LERADO
LERADO GROUP
隆成集團

Lerado Group (Holding) Company Limited

Stock Code : 1225

Contents

Corporate Information

EXECUTIVE DIRECTORS

HUANG Ying Yuan (Chairman)
YANG Yu Fu
(Vice Chairman and Chief Executive Officer)
HUANG CHEN Li Chu (Vice Chairman)
CHEN Chun Chieh

INDEPENDENT NON-EXECUTIVE DIRECTORS

LIM Pat Wah Patrick
HUANG Zhi Wei
CHERN Shyh Feng

AUDIT COMMITTEE

LIM Pat Wah Patrick (Chairman)
HUANG Zhi Wei
CHERN Shyh Feng

REMUNERATION COMMITTEE

HUANG Ying Yuan (Chairman)
LIM Pat Wah Patrick
HUANG Zhi Wei
CHERN Shyh Feng

COMPANY SECRETARY

CHAN Man Fu

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Unit 1-3 30/F Universal Trade Centre
3-5A Arbuthnot Road
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM11
Bermuda

BRANCH SHARE REGISTRAR

Tricor Secretaries Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

Hong Kong Stock Exchange: 1225

COMPANY WEBSITE

www.irasia.com/listco/hk/lerado/index.htm

PRINCIPAL BANKERS

Chinatrust Commercial Bank
Shanghai Commercial Bank

SOLICITORS

Sidley Austin

AUDITORS

Deloitte Touche Tohmatsu

Founded in 1988, Lerado Group designs, manufactures and distributes a wide range of infant and pre-school products including baby strollers, beds and playards, soft goods, high chairs, bouncers, infant car seats, battery-operated ride-on cars, as well as other accessories.

The Group has established efficient manufacturing bases in Zhongshan and Shanghai in the People's Republic of China (the "PRC"), with research and development ("R&D") centres located in Taiwan and the PRC. Our strong R&D capability enables us to design and manufacture a majority of our products on an original design manufacturing ("ODM") basis, while owning the patents on such designs.

We also manufacture for customers on an original equipment manufacturing ("OEM") basis by producing the products according to customers' specifications. The majority of our products are sold to the United States of America (the "US") and Europe. Our experienced manufacturing expertise and commitment to quality are trusted by our customers.

The Group has also extended its business scope to the manufacturing and selling of infant and pre-school products under its own brand, "Angel". Developed specifically for the PRC market, the Angel brand products are sold in major cities in the PRC. The Group is also taking active steps to enrich its product offering to target for a broader range of end users from infants up to six years of age.

Our mission is to provide superior products with innovative features and the highest safety standards to our customers worldwide.

Financial Highlights

	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*
Revenue	**1,291,848**	1,490,884	1,208,715
Profit before interest expenses and tax	**82,659**	73,901	55,050
As a percentage of revenue	**6.4%**	5.0%	4.6%
EBITDA	**120,162**	119,023	60,690
As a percentage of revenue	**9.3%**	8.0%	5.0%
Profit attributable to equity holders	**70,248**	56,943	48,022
As a percentage of revenue	**5.4%**	3.8%	4.0%
Total assets	**1,204,554**	1,137,676	1,070,287
Total capital employed*	**934,946**	871,174	813,775
Shareholders' equity	**933,368**	869,679	806,647
Earnings per share (HK cents)	**9.65**	7.83	6.63
Return on average capital employed	**7.8%**	6.8%	6.1%
Current ratio	**3.1**	2.9	2.7
Average inventory turnover (days)	**73**	60	56
Average trade debtor turnover (days)	**60**	50	50

* Total capital employed includes shareholders' equity, minority interests and interest-bearing debts.

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 "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.

