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LERADO
LERADO GROUP
隆成集團

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 31 DECEMBER 2009

The Board of Directors (the "Board") of Lerado Group (Holding) Company Limited (the "Company") presents the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2009, together with the comparative figures, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009

		2009	2008
	NOTES	***HK$'000***	*HK$'000*
Revenue	*2*	**1,291,848**	1,490,884
Cost of sales		**(944,645)**	(1,163,673)
Gross profit		**347,203**	327,211
Other income		**14,764**	13,128
Other gains and losses		**660**	1,793
Marketing and distribution costs		**(124,673)**	(110,595)
Research and development expenses		**(46,680)**	(44,060)
Administrative expenses		**(105,020)**	(110,209)
Other expenses		**(3,011)**	(2,786)
Share of result of an associate		**(584)**	(581)
Finance cost		**—**	(417)
Profit before taxation		**82,659**	73,484
Income tax expense	*3*	**(12,328)**	(16,052)
Profit for the year	*4*	**70,331**	57,432

	NOTES	2009 HK$'000	2008 HK$'000
Other comprehensive income			
Exchange differences arising from translation		**2,110**	28,498
Share of exchange difference of an associate		**18**	(165)
Gain on revaluation of land and buildings		**22,041**	13,864
Deferred tax liability arising on revaluation of land and buildings		**(4,464)**	(3,072)
Other comprehensive income for the year (net of tax)		**19,705**	39,125
Total comprehensive income for the year		**90,036**	96,557
Profit for the year attributable to:			
Owners of the Company		**70,248**	56,943
Minority interests		**83**	489
		70,331	57,432
Total comprehensive income attributable to:			
Owners of the Company		**89,953**	96,068
Minority interest		**83**	489
		90,036	96,557
Earnings per share	*6*		
Basic		**HK9.65 cents**	HK7.83 cents
Diluted		**HK9.54 cents**	HK7.83 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment		**344,627**	325,144
Prepaid lease payments		**83,295**	65,644
Intellectual property rights		**5,542**	8,431
Investment in an associate		**6,175**	6,741
Available-for-sale investments		**4,672**	4,664
Deferred tax assets		**1,319**	2,125
Deposits paid for lease premium of land		**3,084**	—
		448,714	412,749
Current assets			
Inventories	*7*	**174,596**	204,605
Trade and other receivables and prepayments	*8*	**270,820**	323,443
Prepaid lease payments		**1,810**	858
Derivative financial instruments		**2,957**	15,297
Taxation recoverable		**1,580**	852
Bank balances and cash		**304,077**	179,872
		755,840	724,927
Current liabilities			
Trade and other payables and accruals	*9*	**233,374**	223,926
Taxation payable		**10,167**	15,373
Derivative financial instruments		**—**	9,785
		243,541	249,084
Net current assets		**512,299**	475,843
		961,013	888,592
Capital and reserves			
Share capital		**74,730**	72,681
Reserves		**858,638**	796,998
Equity attributable to owners of the Company		**933,368**	869,679
Minority interests		**1,578**	1,495
Total equity		**934,946**	871,174
Non-current liability			
Deferred tax liabilities		**26,067**	17,418
		961,013	888,592

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) — Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) — Int 13	Customer Loyalty Programmes
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting years.

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 2) and changes in the basis of measurement of segment profit or loss.

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early applied the following new or revised Standards, Amendments or Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 July 2010
6 Effective for annual periods beginning on or after 1 January 2011
7 Effective for annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised 2008) may affect the accounting for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in a partner's ownership interest in a subsidiary.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of "Improvements to HKFRSs" issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

2. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, the Group's Executive Directors, in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard (HKAS 14, "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

In prior years, primary segment information was analysed on the basis of the types of goods sold by the Group's operating divisions (i.e. strollers, car seats and boosters, beds and playards, miscellaneous infant products and others). However, information reported to the Group's Executive Directors for the purposes of resource allocation and performance assessment focuses more specifically on the principal activities of the Group. The principal activities of the Group included manufacture and distribution of juvenile and infant products, retail sales of juvenile and infant products and others. Accordingly, the Group's reportable segments are redesignated under HKFRS 8.

