



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, 2002

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, 2002, together with the comparative figures for the year ended 31st December, 2001.

		2002	2001
	Notes	HK\$'000	HK\$'000
Turnover	2	1,024,302	1,117,930
Cost of sales		(702,739)	(789,608)
Gross profit		321,563	328,322
Investment income		1,500	3,819
Other operating income		10,492	19,481
Marketing and distribution costs		(93,116)	(88,220)
Research and development expenses		(17,743)	(18,301)
Administrative expenses		(106,811)	(103,821)
Other operating expenses		(12,560)	(23,077)
Profit from operations	3	103,325	118,203
Finance costs		(52)	(1,055)
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		103,273	113,084
Taxation	4	(9,010)	(4,527)
Profit before minority interests		94,263	108,557
Minority interests		(1,133)	(2,612)
Net profit for the year		93,130	105,945
Dividends	5	57,796	72,471
Earnings per share	6		
Basic		12.89 cents	14.62 cents
Diluted		12.89 cents	14.62 cents

Notes:

1. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new and revised accounting policies:

SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the inclusion of the statement of changes in equity, but has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

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	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Strollers	619,556	661,536	76,796	81,538
Beds & playards	145,879	159,184	16,150	20,715
Soft goods	75,625	100,169	10,125	14,364
Others	183,242	197,041	11,314	20,844
	1,024,302	1,117,930	114,385	137,461
Investment income			1,500	3,819
Other operating expenses			(12,560)	(23,077)
Profit from operations			103,325	118,203

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

	2002	2001
	HK\$'000	HK\$'000
United States of America	578,712	664,420
Europe	243,231	267,834
Australia	42,489	36,547
South America	25,900	35,656
Others	133,970	113,473
	1,024,302	1,117,930

3. PROFIT FROM OPERATIONS

	2002	2001
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Amortisation of intellectual property rights (included in other operating expenses)	5,310	5,861
Deficit arising on revaluation of land and buildings	6,750	5,254
Deficit arising on revaluation of investment properties	500	1,138
Depreciation and amortisation of property, plant and equipment	28,422	23,724
Impairment loss recognised in respect of intellectual property rights (included in other operating expenses)	—	8,476
Impairment of goodwill (included in other operating expenses)	—	48
Loss on disposal of property, plant and equipment	1,179	1,572
Unrealised holding loss on other investments	—	2,300

4. TAXATION

	2002	2001
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax	3,656	1,608
Other areas	5,354	2,919
	9,010	4,527

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 jurisdiction.

5. DIVIDENDS

	2002	2001
	HK\$'000	HK\$'000
2001 final dividend of HK6 cents (2000 final dividend: HK8 cents) per share	43,347	57,977
2002 interim dividend of HK2 cents (2001 interim dividend: HK2 cents) per share	14,449	14,494
	57,796	72,471

The 2002 final dividend of HK6 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:

	2002	2001
Net profit for the year and earnings for the purposes of the basic and diluted earnings per share	HK\$93,130,000	HK\$105,945,000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	722,451,541	724,731,891
Effect of dilutive potential ordinary shares in respect of share options	6,457	101,774
Weighted average number of ordinary shares for the purposes of diluted earnings per share	722,457,998	724,833,665

7. TRANSFER TO/FROM RESERVES

	2002
	HK\$'000
Revaluation surplus on land and buildings	12,413
Exchange differences arising from translation of the financial statements of PRC/overseas operations	40

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 21st May, 2003. Dividend warrants are expected to be sent out on or before 10th June, 2003.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 19th to 21st May, 2003, 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 28th Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00 p.m. on 16th May, 2003.

BUSINESS REVIEW

The Group recorded a total turnover of HK\$1,024.3 million for the year ended 31st December, 2002, a drop of 8.4% compared with 2001. Profit attributable to shareholders was reported at HK\$93.1 million, 12.1% lower than the previous year. Earnings per share for the period was HK12.89 cents, down from HK14.62 cents in the prior year.

Market Review

Under the backdrop that global economic climate remained soft and misty throughout 2002 and given the volatile political situation in the Middle East, consumers remained cautious in their consumption habit favouring only the basic and less costly consumer items. As a result, sales to the US market decreased 12.9%, reporting HK\$578.7 million.

The low visibilities of the global economic outlook also led to a more reserved attitude among customers in Europe towards outsourcing their production. Instead, customers would rather retain their own production lines to shorten the lead-time from production to delivery to the market as well as to maintain a lower inventory level, allowing them to stay more flexible and responsive. As a result, the Europe market reported a drop of 9.2% in turnover. Nonetheless, the Group believes that outsourcing of production will still be the trend in future considering the lower cost of production.

In the People's Republic of China (the "PRC"), apart from marketing its own "Angel" branded products through its expanding sales network, the Group also embarked on its retail business and established the country's first one-stop shop, Peek-a-boo, for infant products in a prestigious shopping mall in the prime area of Shenzhen city in September 2002. Bringing a new concept in childcare to the country, the outlet offers a comprehensive range of products under renowned brands, from daily necessities to toys and apparels for infants. The debut shop received encouraging response in terms of turnover and equipped the Group with the necessary experience for its future exploration in this market with enormous potential.

