



## LERADO GROUP (HOLDING) COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

Website: <http://www.irasia.com/listco/hk/lerado>

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 1999

#### Financial Highlights

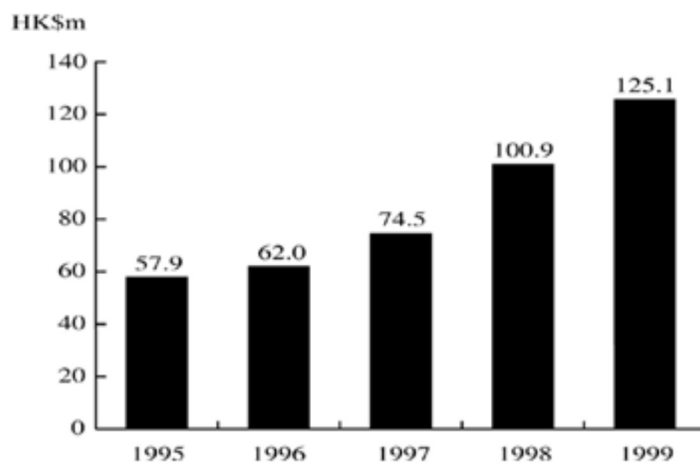
- Turnover: HK\$1,066.7 million, increased by 11.1%
- Profit attributable to shareholders: HK\$125.1 million, increased by 24.0%
- Final dividend: HK6 cents per share
- Net profit margin: 11.7% (1998: 10.5%)
- Return on average capital employed: 28.0%

#### Financial Summary

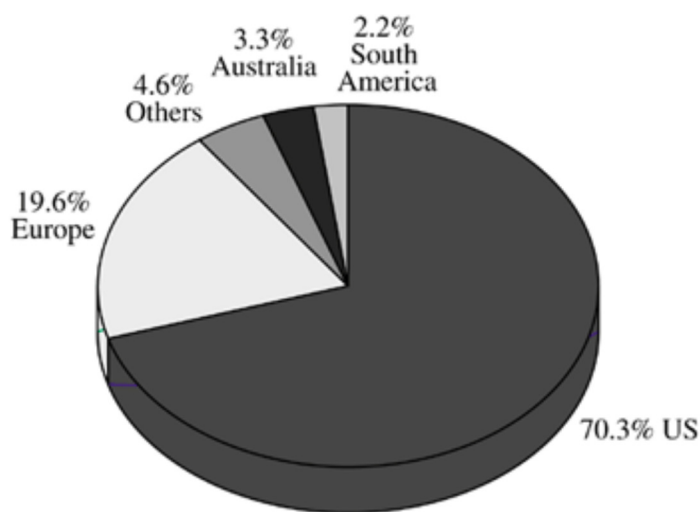
##### Turnover Trend



##### Net Profit Trend



**Breakdown of Turnover by Geographical Areas in 1999**



**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, 1999, together with the comparative figures for the year ended 31st December, 1998 as follows:

	Notes	1999 HK\$ '000	1998 HK\$ '000
Turnover		1,066,666	959,710
Cost of sales		(763,739)	(695,740)
Gross profit		302,927	263,970
Other revenue		16,570	14,035
Distribution costs		(107,070)	(91,433)
Administrative expenses		(89,993)	(81,438)
Profit from operations		122,434	105,134
Finance costs		(1,556)	(4,649)
Investment income		11,656	4,193
Profit from ordinary activities before taxation		132,534	104,678
Income tax expense	2	7,389	3,790

Profit before minority interest		125,145	100,888
Minority interest		(1)	--
Profit attributable to shareholders	3	125,146	100,888
Dividends	4	65,391	37,456
EARNINGS PER SHARE	5		
Basic		17.33 cents	18.71 cents
Diluted		17.26 cents	N/A

**Notes:****1. Basis of Presentation**

The Company is an exempted company with limited liability in Bermuda under The Companies Act 1981 of Bermuda (as amended) and its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The companies in the Group underwent a group reorganisation in preparation for the listing of the Company's shares on the Stock Exchange in December 1998. Details of the group reorganisation are set out in the prospectus of the Company dated 8th December, 1998. The comparative financial statements of the Group for the year ended 31st December, 1998 were prepared on the basis as if the Company had always been the ultimate holding company of the Group. In the opinion of the directors of the Company, the financial statements, prepared on this basis, present fairly the state of affairs and the results of the Group as a whole.

**2. Income Tax Expense**

	1999	1998
	HK\$ '000	HK\$ '000
The charge comprises:		
Hong Kong Profits Tax		
Current year	300	620
Overprovision in prior years (note)	(198)	(3,300)
	-----	-----
	102	(2,680)
	-----	-----
Overseas taxation		
Other regions in the People's Republic of China (the "PRC")	6,345	5,417
Other jurisdictions	942	1,013
	-----	-----
	7,287	6,430
	-----	-----
Deferred taxation		
Current year	--	45
Attributable to a change in tax rate	--	(5)
	-----	-----
	--	40
	-----	-----
	7,389	3,790
	=====	=====

**Note:** The overprovision of Hong Kong Profits Tax for the year ended 31st December, 1998 represented a reverse of tax provision made in previous years in respect of an offshore claim which was finalised in that year.

