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Group.

# Chairman's Statement

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 (collectively the "Group") for the year ended 31st December, 2002.

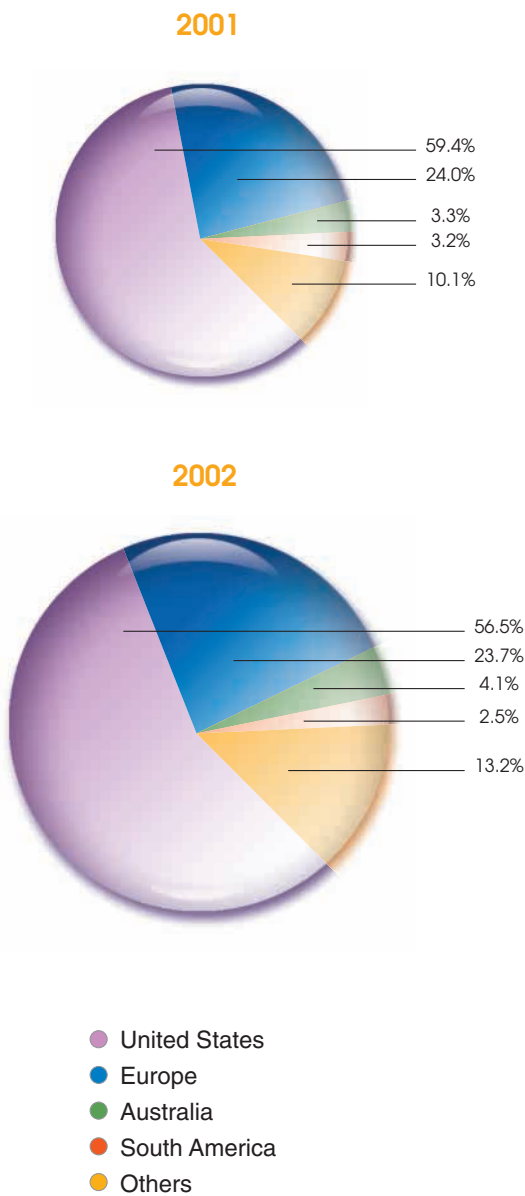
## FINANCIAL RESULTS AND DIVIDENDS

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 year was HK12.89 cents, down from HK14.62 cents in the prior year.



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Turnover by Region  
For the year ended 31st December



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 per share.

**BUSINESS REVIEW**

Under the backdrop that the 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 the 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 for infant products, “Peek-a-boo”, 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

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under renowned brands, from daily necessities to toys and apparels for infants. This one-stop concept was well accepted by customers and the Group had gained 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 real demand was. 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 show in Dallas in the US from October to May the 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.

### 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 this 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.

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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.

### APPRECIATION

I would like to take this opportunity to express our sincere appreciation for the continuous support from our shareholders, customers and suppliers as well as the dedication from our staff.

**HUANG Ying Yuan**

*Chairman*

Hong Kong, 10th April, 2003