Responsive Business Strategy

During the year, the Group took a proactive approach to optimise its business strategy by shifting from the middle-high to middle end market in response to the gloomy economic environment and market demand for less costly basic items. This flexible strategy not only weathered the Group from being hit hard in the high-end sector but more importantly, allowed it to capture the sector where true demand fell. Looking ahead, the Group will review and adjust its business strategy from time to time according to the market situation.

Transforming industry pattern

It is expected that the rescheduling of the major annual infant product trade shows in Dallas in the US from October to May next year since 2001 will bring considerable adjustment to the industry pattern. The Dallas trade show, together with the other major trade show held every

August in Cologne, Germany, will reset the industry pattern and the Group's business activities from usually having the high season in the first half of the year to a more evenly distributed sales pattern throughout the calendar year. However, this was not clearly reflected in 2002 as shrouded by factors including the uncertain global economic condition, the port strike in the US and the instability in the Middles East, etc.

Expanded Production Plant

To better equip ourselves to fully tap on the opportunities when the economy revives, the Group commenced an expansion plan in 2001 to construct additional production facilities at a site with a total area of approximately 124,000 sq. m. The close proximity between the existing plant and the new facilities allow them to share common resources and hence maximise their production efficiency. Phase one of the expansion, covering a gross floor area of 14,000 sq.m., was completed and commenced production in early 2002, while phase two of 21,000 sq.m. is now pending machinery installation. The Board believes that the whole new site will be sufficient for the Group's development in the next few years.

Employees and remuneration policies

As at 31st December, 2002, the Group had a total workforce of 6,500 in Hong Kong, Taiwan and the PRC, including approximately 6,300 employees in the PRC production sites and a strong research and development department of 140 employees.

Apart from basic salaries, discretionary bonus and contribution to retirement funds 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 maintains a healthy and solid balance sheet providing strong support to its working capital requirement and capital commitments. As at 31st December, 2002, the Group had total cash and bank balances of HK\$125.8 million, with the majority of which in Hong Kong and US currencies. Bank borrowings, bearing interests at prevailing market rate, were maintained at a low level of HK\$1.0 million for working capital purpose of a non-wholly owned PRC subsidiary which had pledged a leasehold property as security for the loan. Gearing ratio,

expressing as total bank borrowings to shareholders' fund, was kept at a low level of 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 the balance sheet date, the Group had net current assets of HK\$221.6 million and an improved current ratio of 2.0 (2001: 1.70). Stock turnover stayed steady at 30.5 days.

Exchange risk exposure and contingent liabilities

The Group's sales are principally denominated in US dollars while the purchases are transacted mainly in HK dollars, Renminbi and New Taiwanese dollars. The Group believes that the exchange risk exposure to be minimal.

The Group has no material contingent liabilities as at 31st December, 2002.

OUTLOOK

The global business environment will remain challenging in 2003 in light of uncertainties such as instability brought by the war in the Middle East and the slow global economic recovery. Notwithstanding the undesirable macroeconomics, we remain cautiously optimistic towards the year ahead given the positive underlying operating trend we see in the Group.

Capitalising on its strength and expertise in manufacturing strollers, the Group successfully secured new orders from its existing customers for the production of detachable infant stroller car seats that come with the Group's patented "click-in" mechanism. We see a great potential in this new product since similar devices for restraining infants safely in cars have been made statutory under the child passenger safety laws in many states in the US and European countries and is likely to be followed by Asian countries. As a necessity for parents to travel with infants in cars, the new product can be a big potential for the Group in the coming years.

Having evaluated the current situation and realised that distributors and consumers are reluctant to introduce new brands into the US market under a cloudy economic environment, the Group has decided to switch its strategy from marketing the battery-operated ride-on cars under its

own brand to manufacturing the product on an ODM basis. We believe that the redefined strategy will benefit the Group's overall performance. The first ODM shipment of battery-operated ride-on cars is expected in the middle of 2003.

Although the war may create short-term uncertainties and drag down the pace for a recovery, the Group remains cautiously optimistic about a better economic environment in 2003 and a recovery in the industry. The Group will closely monitor the market development and adjust its business strategy in a responsive manner.

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\$
		Highest HK\$	Lowest HK\$	
January 2002	358,000	0.88	0.87	311,960

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE

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.

By Order of the Board
Huang Ying Yuan
Chairman

Hong Kong, 10th April, 2003

* for identification purposes 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 Caine Room, 7th Floor, Conrad Hong Kong, Pacific Place, 88 Queensway, Admiralty, Hong Kong on 22nd May, 2003 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, 2002;
- to declare a final dividend for the year ended 31st December, 2002;
- 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, 2003; 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, etc. 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 Bye-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."

By Order of the Board
Leung Man Fai
Company Secretary

Hong Kong, 10th April, 2003

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 at 28th Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, 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.