

Confronting with the slackening global economy and the adverse business environment in 2001, the Group has nonetheless been able to maintain its leading position



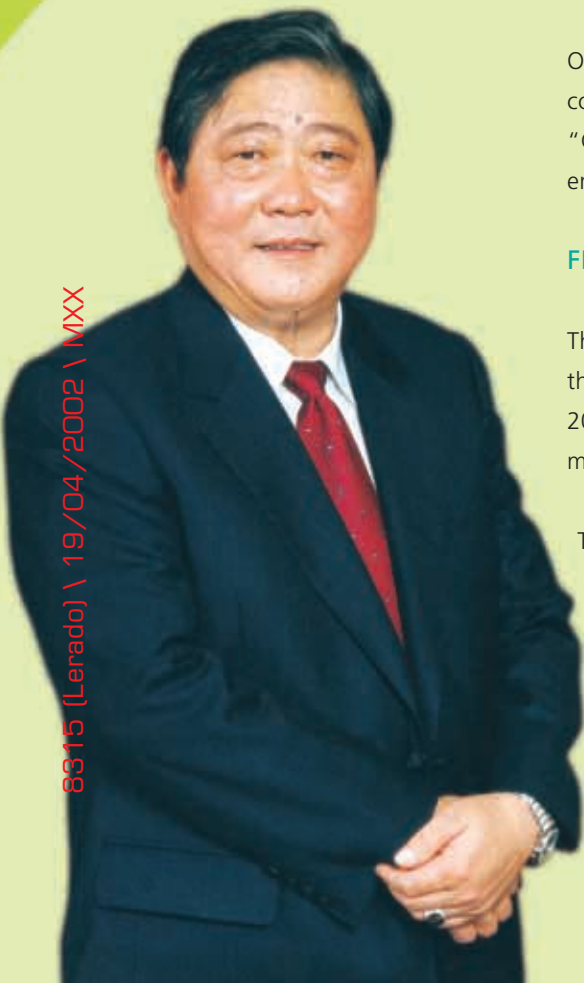
Dear Shareholders,

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, 2001.

FINANCIAL RESULTS AND DIVIDENDS

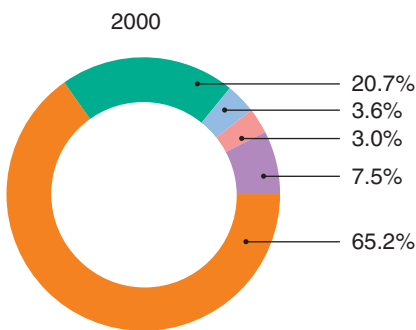
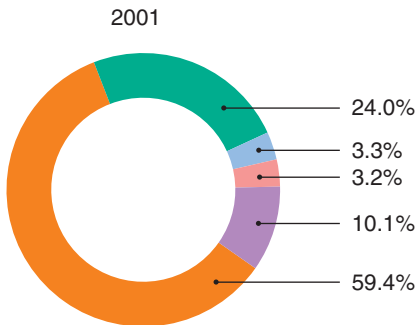
The Group reported a total turnover of approximately HK\$1,117.9 million for the year ended 31st December, 2001, a mild decrease of 5.3% over that of 2000. Profit attributable to shareholders decreased by 17.5% to HK\$105.9 million. Basic earnings per share amounted to HK14.62 cents.

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.



Turnover by Region

For the year ended 31st December



BUSINESS REVIEW

Confronting with the slackening global economy and the adverse business environment in 2001, the Group has nonetheless been able to maintain its leading position in major infant and pre-school product markets through quality enhancement and innovation.

The slowdown in the US market has resulted in a more cautious consumption habit and the importers have adopted a prudent inventory approach. Sales in the US market decreased by 13.6% over last year to approximately HK\$664.4 million. Affected by the September 11 incident, one of the largest infant product trade shows in Dallas in the US which is an excellent platform for the Group's ODM and OEM clients (mostly famous infant brands) to introduce their new products to the market each year, was postponed from October 2001 to May 2002, therefore upsetting the seasonal pattern of the industry. On top of that, clouded by many uncertainties and negative sentiments in the year, the market has become more volatile and hard to predict. Nevertheless, with its flexible product strategy and unparalleled quality, the Group continued to maintain its dominating share in the market.

Conforming with the Group's strategy of developing a well-balanced and diversified revenue base geographically, encouraging and even growth was seen in most lines of the Group's products in the European market with total turnover surging 9.7% to approximately HK\$267.8 million. During the year, equipped with a rich product offering, supreme quality as well as an effective marketing strategy, the Group actively captured the opportunities arising from the outsourcing trend. Our efforts were rewarded by the addition of two renowned European brands for infant products on our top five client portfolio. The Board believes that such a balanced global market mix will benefit the Group's long-term development by not only broadening its revenue sources but also minimising the risk of over-reliance on one single market.

Sales to Australia, South America and other countries reported steady growth with an aggregate turnover of HK\$185.7 million, representing an overall increase of 11.4%. Among these markets, the PRC market, though currently accounts for only 2.2% of the Group's total turnover, achieved brilliant performance and continued to expand at multiple rates, demonstrating a growing acceptance of the Group's products in the country.

PROSPECTS AND FUTURE PLANS

With recent signs of recovery in the US economy and the pickup of the country's consumer confidence since mid 2001, the Board expects a better business environment in the second half of 2002. The Board is also optimistic that the postponed Dallas trade show to be held in May 2002 will be able to bring new business opportunities to the Group. The Group is aware of the many uncertainties ahead and will remain cautious about and resilient to the changing market situation.

In the coming year, the Group will continue to optimise its diversification in revenue sources geographically. The Group believes that the increasing outsourcing trend for the manufacture of infant and pre-school products in the European market will be the key growth driver in the next two years. To pursue more opportunities in this market, the Group will further strengthen its sales and marketing activities as well as fully utilise its R&D capabilities to innovate and perfect its products and designs.





While the globe is facing a downturn, the PRC's economy is soaring to new heights. The Group sees a huge growth potential for infant products in the PRC. To capture the affluence and growing consumption power of the Chinese population, the Group will devote more efforts in opening up the market by enriching its product offering and expanding its distribution network in the PRC.



In a nutshell, our commitment to quality, our ability to innovate, our determination to diversify our income base, together with a sound financial position will continue to lead us to thrive. With the improving business environment, the Board is confident that the Group will be able to achieve a better development and enlarge our shareholders' value in the coming year.

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 heartiest 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.

HUANG Ying Yuan

Chairman

Hong Kong, 16th April, 2002