The Group's reportable segments under HKFRS 8 are therefore as follows:

— manufacture and distribution of juvenile and infant products — manufacture and distribution of strollers, car seats, boosters, beds and playards and etc;

— retail sales of juvenile and infant products — retailing of milk powder, diapers, nursery products, food, apparel, strollers and etc;

— All others — manufacture and distribution of nursery and medical care products and etc.

The Group's Executive Directors make decisions according to the operating results of each segment and reports on the ageing analysis of inventories and trade receivables. No information of segment assets and liabilities is available for the assessment of performance of different business activities. Therefore, only segment results are presented.

Information regarding the above segments is reported below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

For the year ended 31 December 2009

	Manufacture and distribution of juvenile and infant products *HK$'000*	**Retail sale of juvenile and infant products** *HK$'000*	**All others** *HK$'000*	**Consolidated** *HK$'000*
REVENUE				
External sales	**1,101,706**	**55,096**	**135,046**	**1,291,848**
Segment profit (loss)	**124,447**	**(28,721)**	**(4,572)**	**91,154**
Interest income				**1,786**
Gain on fair value change on derivative financial instruments				**1,637**
Central administrative costs				**(11,334)**
Share of result of an associate				**(584)**
Profit before taxation				**82,659**

For the year ended 31 December 2008

	Manufacture and distribution of juvenile and infant products *HK$'000*	Retail sale of juvenile and infant products *HK$'000*	All others *HK$'000*	Consolidated *HK$'000*
REVENUE				
External sales	1,313,472	16,554	160,858	1,490,884
Segment profit (loss)	104,306	(15,323)	(9,144)	79,839
Interest income				3,767
Gain on fair value change on derivative financial instruments				2,669
Central administrative costs				(11,793)
Share of result of an associate				(581)
Finance cost				(417)
Profit before taxation				73,484

3. INCOME TAX EXPENSE

	2009	2008
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**876**	1,945
PRC Enterprise Income Tax	**6,137**	10,763
Other jurisdictions	**1,611**	905
	8,624	13,613
(Over) underprovision in prior years:		
Hong Kong Profits Tax	**(884)**	—
PRC Enterprise Income Tax	**(400)**	585
Other jurisdictions	**—**	428
	(1,284)	1,013
Deferred taxation:		
Current year	**4,988**	1,426
	12,328	16,052

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, a PRC subsidiary of the Company is entitled to an exemption from PRC Enterprise Income Tax for two years starting from its first profit making year, followed by a 50% relief in PRC Enterprise Income Tax rate for the next three years. 2007 is the first year of tax exemption granted to that subsidiary. Under the EIT Law, the relief shall continue and be accounted for based on the PRC Enterprise Income Tax rate of 25%. In addition, another PRC subsidiary of the Company was regarded as "High-tech Enterprise" during the year. Accordingly, that PRC subsidiary was subject to a reduced PRC Enterprise Income Tax rate of 15% for the year ended 31 December 2009.

As stated on the Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18 October 1999, the Group's Macau subsidiary is exempted from Macao Complementary Tax.

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

4. PROFIT FOR THE YEAR

	2009 *HK$'000*	2008 *HK$'000*
Profit for the year has been arrived at after charging:		
Salaries, allowances and bonuses, including those of directors	**206,114**	214,533
Contributions to retirement benefit schemes, including those of directors	**6,705**	6,909
Employee share-based payments	**665**	2,445
Total employee benefits expense, including those of directors	**213,484**	223,887
Amortisation of prepaid lease payments	**1,544**	1,495
Amortisation of intellectual property rights (included in other expenses)	**2,789**	2,786
Auditor's remuneration	**2,166**	2,061
Cost of inventories recognised as an expense	**745,344**	941,112
Depreciation of property, plant and equipment	**35,704**	39,620
Impairment loss on trade receivables	**7,638**	4,449
Impairment loss on intellectual property rights (included in other expenses)	**222**	—
Write-down of inventories to net realisable value	**288**	12,285
and after crediting:		
Bank interest income	**1,786**	3,767
Property rental income net of negligible outgoing expenses	**517**	323
Recovery of doubtful debts	**2,350**	1,636

