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 2013

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 2013, together with the comparative figures, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	**2013** *HK$'000*	2012 *HK$'000*
Continuing operations			
Revenue	2	**1,590,494**	1,654,608
Cost of sales		**(1,300,104)**	(1,295,971)
Gross profit		**290,390**	358,637
Other income		**22,983**	30,393
Other gains and losses		**(6,447)**	(1,212)
Marketing and distribution costs		**(104,357)**	(98,711)
Research and development expenses		**(81,025)**	(71,186)
Administrative expenses		**(125,288)**	(120,719)
Other expenses		**(430)**	(935)
Share of result of an associate		**(1,797)**	(400)
Finance cost		**(5,294)**	(6,583)
(Loss) profit before taxation		**(11,265)**	89,284
Income tax expense	3	**(8,564)**	(13,326)
(Loss) profit for the year from continuing operations		**(19,829)**	75,958
Discontinued operation			
Loss for the year from discontinued operation		**—**	(35,090)
(Loss) profit for the year attributable to owners of the Company	4	**(19,829)**	40,868

* *For identification purposes only*

	Notes	2013 *HK$'000*	2012 *HK$'000*
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss			
Gain (loss) on revaluation of land and buildings		**75,711**	(5,979)
(Recognition) reversal of deferred tax liability arising on revaluation of land and buildings		**(18,049)**	2,250
		57,662	(3,729)
Items that maybe reclassified subsequently to profit or loss			
Exchange differences arising from translation		**22,384**	12,883
Share of exchange difference of an associate		**(72)**	113
		22,312	12,996
Other comprehensive income for the year		**79,974**	9,267
Total comprehensive income for the year		**60,145**	50,135
(Loss) profit attributable to owners of the Company:			
— from continuing operations		**(19,829)**	75,958
— from discontinued operation		**—**	(35,090)
Loss (profit) for the year attributable to owners of the Company		**(19,829)**	40,868
Total comprehensive income (expense) attributable to owners of the Company:			
— from continuing operations		**60,145**	85,225
— from discontinued operation		**—**	(35,090)
Total comprehensive income for the year attributable to owners of the Company		**60,145**	50,135
(Loss) earnings per share	*6*		
From continuing and discontinued operations			
— Basic		**(HK2.64 cents)**	HK5.44 cents
— Diluted		**N/A**	HK5.44 cents
From continuing operations			
— Basic		**(HK2.64 cents)**	HK10.12 cents
— Diluted		**N/A**	HK10.12 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	**2013**	2012
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**595,622**	471,032
Prepaid lease payments		**111,687**	100,847
Intellectual property rights		**492**	945
Investment in an associate		**5,166**	7,035
Available-for-sale investments		**641**	641
Deferred tax assets		**—**	80
Deposits paid for lease premium of land		**2,007**	4,441
		715,615	585,021
Current assets			
Inventories	*7*	**268,696**	287,010
Trade and other receivables and prepayments	*8*	**356,219**	387,200
Prepaid lease payments		**2,799**	2,103
Derivative financial instruments		**5,246**	1,732
Taxation recoverable		**725**	935
Pledged bank deposits		**162,489**	194,833
Structured bank deposits		**8,970**	—
Bank balances and cash		**219,190**	332,782
		1,024,334	1,206,595
Current liabilities			
Trade and other payables and accruals	*9*	**312,715**	306,375
Taxation payable		**9,196**	9,124
Bank borrowings		**204,879**	322,184
Derivative financial instruments		**2,684**	1,397
		529,474	639,080
Net current assets		**494,860**	567,515
		1,210,475	1,152,536
Capital and reserves			
Share capital		**75,348**	75,071
Reserves		**1,063,511**	1,027,481
Total equity		**1,138,859**	1,102,552
Non-current liability			
Deferred tax liabilities		**71,616**	49,984
		1,210,475	1,152,536

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 HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRC) — INT 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the amounts reported in these consolidated financial statements or disclosures set out in these consolidated financial statements.

HKFRS 13 *Fair Value Measurement*

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 ***Presentation of Items of Other Comprehensive Income***

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to HKAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income". Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before taxation or net of taxation. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised HKFRS issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs *(note)*	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs *(note)*	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) — Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2014, with early application is permitted.

3 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of "vesting condition" and "market condition"; and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics"; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010-2012 Cycle will have a material effect on the Group's consolidated financial statements.

