



## LERADO GROUP (HOLDING) COMPANY LIMITED

(隆成集團(控股)有限公司)\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1225)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2004

#### 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, 2004, together with the comparative figures for the year ended 31st December, 2003.

	<i>Notes</i>	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover	2	<b>1,271,035</b>	1,149,893
Cost of sales		<b>(997,985)</b>	(835,109)
Gross profit		<b>273,050</b>	314,784
Investment income		<b>833</b>	356
Other operating income		<b>31,049</b>	17,996
Marketing and distribution costs		<b>(87,002)</b>	(88,689)
Research and development expenses		<b>(17,184)</b>	(14,794)
Administrative expenses		<b>(105,143)</b>	(113,660)
Other operating expenses		<b>(15,009)</b>	(18,855)
Profit from operations	3	<b>80,594</b>	97,138
Finance costs		<b>(742)</b>	(121)
Profit from ordinary activities before taxation		<b>79,852</b>	97,017
Income tax expense	4	<b>(6,017)</b>	(16,421)
Profit before minority interests		<b>73,835</b>	80,596
Minority interests		<b>(4,700)</b>	574
Net profit for the year		<b>69,135</b>	81,170
Dividends	5	<b>50,599</b>	57,369
Earnings per share	6		
Basic		<b>9.57 cents</b>	11.28 cents
Diluted		<b>9.55 cents</b>	11.26 cents

Notes:

## 1. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (herein collectively referred to as “new HKFRS(s)”) which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December, 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

## 2. TURNOVER

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

	<b>Contribution to profit</b>			
	<b>Sales revenue from operations</b>			
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>HK\$’000</b>	HK\$’000	<b>HK\$’000</b>	HK\$’000
Strollers	<b>636,005</b>	647,368	<b>50,757</b>	75,997
Beds & playards	<b>113,155</b>	132,639	<b>5,456</b>	11,633
Miscellaneous infant products <sup>#</sup>	<b>317,706</b>	236,916	<b>19,190</b>	18,042
Others	<b>204,169</b>	132,970	<b>8,193</b>	9,965
	<u><b>1,271,035</b></u>	<u>1,149,893</u>	<u><b>83,596</b></u>	<u>115,637</u>
Investment income			<b>833</b>	356
Surplus arising on revaluation of investment properties			<b>4,500</b>	—
Surplus arising on revaluation of property, plant and equipment			<b>6,674</b>	—
Other operating expenses			<u><b>(15,009)</b></u>	<u>(18,855)</u>
Profit from operations			<u><b>80,594</b></u>	<u>97,138</u>

<sup>#</sup> *Miscellaneous infant products include soft goods, car seats, high chairs, bouncers and walkers, etc.*

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

	<b>2004</b>	2003
	<b>HK\$’000</b>	HK\$’000
United States of America (the “US”)	<b>658,058</b>	603,398
Europe	<b>282,118</b>	286,748
Australia	<b>68,112</b>	53,430
South America	<b>96,615</b>	54,319
Others	<u><b>166,132</b></u>	<u>151,998</u>
	<u><b>1,271,035</b></u>	<u>1,149,893</u>

### 3. PROFIT FROM OPERATIONS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Allowance for bad and doubtful debts	2,618	5,694
Amortisation of intellectual property rights (included in other operating expenses)	5,309	5,308
Deficit arising on revaluation of land and buildings	—	2,213
Deficit arising on revaluation of investment properties	—	3,000
Depreciation and amortisation of property, plant and equipment	33,010	30,574
Loss on disposal of property, plant and equipment	—	1,747
Unrealised holding loss on other investments	9,700	8,334
Loss on dissolution of subsidiaries	198	—
and after crediting:		
Gain on disposal of property, plant and equipment	169	—
Gain on disposal of subsidiaries	—	660
Release of negative goodwill to other operating income	420	420
Surplus arising on revaluation of investment properties	4,500	—
Surplus arising on revaluation of land and buildings	6,674	—

### 4. INCOME TAX EXPENSE

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Current tax:		
Hong Kong	5,172	4,296
Others	3,497	9,502
	8,669	13,798
Deferred tax	(2,652)	2,623
	6,017	16,421

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profit for the year.

The statutory tax rate for the PRC subsidiaries is 24% and those subsidiaries regarded as export enterprise by local tax authority are subject to preferential income tax rate of 12%. During the year, a PRC subsidiary was qualified as export enterprise and the change in applicable tax rate has been reflected in the calculation of current and deferred taxation.

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

A portion of the Group's profit neither arises in, nor is derived from Hong Kong. Accordingly, that portion of the Group's profit is not subject to Hong Kong Profits Tax.