5. DIVIDENDS

	2009 *HK$'000*	2008 *HK$'000*
Dividends recognised as distribution during the year:		
2008 final dividend of HK3.5 cents (2008: 2007 final dividend of HK3.5 cents) per share	**25,438**	25,460
2009 interim dividend of HK2.0 cents (2008: 2008 interim dividend of HK1.5 cents) per share	**14,541**	10,911
	39,979	36,371

A final dividend of HK4.5 cents per share in respect of the year ended 31 December 2009 (2008: final dividend of HK3.5 cents per share in respect of the year ended 31 December 2008), amounting to approximately HK$33,777,000, has been proposed by the Board of 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 attributable to the owners of the Company is based on the following data:

	2009	2008
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company	**70,248**	56,943
	Number of shares	*Number of shares*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**728,161,957**	726,865,642
Effect of dilutive potential ordinary shares in respect of share options	**7,944,995**	416,814
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**736,106,952**	727,282,456

7. INVENTORIES

	2009	2008
	HK$'000	*HK$'000*
Raw materials	**56,929**	67,920
Work in progress	**33,121**	32,557
Finished goods	**84,546**	104,128
	174,596	204,605

8. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**217,155**	234,439
Less: allowance for doubtful debts	**(17,143)**	(11,855)
	200,012	222,584
Purchase deposits, other receivables and deposits	**34,388**	37,736
Advance to a supplier	**18,828**	47,118
Prepayments	**17,592**	16,005
Trade and other receivables and prepayments	**270,820**	323,443

Other receivables are unsecured, interest-free and repayable on demand.

The Group allows an average credit period of 60 days to its customers. The following is an aged anlaysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of reporting period:

	2009	2008
	HK$'000	*HK$'000*
Within 30 days	**101,572**	118,539
31 to 90 days	**81,971**	91,431
Over 90 days	**16,469**	12,614
	200,012	222,584

9. TRADE AND OTHER PAYABLES AND ACCRUALS

	2009	2008
	HK$'000	*HK$'000*
Trade payables	**143,788**	136,243
Accrued expenses	**47,261**	43,857
Other payables	**42,325**	43,826
	233,374	223,926

Other payables are unsecured, interest-free and repayable on demand.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2009	2008
	HK$'000	*HK$'000*
Within 30 days	**66,218**	69,753
31 to 90 days	**63,981**	58,306
Over 90 days	**13,589**	8,184
	143,788	136,243

The average credit period on purchases of goods is 60 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

DIVIDENDS

The Board recommends a final dividend of HK4.5 cents per share. Together with an interim dividend of HK2.0 cents per share, the total dividend of the year under review amounts to HK6.5 cents per share. The final dividend will be payable to the shareholders whose names appear in the register of members of the Company on 17 June 2010. Dividend warrants are expected to be sent out on or before 28 June 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 14 to 17 June 2010, 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, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on 11 June 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group reported consolidated turnover of HK$1,291.8 million for the year ended 31 December 2009 (2008: HK$1,490.9 million) representing a decrease of 13.4% over last year. The profit attributable to equity holders of the Company increased by 23.4% to HK$70.2 million (2008: HK$56.9 million). Basic earnings per share increased from HK7.83 cents to HK 9.65 cents.