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that the adoption of HKFRS 9 may not have significant impact on other financial assets and liabilities except for amounts reported in respect of the Group's available-for-sale investments. Regarding the Group's available-for-sale investments, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

2. SEGMENT INFORMATION

For management purposes, the Group is currently organised into two operating divisions — manufacture of juvenile and infant products and all others. These divisions are the basis upon which the internal reports are prepared about the 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. The operation of retail sales of juvenile and infant products representing retail sales of milk powder, diapers, nursery products, food, apparel, strollers etc. (the "Retail Operations") was discontinued following the close down of all the retail shops in the PRC on 31 December 2012.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

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

- all others — manufacture of medical care products, distribution of juvenile and infant products etc.

The segment information reported in this announcement does not include any amounts for the Retail Operations.

The Group's Executive Directors make decisions according to the operating results of each segment and internal reports on the ageing analysis of inventories and trade receivables which are disclosed in note 7 and 8 respectively. No other information of segment assets and liabilities is regularly reviewed by Group's Executive Directors for the assessment of performance of different business activities. Therefore, only segment results are presented.

Information regarding the above segments is reported below.

Segment revenue and results

The following is an analysis of the Group's revenue and results of continuing operations by reportable segments.

For the year ended 31 December 2013

Continuing operations

	Manufacture of juvenile and infant products *HK$'000*	**All others** *HK$'000*	**Total** *HK$'000*
REVENUE			
External sales	**1,368,430**	**222,064**	**1,590,494**
Segment profit (loss)	**39,083**	**(46,423)**	**(7,340)**
Interest income			**8,543**
Gain on fair value change on derivative financial instruments			**578**
Central administrative costs			**(5,955)**
Finance costs			**(5,294)**
Share of result of an associate			**(1,797)**
Loss before taxation			**(11,265)**

For the year ended 31 December 2012

Continuing operations

	Manufacture of juvenile and infant products *HK$'000*	All others *HK$'000*	Total *HK$'000*
REVENUE			
External sales	1,434,204	220,404	1,654,608
Segment profit (loss)	100,539	(5,274)	95,265
Interest income			11,103
Gain on fair value change on derivative financial instruments			137
Central administrative costs			(5,749)
Finance costs			(6,583)
Impairment loss on available-for-sale investment			(4,489)
Share of result of an associate			(400)
Profit before taxation			89,284

3. INCOME TAX EXPENSE

	Continuing operations		Discontinued operation		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Current tax:						
Hong Kong Profits Tax	**1,316**	979	—	—	**1,316**	979
PRC Enterprise Income Tax	**3,692**	6,593	—	—	**3,692**	6,593
Other jurisdictions	**1,164**	935	—	—	**1,164**	935
	6,172	8,507	—	—	**6,172**	8,507
(Over) underprovision in prior years:						
Hong Kong Profits Tax	**(143)**	(69)	—	—	**(143)**	(69)
PRC Enterprise Income Tax	**(687)**	(143)	—	—	**(687)**	(143)
Other jurisdictions	**—**	19	—	—	**—**	19
	(830)	(193)	—	—	**(830)**	(193)
Deferred taxation:						
Current year	**3,222**	5,012	—	—	**3,222**	5,012
	8,564	13,326	—	—	**8,564**	13,326

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 was regarded as "High and New Tech Enterprise" since late 2009. Accordingly, this PRC subsidiary was subject to a reduced PRC Enterprise Income Tax rate of 15% for the year ended 31 December 2013 (2012: 15%).

In 2012, the Group has received an enquiry from the tax authorities in the PRC in relation to the EIT of certain subsidiaries of the Company arising from the Group restructuring in 2010, which may lead to the Group being liable to additional EIT. The subsidiaries of the Company have provided relevant documents to the relevant PRC tax authorities in 2012 and 2013. Up to the date of authorisation for issue of the financial statements for the year ended 31 December 2013, no written demand has been issued and no further enquires has been received from the PRC tax authorities.

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.

Corporate Income Tax in Taiwan is charged at 17% for both years.