## 5. DIVIDENDS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
2003 final dividend of HK5 cents (2002 final dividend: HK6 cents) per share	36,142	43,042
2004 interim dividend of HK2 cents (2003 interim dividend: HK2 cents) per share	<u>14,457</u>	<u>14,327</u>
	<u><b>50,599</b></u>	<u><b>57,369</b></u>

The 2004 final dividend of HK3.5 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:

	2004	2003
Net profit for the year and earnings for the purposes of the basic and diluted earnings per share	<u><b>HK\$69,135,000</b></u>	<u><b>HK\$81,170,000</b></u>
	<b>Number of shares</b>	<b>Number of shares</b>
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>722,722,938</b>	719,669,442
Effect of dilutive potential ordinary shares in respect of share options	<u><b>1,215,827</b></u>	<u>952,982</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u><b>723,938,765</b></u>	<u>720,622,424</u>

## 7. TRANSFER TO/(FROM) RESERVES

	2004 <i>HK\$'000</i>
Revaluation surplus on land and buildings	<b>21,418</b>
Deferred tax liability arising on revaluation of properties	<b>(1,946)</b>
Exchange differences arising from translation of the financial statements of PRC/overseas operations	<u><b>3,783</b></u>

## DIVIDEND

The Board recommends a final dividend of HK3.5 cents per share. Together with an interim dividend of HK2 cents per share, the total dividend of the year under review will amount to HK5.5 cents per share. The final dividend will be payable to the shareholders whose names appear in the register of members of the Company on 7th June, 2005. Dividend warrants are expected to be sent out on or before 21st June, 2005.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 3rd to 7th June, 2005 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 Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00 p.m. on 2nd June, 2005.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business review**

The operating environment of the year under review was difficult. Though we see a gradual recovery of economy, the sharp rise in oil prices throughout the year led to increase in plastics price, substantially affecting the Group's cost of production.

Turnover of the group rose 10.5% to HK\$1,271.0 million in 2004. However, due to the surge in material costs (mainly plastics and metals), gross margin had been squeezed to 21.5%, compared with 27.4% of the previous year. Net profit for the year was HK\$69.1 million (2003: HK\$81.2 million) while earnings per share dropped correspondingly to HK9.57 cents.

The Group's growth in turnover in the year under review was mainly attributable to the launch of infant car seats and the new ODM orders of battery-operated ride-on cars which had been well received in the market.

Geographically, the US remained our largest market, representing 51.8% of the Group's total turnover. With continuing recovery of the US economy, though at a slow pace, our sales to the country showed an increase of 9.1% over last year, amounted to HK\$658.1 million. On the other hand, sales to Europe stayed flat, amounted to HK\$282.1 million.

We are pleased to note that our result in exploring other markets has been promising. Sales to Australia, South America and other countries amounted to HK\$68.1 million, HK\$96.6 million and HK\$166.1 million, representing encouraging growth of 27.5%, 77.9% and 9.3% respectively over last year.

### **Outlook**

In anticipation of the high and volatile oil and commodity prices, we believe the year ahead is still full of challenge. Despite the pricing pressure on raw materials, we will keep on discussing with suppliers and customers to share the related impact. The Group is also investigating ways in further enhancing production efficiencies in order to lower our cost of production.

On the marketing side, more resources in research and development will be incurred in the coming year with an aim to launch new product designs to cope with the market when consumer confidence is picking up. Efforts will also be placed in the development of the potential sectors like car seats and battery-operated ride-on cars.

We can expect to see the Group offering an increasingly diversified and balanced product portfolio. The Group will also remain open to vertical and horizontal expansion and is well positioned to grasp opportunities arising from the recovering economy.

## Employees and remuneration policies

As at 31st December, 2004, the group employed a total workforce of over 6,800 staff members, of which 6,650 worked in the PRC production sites. The remaining worked in the marketing, R & D and other administrative departments in our Hong Kong and Taiwan offices. 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 and financial resources

The Group adopts a conservative policy in its financial management and maintains a solid financial position. The Board is in the opinion that the Group has sufficient resources to support its operations and meet its foreseeable capital expenditure.

As at 31st December, 2004, the Group had cash and bank balances, mainly in US and Hong Kong currencies, of HK\$175.6 million (2003: HK\$95.1 million) and was free of bank borrowings (2003: HK\$15.3 million). The Group's gearing ratio, expressed as total bank borrowings to shareholders' fund, thus dropped to zero from 0.02 of 2003.

As at 31st December, 2004, the Group had net current assets of HK\$298.3 million (2003: HK\$225.5 million) and an improved current ratio of 2.4 compared with 1.8 in 2003. Trade receivable and inventory turnover were 55 days (2003: 59 days) and 49 days (2003: 46 days) respectively.