During the year, due to the contraction in demand led by the global financial recession, the revenue of the Group for the year decreased by 13.4% to HK$1,291.8 million. Sales to US came down by 8.0% and Europe dropped by 19.1%. During the year, the Group's retail business in the PRC recorded remarkable growth with the sales amounting to HK$55.1 million representing to 4.3% of the Group's revenue (2008: 1.1%). Compared to last year, the overall gross profit margin improved from 21.9% to 26.9%. The improvement was mainly attributable to the product mix enhancement and ongoing reductions in production costs. During the year, the Group has successfully launched a series of new models which carried higher margins. This achievement was mainly due to great contribution brought from the Group's research and development ("R&D") and sales teams. The Group also achieved substantial reductions in production costs with the implementation of numerous contingent cost control and streamlined manufacturing measures.

Due to expansion of the Group's retail business in the PRC, both its marketing and distribution costs and administrative expenses increased during the year. The weight of marketing and distribution costs to revenues increased from 7.4% of the last year to 9.7% in 2009. The weight of administrative expenses to revenue increased from 7.4% last year to 8.1% in 2009.

Compared to last year, the Group's R&D costs increased by approximately HK$2.6 million. The weight of R&D costs to revenues increased from 3.0% of the last year to 3.6% in 2009. Recognizing the importance of the ability to continuously develop advanced products to meet the market needs, we invested more resources in product innovation and enhancement during the year. The Group accelerated the pace of technological and product development during the year. We have started several product development projects to respond to increasing customers' needs.

Revenue from retail business of the Group amounted to approximately HK$55.1 million, whereas the operating loss was HK$28.7 million. The Group has proactively explored the PRC market during the year. As at 31 December 2009, the number of shops under direct operation was 46. During the year, the Group reviewed the locations and total number of shops and then implemented strategic adjustments for different territorial areas by opening and closing retail shops. The adjustments resulted in a one-off expense of shops closure. The operating loss was mainly attributable to a number of proactive investments made by the Group during the year, which included increase in manpower and enhancement of operating facilities. The Group has already implemented various policies with the aim to promote operating efficiency and effectiveness and the result was satisfactory.

PROSPECTS

Looking ahead, the Group is expected to resume higher revenue growth in 2010. We expect the ongoing launching of new models resulted from product development projects and the continuous global economics recovery will result to increasing market demand. We strongly believe R&D is one of the core competitiveness of the Group. The Group employed almost 200 people in R&D department and it represented 3.9% of the Group's total employees. The number of patents including under application and well received was more than 1,500. The patents related to product features and designs. Unlike the other infant product manufacturers which put focus on mass production of single product, the Group developed competitive advantage by making use of flexible production ability and sufficient R&D talents to develop higher margin tailor-made production projects for different customers. We will continuously maintain the close partnership with customers and actively involve in the product development projects as well as product promotion schemes with customers. In addition, the management will continue to uphold stringent cost control that is expected to lower the Group's operating costs and enhance its profit margin.

According to the survey conducted by the National Bureau of Statistics of China, there are approximately 180 million children who are under six years old in China. Besides, the survey revealed that each family spends over 33% in average of household expenses on their children and it projected the market size of juvenile and infant products in China was over RMB 200 billion. We maintain to be cautiously optimistic towards the future development of the juvenile and infant products market in China. The Group will make use of its powerful R&D ability and production capacity to produce popular products that suit the consumers' needs. Besides, we will also put focus on the enhancement of Group's selling force to further develop sale networks in China. On the other hand, we will continuously apply practical and proactive operating strategies on juvenile and infant products retail business in China. While striving to source supply with competitiveness, the management would at the same time continue to improve the merchandise design and adjust its product mix according to the needs of individual shop so as to enhance the margin of the Group's retail operation. Moreover, the Group would not rule out the possibility of exploring business development and investments opportunities to enhance the market share of the Group in the PRC so as to achieve the operating objectives of the Company and pursue more prosperous return for our shareholders.