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

4. (LOSS) PROFIT FOR THE YEAR

	Continuing operations		Discontinued operation		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
(Loss) profit for the year has been arrived at after charging (crediting):						
Salaries, allowances and bonuses, including those of directors	**348,897**	304,633	—	10,473	**348,897**	315,106
Equity settled share-based payment	**414**	1,127	—	—	**414**	1,127
Contributions to retirement benefit schemes, including those of directors	**11,821**	8,912	—	467	**11,821**	9,379
Total employee benefits expense, including those of directors	**361,132**	314,672	—	10,940	**361,132**	325,612
Amortisation of prepaid lease payments	**2,798**	2,733	—	—	**2,798**	2,733
Amortisation of intellectual property rights (included in other expenses)	**430**	935	—	—	**430**	935
Auditor's remuneration	**1,862**	1,756	—	139	**1,862**	1,895
Cost of inventories recognised as an expense	**1,300,104**	1,295,971	—	39,083	**1,300,104**	1,335,054
Depreciation of property, plant and equipment	**57,787**	49,660	—	2,425	**57,787**	52,085
Loss (gain) on disposal of property, plant and equipment	**347**	(2,823)	—	23	**347**	(2,800)
Impairment loss on trade and other receivables	**7,121**	1,221	—	—	**7,121**	1,221
Impairment loss on property, plant and equipment	**—**	—	—	4,062	**—**	4,062
Write-down of inventories to net realisable value	**27,063**	—	—	774	**27,063**	774
Bank interest income	**(8,543)**	(11,103)	—	(203)	**(8,543)**	(11,306)
Property rental income net of negligible outgoing expenses	**(431)**	(918)	—	—	**(431)**	(918)
Recovery of doubtful debts	**—**	(44)	—	—	**—**	(44)

5. DIVIDENDS

	2013	2012
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2012 final dividend of HK2.0 cents (2012: 2011 final dividend of HK2.0 cents) per share	**15,061**	15,011
2013 interim dividend of HK1.5 cents (2012: HK2.0 cents) per share	**11,296**	15,014
	26,357	30,025

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2013 (2012: final dividend of HK2.0 cents per share in respect of the year ended 31 December 2012).

6. (LOSS) EARNINGS PER SHARE

(a) For continuing and discontinued operations

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

	2013	2012
	HK$'000	*HK$'000*
(Loss) profit for the year attributable to owners of the Company, for the purpose of basic and diluted earnings per share	**(19,829)**	40,868
	Number of shares	*Number of shares*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**752,356,110**	750,617,299
Effect of dilutive potential ordinary shares in respect of share options	**1,461,536**	90,405
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**753,817,646**	750,707,704

(b) From continuing operations

The calculation of the basic and diluted (loss) earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

	2013	2012
	HK$'000	*HK$'000*
(Loss) profit for the year from continuing operations	**(19,829)**	75,958

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share.

No diluted loss per share for the continuing operations is presented for 2013 since their assumed exercise of the share options would result in a decrease in diluted loss per share.

(c) From discontinued operation

For 2012, basic loss per share from the discontinued operation was HK4.68 cents per share which was calculated based on the loss for the year from discontinued operation of HK$35,090,000 and the denominators detailed above.

No diluted loss per share for the discontinued operation was presented for 2012 since their assumed exercise of the share options would result in a decrease in diluted loss per share.

7. INVENTORIES

	2013	2012
	HK$'000	*HK$'000*
Raw materials	**79,250**	91,548
Work in progress	**67,627**	57,884
Finished goods	**121,819**	137,578
	268,696	287,010

During the year, an allowance of HK$27,063,000 (2012: HK$774,000) was made on obsolete and slow-moving inventory items identified.

8. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**274,500**	288,056
Less: allowance for doubtful debts	**(6,766)**	(6,183)
	267,734	281,873
Purchase deposits, other receivables and deposits	**76,084**	91,658
Less: allowance for doubtful debts	**(6,538)**	—
	69,546	91,658
Advance to a supplier	**7,116**	2,991
Prepayments	**11,823**	10,678
Trade and other receivables and prepayments	**356,219**	387,200

The Group allows an average credit period of 60 days to its customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of reporting period, which approximated the respective revenue recognition dates.

	2013	2012
	HK$'000	*HK$'000*
Within 30 days	**127,334**	128,240
31 to 90 days	**113,063**	122,054
Over 90 days	**27,337**	31,579
	267,734	281,873

9. TRADE AND OTHER PAYABLES AND ACCRUALS

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**208,314**	200,554
Accrued expenses	**56,867**	56,268
Other payables	**47,534**	49,553
	312,715	306,375

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

	2013	2012
	HK$'000	*HK$'000*
Within 30 days	**72,344**	76,385
31 to 90 days	**106,903**	106,222
Over 90 days	**29,067**	17,947
	208,314	200,554

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 settled within the credit timeframe.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group was principally engaged in the manufacture and distribution of juvenile and infant products.