## Exchange risk exposure and contingent liabilities

The sales of the Group are mainly denominated in US dollars and purchases are mainly in HK dollars, Renminbi and New Taiwanese dollars. The Group does not foresee significant risk in exchange rate fluctuation and no financial instruments have been used for hedging purposes.

As at 31st December, 2004, the Group had no significant contingent liabilities.

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, the Company repurchased its own shares through The Stock Exchange of Hong Kong Limited (the "SEHK") as follows:

Month of repurchase	Number of ordinary shares of HK\$0.10 each	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
October 2004	232,000	1.27	1.26	293
November 2004	510,000	1.27	1.24	641
	<u>742,000</u>			<u>934</u>

## **CORPORATE GOVERNANCE**

The results of the Group for the year ended 31st December, 2004 has been reviewed by the audit committee with management and the external auditors.

The Company throughout the year ended 31st December, 2004 complied with the Code of Best Practice set out in Appendix 14 of the Rules Governing the Listing of Securities of the SEHK (the "Listing Rules") which was in force prior to 1st January, 2005, except that the independent non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

## **PUBLICATION OF RESULTS ON THE SEHK WEBSITE**

All the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules in force prior to 31st March, 2004, which remain applicable to results announcement in respect of accounting periods commencing before 1st July, 2004 under the transitional arrangements, will be published on the website of the SEHK in due course.

## **APPRECIATION**

I would like to express my sincere gratitude to Mr. Chen An-Hsin for his past contributions to the Group. I would also like to take this opportunity to thank our shareholders, business partners and employees for their efforts and supports.

By Order of the Board  
**Huang Ying Yuan**  
*Chairman*

Hong Kong, 14th April, 2005

*As at the date of this announcement, the Board of Directors of the Company comprises of Mr. Huang Ying Yuan, Mr. Chen Hsing Shin, Madam Huang Chen Li Chu and Mr. Leung Man Fai being the Executive Directors, and Mr. Lim Pat Wah Patrick, Mr. Huang Zhi Wei and Mr. Yang Yu Fu being the Independent Non-Executive Directors.*

\* *for identification purposes only*

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## **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 Kennedy Room, 7/F, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 7th June, 2005 at 3:00 p.m. for the following purposes:

1. To receive and consider the audited consolidated financial statements of the Company and its subsidiaries and the reports of the directors and auditors for the year ended 31st December, 2004.
2. To declare a final dividend for the year ended 31st December, 2004.
3. To re-elect the retiring directors and to authorise the Board of Directors to fix the directors' remuneration for the year ending 31st December, 2005.

4. To re-appoint auditors and to authorise the Board of Directors to fix their remuneration.
5. As special business, to consider and if thought fit, pass the following resolutions as Ordinary Resolutions:

A. **“THAT:**

- (a) subject to sub-paragraph (c) of this Resolution, the exercise by the directors of the Company during the relevant period of all the powers of the Company to allot, issue and deal with additional shares in the capital 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) above shall authorise the directors of the Company 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 the 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 twenty per cent of the aggregate nominal amount of the issued share capital of the Company, and this approval shall be limited accordingly; and
- (d) for the purpose 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 way of ordinary resolution in general meeting; and



“rights issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company 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 recognised regulatory body or any stock exchange).”

**B. “THAT:**

- (a) subject to sub-paragraph (b) below, the exercise by the directors of the Company during the relevant period of all the powers of the Company to purchase its own securities, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the shares to be repurchased by the Company pursuant to sub-paragraph (a) of this resolution during the relevant period shall not exceed 10 per cent of the shares of the Company in issue at the date of this Resolution; and
- (c) for the purpose 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 way of ordinary resolution in general meeting.”

- C. “**THAT**, conditional upon Resolutions 5A and 5B in the notice convening this meeting being passed, the aggregate nominal amount of number of shares which are repurchased by the Company after this resolution becoming effective (up to maximum of 10 per cent of the issued share capital of the Company in issue at the date of this resolution) 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 5A in the said notice referred to above.”

By order of the Board  
**Kwok Wai Lok**  
*Company Secretary*

Hong Kong, 14th April, 2005

*Notes:*

- (1) Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (2) To be effective, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company's branch share registrar in Hong Kong, Secretaries Limited at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a Member of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (3) The register of members of the Company will be closed from Friday, 3rd June, 2005 to Tuesday, 7th June, 2005 (both days inclusive) during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to the proposed final dividend for the year ended 31st December, 2004 and for attending and voting at the above meeting, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Secretaries Limited at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on 2nd June, 2005.
- (4) 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.