Capital Expenditures

As requested by the local provincial authority to adapt its urban redevelopment project, the Group started to relocate part of its plants from the affected district to nearby district phase by phase. The Group's vacant land would be changed to non-industrial usage under the urban redevelopment project. During the year, the additional land costs for the new plants was approximately HK$23.1 million. The Group scheduled to relocate the production capacity gradually from the old plants to the new plants in 3 years. The management expected the capital expenditures including additional land costs and construction costs would be approximately RMB95.0 million for the coming 3 years in total. In addition, the Group actively introduced advanced production equipments to plants in order to increase production efficiency by replacing certain manpower with semi-automatic equipments. The amount of advance production equipments introduced was approximately HK$16.1 million during the year.

Cash Flow and Financial Resources

During the year, the Group generated cash form operating of HK$214.7 million (2008: net cash outflow HK$3.8 million). This figure represented profit before tax of HK$82.7 million, plus adjustments for non-cash items such as depreciation and amortization of HK$40.0 million and net increase in working capital of HK$90.7 million and plus other adjustments of HK$1.3 million.

As at 31 December 2009, the Group's bank balances and cash, mainly in US dollars and Renminbi, was HK$304.1 million (2008: HK$179.9 million). Supported by its strong cash flows, the Group was free of bank borrowings as at 31 December 2009 (31 December 2008: nil).

As at 31 December 2009, the Group had net current assets of HK$512.3 million (2008: HK$475.8 million) and a current ratio of 3.1 (2008: 2.9). Trade receivable and inventory turnover were 60 days (2008: 50 days) and 73 days (2008: 60 days) respectively.

Exchange Risk Exposure and Contingent Liabilities

The Group's monetary assets, liabilities and transactions are mainly denominated in Hong Kong dollar, Renminbi, US dollar, Euro and New Taiwan dollar. The management believes the Group's working capital is not exposed to any significant foreign exchange risk. Foreign exchange risk arising from transactions denominated in foreign currencies are managed whenever necessary by the Group, using foreign exchange forward contracts with major and reputable financial institutions.

As at 31 December 2009, the Group had no significant contingent liabilities.

Employees and Remuneration Policies

As at 31 December 2009, the Group employed a total workforce of around 5,200 staff members, of which above 5,000 worked in the PRC offices and production sites, above 90 in Taiwan mainly for marketing, sales support and research and development, 28 in the US office for marketing, sales support and research and development and 11 in HK and Macau for finance and administration.

Proposed offering of Taiwan Depositary Receipts ("TDR")

TDR Issue has been approved by the Securities and Futures Bureau, which is under the Financial Supervisory Commission of Executive Yuan of Taiwan, on 29 January 2010. The Company is determining with the underwriter of the TDR on the timetable for launching the TDR in Taiwan and further announcement will be made by the Company on the details of the structure and timetable of the TDR Issue in due course.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the year, the Company has complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the required standard as set out in the Model Code throughout the year.

AUDIT COMMITTEE

The Audit Committee of the Company comprising the three Independent Non-executive Directors, has reviewed the accounting principles and practices adopted by the Company and has discussed auditing, internal control and financial reporting matters. The Audit Committee has reviewed the Group's audited financial statements for the year ended 31 December 2009.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held in Hong Kong on Friday, 18 June 2010 at 2:30 p.m. A notice of the annual general meeting will be issued and delivered to shareholders of the Company in due course.

PUBLICATION OF ANNUAL REPORT

The Company's annual report containing all the relevant information required by the Listing Rules will be published in due course on the website of The Hong Kong Exchange and Clearing Limited at www.hkex.com.hk and the website at www.irasia.com/listco/hk/lerado/index.htm.

By order of the Board
Huang Ying Yuan
Chairman

19 April 2010

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Huang Ying Yuan, Mr. Yang Yu Fu, Mrs. Huang Chen Li Chu and Mr. Chen Chun Chieh being the Executive Directors, and Mr. Lim Pat Wah Patrick, Mr. Huang Zhi Wei and Mr. Chern Shyh Feng being the Independent Non-executive Directors.