The global economy remained lacklustre in 2013, and the overseas market was filled with fluctuations. Coupled with continued appreciation of RMB as well as increase in employee benefits expenses, it was a year of significant challenges to the Group.

During the year under review, the Group's sales revenue was HK$1,590.5 million (2012: HK$1,654.6 million), representing a decrease of 3.9% over last year. The US represented the largest export market of the Group, but given the lower-than-expected economic recovery, sales revenue from the US clients dropped by 8.1% from last year to HK$740.8 million, accounting for 46.6% of the total revenue. Sales revenue from Europe was HK$460.9 million during the year, accounting for 29.0% of the total revenue, and representing a decrease of 2.2% over last year. Sales to Australia and South

America were HK$76.5 million and HK$67.8 million respectively, representing an increase of 12.1% and 6.5% respectively. In respect of the PRC market, for the sake of focusing on the sales of its own brand in the PRC market, the operation of retail shops of maternity and infant products has closed down completely since last year and the total sales revenue in PRC market has dropped to HK$110.3 million accordingly.

In terms of products, sales revenue from strollers was HK$648.4 million during the year, representing a decrease of 3.8% over last year, and accounting for 40.8% of the Group's total turnover. Sales of safety car seats recorded an increase of 10.4%, with the sales revenue amounting to HK$279.1 million, accounting for 17.5% of the total turnover. The increase was mainly attributable to the sales to the US customers. During the year, sales revenue from beds and playards amounted to HK$90.1 million, accounting for 5.7% of the total turnover.

Prospects

Despite the economic statistics in the US continue on the trend of flipping, it is anticipated that orders will mildly come back in the coming year with a generally better economic performance as compared to this year. As to the market in Europe, it is expected that there will be a lack of breakthrough rebound within the next two years, and the Group will take the maintaining of present situation as its goal.

In respect of the PRC market, in light of an increasing consumer demand for infant products quality, the further relaxation of the one-child policy and the new legal requirements for safety car seats, the Group will distribute juvenile and infant products under the brand of "Angel" through various channels at a prudent pace. The Group will also further develop online sales to cater the consumption pattern of consumers in China.

With regard to costs, issues such as the appreciation of RMB and labour costs will continue to lay pressure on the export business of the Group. The Company will adjust its strategies as needed with a prudent and conscientious approach, with an effort to maximize the return to the shareholders and stakeholders.

Financial Review

Consolidated revenue of the Group for 2013 was HK$1,590.5 million (2012: HK$1,654.6 million), representing a decrease of 3.9% over last year.

Gross profit margin for the year was 18.3%, representing a decrease of approximately 3.4 percentage points as compared to the gross profit margin of 21.7% last year. The decrease in gross profit margin was mainly due to increases in employee benefits expenses, continuous appreciation of RMB, and the provision for obsolete and slow-moving inventories of HK$27.1 million. During the year, employee benefits expense amounted to HK$361.1 million, accounting for 22.7% of the Group's total revenue, and representing an increase of 14.8% over last year.

During the year under review, marketing and distribution costs was HK$104.4 million (2012: HK$98.7 million), representing an increase of 5.7% over last year. Administrative expenses amounted to HK$125.3 million (2012: HK$120.7 million), representing an increase of 3.8% over last year, of which HK$6.5 million was provision for impairment of other receivables. Research and development expenses amounted to HK$81.0 million (2012: HK$71.2 million), representing an increase of 13.8% over last year. Other losses amounted to HK$6.4 million, which were mainly attributable to foreign exchange loss arising from the appreciation of RMB against US dollar and Hong Kong dollar. The Group repaid bank loans of HK$117.3 million during the year, resulting in a decrease in finance costs to HK$5.3 million (2012: HK$6.6 million), representing a decrease of 19.6% over last year.

In 2012, the PRC tax authorities enquired the Group on enterprise income tax of certain subsidiaries of the Group arising from the Group restructuring in 2010. The Group has made necessary response and provided relevant documents to the relevant PRC tax authorities in 2012 and 2013. Up to the date of authorisation for issue of the financial statements for the year ended 31 December 2013, the PRC tax authorities had not issued any written demand and raised no further enquires.

For the year ended 31 December 2013, loss attributable to the shareholders was HK$19.8 million (2012 profit: HK$40.9 million). Loss per share was HK2.64 cents (2012 earnings per share: HK5.44 cents). Comprehensive income attributable to shareholders was HK$60.1 million (2012: 50.1 million).