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\$125,146,000 (1998: HK\$100,888,000), a profit of approximately HK\$65,310,000 (1998: HK\$1,143,000) has been dealt with in the financial statements of the Company.

### 4. Dividends

	1999 HK\$ '000	1998 HK\$ '000
Interim dividend of HK3 cents per ordinary share	21,786	--
Proposed final dividend in cash form equivalent to HK6 cents per share, with a scrip option	43,605	--
Dividends paid by a subsidiary of the Company to its then shareholders prior to the Group reorganisation referred to in note 1	--	37,456
	-----	-----
	65,391	37,456
	=====	=====

### 5. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	1999	1998
Profit attributable to shareholders and earnings for the purposes of the basic and diluted earnings per share	HK\$125,146,000 =====	HK\$100,888,000 =====
Weighted average number of ordinary shares for the purposes of basic earnings per share	721,959,671	539,337,120
Effect of dilutive potential ordinary shares in respect of share options	3,286,784 -----	N/A -----
Weighted average number of ordinary shares for the purposes of diluted earnings per share	725,246,455 =====	N/A =====

### 6. Transfer to/from reserves

During the year, HK\$4,653,000 was transferred from the profit and loss account to the statutory surplus reserve fund.

#### DIVIDEND

The Board of Directors will recommend to pay a final dividend of HK6 cents per share. Together with an interim dividend of HK3 cents per share, the total dividend of the year under review will amount to HK9 cents. The final dividend will be satisfied by way of cash with an option to elect scrip dividend of shares, payable to the shareholders whose names appear in the register of members of the Company on 29th May, 2000. Dividend warrants are expected to be sent out before 30th June, 2000. Further details will be announced in due course.

#### BUSINESS REVIEW

##### Sales and Marketing

- Four main product categories: strollers, beds, soft goods and accessories. Strollers continue to be the largest revenue contributor with sales amounted to HK\$740,805,000, representing 69.5% of the total

turnover.

- The Group's products were manufactured on ODM and OEM basis and were sold to more than 80 customers in over 50 countries.
- The US remained to be the largest market with sales amounted to HK\$749,994,000, accounting for 70.3% of the total turnover. 2,596,000 pieces of strollers were sold to the US in the year under review.
- Sales to Europe, our second largest market, increased by 12.7% to HK\$208,504,000, primarily because of strong economic growth and the trend that European manufacturers are outsourcing to other manufacturers so as to lower production cost.

### **Major Achievements**

#### *Join forces with Step2*

- Successfully formed a strategic alliance with Step2 Company ("Step2"), a leading US-based manufacturer of quality plastic products for children.
- Step2 has transferred its technical expertise and production mouldings to Lerado.
- The Group's Shanghai factory has resumed production and is preparing to manufacture products under Step2's brandname, including children's furniture, creative play toys, playhouses and riding toys.

#### *Commenced production of battery operated ride-on cars*

- Commenced the production of three models of battery operated ride-on cars for the US market, one on ODM and two on OEM bases.
- These models comply with the highest safety standards in a number of countries.

### **Market Opportunities**

- Birth rate in the US started to pick up again in 1998 after a decrease was seen in eight consecutive years.
- The average amount that can be afforded by each household on each child has increased.
- Baby boomers in the US are reaching their prime childbearing years.
- Parents accorded higher priority to safety and innovative features over price.
- European markets offer significant growth potential due to strong outsourcing trend.

### **FUTURE PLANS**

- Develop battery operated ride-on cars that carry the Group's brandname in the US.
- Seize opportunities arising from the outsourcing trend in Europe.
- Establish a solid foundation in the PRC to promote products under the brandname "Angel" to capture emerging opportunities.
- Diversify product portfolio through strategic cooperation with Step2 and other business partners.
- Increase the proportion of production and sales of strollers with self designed innovative features.
- Expand product range for children to the age group of 3--6 years old.
- Explore e-commerce opportunities through the internet to attain further global reach.

### **YEAR 2000 ISSUE**

The Group's compliance program regarding Year 2000 compliance efforts has been disclosed previously in the 1999 Annual Report. The program was completed on schedule with all the critical system of the Group being Year 2000 compliant. The Group has successfully passed through the millennium rollover, with smooth

transition on the major critical dates of 31st December, 1999 and 29th February, 2000. The Group does not expect any significant problem which may arise from the Year 2000 Issue.

The Group has, within our budget for the Year 2000 Issue, incurred approximately HK\$1,900,000. This comprised mainly acquisitions of new computer hardware and software, which are treated as capital expenditure and are amortised over their expected useful lives. The Group has no further material commitment relating to this issue.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 25th to 29th May, 2000, 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 Registrar, Secretaries Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, not later than 4:00 p.m. on 24th May, 2000.

## **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.

## **GRATITUDE**

On behalf of the Board of Directors, I wish to extend our gratitude to all customers and business associates for putting their trust in our capabilities. May I also take this opportunity to express my heartiest thanks to all our employees for their hard work and loyalty.

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

Hong Kong, 18th April, 2000

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Source: Lerado Group (Holding) Company Limited

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