



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, 2000

FINANCIAL RESULTS

The Board of Directors 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, 2000, together with the comparative figures for the year ended 31st December, 1999 as follows:

		2000	1999
	Notes	HK\$'000	HK\$'000
Turnover	1	1,180,286	1,066,666
Cost of Sales		(852,041)	(763,739)
Gross profit		328,245	302,927
Investment income		10,259	11,656
Other revenue		21,439	16,570
Distribution costs		(88,053)	(80,780)
Research and development expenses		(23,499)	(19,197)
Administrative expenses		(114,759)	(97,086)
Profit from operations		133,632	134,090
Finance costs		(1,689)	(1,556)
Profit from ordinary activities before taxation		131,943	132,534
Taxation	2	5,502	7,389
Profit before minority interests		126,441	125,145
Minority interests		(1,922)	(1)
Profit attributable to shareholders	3	128,363	125,146
Dividends	4	79,784	65,391
EARNINGS PER SHARE	5		
Basic		17.66 cents	17.33 cents
Diluted		17.65 cents	17.26 cents

Notes:

1. Turnover

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

	Turnover		Contribution to profit from ordinary activities before taxation	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
United States	769,404	749,994	70,026	75,034
Europe	244,204	208,504	39,030	37,278
Australia	42,905	34,975	6,446	5,011
South America	34,943	23,956	3,337	1,754
Others	88,830	49,237	4,707	3,729
	1,180,286	1,066,666	123,546	122,806

Interest income — net

	8,397	9,728
Profit from ordinary activities before taxation	131,943	132,534

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

	Turnover		Contribution to profit from ordinary activities before taxation	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Strollers	720,989	740,805	71,080	65,350
Beds	200,746	124,330	16,670	13,610
Soft goods	111,195	95,320	22,088	24,889
Others	147,356	106,211	13,708	18,957
	1,180,286	1,066,666	123,546	122,806

Interest income — net

	8,397	9,728
Profit from ordinary activities before taxation	131,943	132,534

2. Taxation

	2000	1999
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	1,371	300
Overprovision in prior years	(70)	(198)
	1,301	102
Overseas taxation		
The People's Republic of China (the "PRC")	2,901	6,345
Other jurisdictions	1,300	942
	4,201	7,287
	5,502	7,389

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

Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions.

3. Profit attributable to shareholders

Of the Group's profit attributable to shareholders of approximately HK\$128,363,000 (1999: HK\$125,146,000), a profit of approximately HK\$80,971,000 (1999: HK\$65,310,000) has been dealt with in the financial statements of the Company.

4. Dividends

	2000	1999
	HK\$'000	HK\$'000
Interim dividend of HK3 cents (1999: HK3 cents) per share	21,807	21,786
Proposed final dividend of HK8 cents per share (1999: HK6 cents per share with a scrip dividend option)	57,977	43,605
	79,784	65,391

5. 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 and earnings for the purposes of the basic and diluted earnings per share	HK\$128,363,000	HK\$125,146,000
Weighted average number of ordinary shares for the purposes of basic earnings per share	726,700,338	721,959,671
Effect of dilutive potential ordinary shares in respect of share options	560,459	3,286,784
Weighted average number of ordinary shares for the purposes of diluted earnings per share	727,260,797	725,246,455

6. Transfer to/from reserves

	2000
	HK\$'000
Revaluation surplus on leasehold land and buildings	4,544
Exchange differences arising on translation of PRC/overseas operations	457
Goodwill arising on acquisition of additional interests in a subsidiary	(88)

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. The final dividend will be payable to the shareholders whose names appear in the register of members of the Company on 20th May, 2001. Dividend warrants are expected to be sent out on or before 5th June, 2001.

BUSINESS REVIEW

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.

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 brand name owners 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 brand name owners 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.

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 our Zhongshan plant 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 the 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.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 16th to 20th May, 2001, 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 15th May, 2001.

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 year.

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 of Hong Kong Limited (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 heartfelt 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

* For identification purpose only

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 Marriott Ballroom, Third Floor, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 21st May, 2001 at 3:00 p.m. to transact the following ordinary business:

1. to receive and adopt the audited financial statements and the reports of the directors and auditors for the year ended 31st December, 2000;
2. to declare a final dividend for the year ended 31st December, 2000;
3. to re-elect directors of the Company;
4. to authorize the board of directors to fix the remuneration of the Directors for the year ending 31st December, 2001; and
5. 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:

- (a) 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;
- (b) 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;
- (c) 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
- (d) for the purposes of this Resolution:
"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
 - (iii) 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:

- (a) 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;
- (b) 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
- (c) for the purposes of this Resolution:
"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
 - (iii) 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."

By Order of the Board
Leung Man Fai
Company Secretary

Hong Kong, 10th April, 2001

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:

1. 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.
2. The instrument appointing a proxy shall be in writing 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.
3. 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 notariarily 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.
4. 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.
5. 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.