Liquidity and Financial Resources

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

During the year, the Group had net cash inflow of HK$94.4 million from its operating activities, used HK$73.2 million in investing activities and used HK$143.4 million in financing activities. Cash and cash equivalent decreased by HK$113.6 million compared with the corresponding period last year.

As at 31 December 2013, the Group's bank and cash (including pledged bank deposits and structured bank deposit), mainly denominated in US dollar and Renminbi, was HK$390.6 million. After deducting bank borrowings of HK$204.9 million, the Group recorded a net bank and cash of HK$185.7 million as compared to HK$205.4 million as at 31 December 2012. The borrowings, mainly in US dollars and bearing interests at fixed and variable market rates, were loans due within one year. As at 31 December 2013, the Group's gearing ratio, expressing as total bank borrowings to equity attributable to owners of the Company, was 0.18 (31 December 2012: 0.29).

As at 31 December 2013, the Group had net current assets of HK$494.9 million (31 December 2012: HK$567.5 million) and a current ratio of 1.9 (31 December 2012: 1.9). Trade receivable and inventory turnovers were 63 days (2012: 58 days) and 78 days (2012: 75 days) respectively.

Pledge of Assets

As at 31 December 2013, the Group pledged certain deposits to banks to secured bank borrowings. The deposits carry interest at fixed rates ranging from 2.04% to 3.64% per annum.

Exchange Risk Exposure

The Group's monetary assets, liabilities and transactions are mainly denominated in US dollar, Renminbi, Hong Kong dollar, Euro and New Taiwan dollar. In the event that Renminbi further appreciates, the Group will still be affected directly. Although the Group currently does not maintain any hedging policy to hedge against foreign exchange exposure that may arise from the above transactions, the management team continuously assesses the foreign currency exposure, with an aim to minimize the impact of foreign exchange fluctuation on the Group's business operations.

Contingent Liability

As at 31 December 2013, we were involved in proceedings in relation to certain wholly-owned subsidiaries of the Company which entered into agreements with a U.S. based supplier in August 2002, pursuant to which the supplier appointed us as its exclusive distributor for the territories of China and Taiwan for a term of five years. The date of termination of the agreement is still being reviewed.

The supplier initiated proceedings against us in the U.S. alleging we owed them outstanding commission of approximately US$2.2 million which is still being reviewed. We denied the allegations of the supplier and disputed their claims. A trial date has been set for the case at the United States District Court, Western District of Louisiana on 12 May 2014. As the outcome of the proceedings is uncertain, no provision has been made for the related claims in our financial statements for the year ended 31 December 2013.

Employees and Remuneration Policies

As at 31 December 2013, the Group employed a total workforce of around 5,000 staff members, of which about 4,800 worked in the PRC, about 140 in Taiwan and the remaining in Hong Kong and the U.S.A.

Apart from basic salaries, discretionary bonus and contribution to retirement benefits schemes, share options may also be granted to staff with reference to the individual's performance. Moreover, the Group also provides internal and external training to its staff to enable them to achieve self-improvement and to enhance their job related skills.

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

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

CORPORATE GOVERNANCE CODE

The Directors consider that the Company has complied with Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2013, save for deviations as stated hereof:

Code Provision A.2.1 — The roles of the chairman and the chief executive officer of the Company were not separated and were performed by the same individual, Mr. Huang Ying Yuan throughout the year ended 31 December 2013.

The Directors meet regularly to consider major matters affecting the operations of the Group. As such, the Directors consider that this structure will not impair the balance of power and authority between the Directors and the management of Group and believes that this structure will enable the Group to make and implement decisions promptly and efficiently.

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 2013.

DIVIDENDS

The Board does not recommend the payment of a final dividend.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held in Hong Kong on Friday, 23 May 2014 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.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' entitlement to attend and vote at the forthcoming annual general meeting (the "AGM") to be held on Friday, 23 May 2014, the Register of Members of the Company will be closed from Wednesday, 21 May 2014 to Friday, 23 May 2014 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant shares certificates must be lodged by 4:30 p.m. on Tuesday, 20 May 2014 with the Company's branch share registrar, Tricor Secretaries Limited.

CHANGE OF ADDRESS OF BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

With effect from Monday, 31 March 2014, the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, will be relocated from "26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong" to "Level 22 Hopewell Centre, 183 Queen's Road East, Hong Kong."

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2013 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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.hkexnews.hk and the website at www.irasia.com/listco/hk/lerado/index.htm.

By Order of the Board
Huang Ying Yuan
Chairman

28 February 2014

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Huang Ying Yuan, 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.