on cars are competitive in terms of quality as well as pricing, we believe this product category will be well received by the US market.



### PROSPECTS AND FUTURE PLANS

Looking ahead, the Group will continue to leverage on its competitive advantages in infant and pre-school products by diversifying its product range and category to cater to the needs of different markets. For instance, higher price range strollers will be marketed to the US market, while those at relatively lower prices will be designed for the PRC market. As parents in developed countries are growing increasingly concerned with product quality, giving priority to safety and innovative features over prices, the Group as a whole will increase the proportion of higher-priced strollers with more features, in order to better utilise the Group's capacity and to increase profitability.





Our strategic alliance with Step2 is also a major milestone as it expands our product category to plastic children products for the early childhood market. As scheduled, our Shanghai factory has resumed production and is preparing to produce products under Step2's brandname, including children's furniture, creative play toys, playhouses and riding toys. Granted exclusive rights and the license to sell such products in the PRC and Hong Kong, we are confident this business initiative will lead us on to a promising and bright future. We will continue to provide our customers with improved services as well as to bring greater profits to our shareholders.

While we believe there will be stable growth from the US market, we see tremendous growth opportunities in the European markets owing to the favourable outsourcing trend. As for the PRC market, we have been distributing strollers under our own brand name "Angel" and making considerable progress. With an aim of establishing a solid foundation in this emerging market, we will expand our sales force to promote "Angel" so as to capture future growth.

In terms of new products, we launched over 160 and 20 new models of strollers and baby beds respectively during the year under review. We will develop our own brand name in the US for battery operated ride-on cars. We will aim at meeting this strong demand due to the strong spending sentiment in the coming Christmas, seizing every business opportunity.

In addition, we have also commenced the trial production of feeding bottles and nipples. In addition to taking care of infants up to the age of three, we will expand our product range, catering to pre-school children from aged three to six.

With the continuous introduction of innovative products, we will explore new markets and consolidate our position in existing markets. As a means to attaining further global reach, we are now in the process of exploring e-commerce opportunities through the Internet. By expanding our product range, ensuring product safety and quality as well as costs control, we are fully prepared to capture the opportunities ahead, bringing satisfactory returns to our shareholders.

#### GRATITUDE

On behalf of the Board of Directors, I wish to extend our gratitude to all customers and business associates for putting their trust in our capabilities. May I also take this opportunity to express my heartiest thanks to all our employees for their hard work and loyalty.

**Huang Ying Yuan**  
*Chairman*

Hong Kong, 18th April, 2000