Management Discussion and Analysis

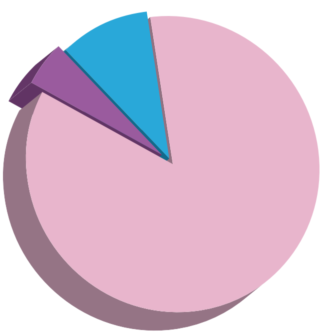
Revenue from retail business of the Group amounted to approximately HK$55.1 million, whereas the operating loss was HK$28.7 million. The Group has proactively explored the PRC market during the year. As at 31 December 2009, the number of shops under direct operation was 46. During the year, the Group 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.

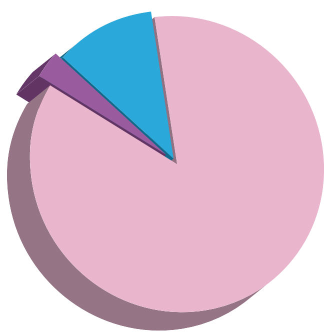
REVENUE BY BUSINESS

2009



Manufacture and distribution of juvenile and infant products	85.3%
Retail sale of juvenile and infant products	4.3%
All others	10.4%

2008



Manufacture and distribution of juvenile and infant products	88.1%
Retail sale of juvenile and infant products	1.1%
All others	10.8%

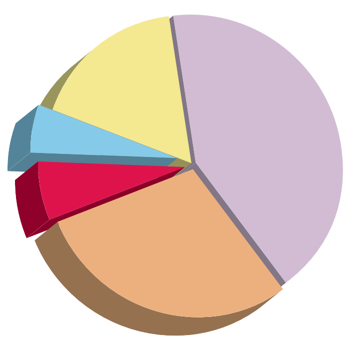
According to the survey conducted by the National Bureau of Statistics of China, there are approximately 180 million children who are under six years old in China. Besides, the survey revealed that each family spends over 33% in average of household expenses on their children and it projected the market 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 of PRC 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 within 3 years. The management expected the capital expenditures including additional land costs and construction costs would

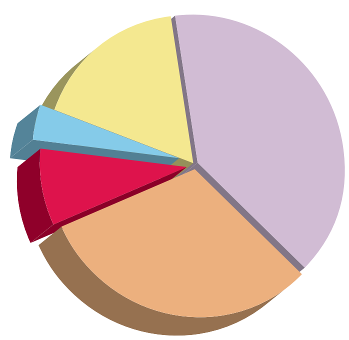
REVENUE BY REGION

2009



The United States of America	42.2%
Europe	29.1%
South America	6.2%
Australia	5.5%
Others	17.0%

2008



The United States of America	39.7%
Europe	31.1%
South America	8.1%
Australia	4.1%
Others	17.0%

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 from 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.

Directors' Profile

EXECUTIVE DIRECTORS

Mr. HUANG Ying Yuan, aged 59, is a founding member and the Chairman of the Company. Mr. Huang has 33 years of experience in the infant products industry. Mr. Huang oversees the Group's strategic planning and has particular responsibility for marketing. Mr. Huang is the spouse of Mrs. Huang Chen Li Chu, Vice Chairman of the Company.

Mr. YANG Yu Fu, aged 57, was appointed an Executive Director and Vice Chairman of the Company on 1 December 2007. With effect from 14 February 2008, Mr. Yang has been appointed as the Chief Executive Officer of the Company. Mr. Yang worked at China Productivity Center in Taiwan for almost 20 years and acted as the department head to manage the operations in Tai Chung Regional Office before he left the Center. Prior to joining China Productivity Center, Mr. Yang held management positions in various enterprises. He obtained a bachelor's degree in industrial engineering from National Taipei University of Technology and master's degrees in management from both Chaoyang University of Technology Taiwan, and Regis University, U.S.A. Mr. Yang is responsible for the Group's business development.

Mrs. HUANG CHEN Li Chu, aged 60, was appointed an Executive Director of the Company in 1998. Mrs. Huang has worked in the infant products industry in Taiwan for over 31 years and established her own research and development company whose operations were acquired by the Group in early 1998. Mrs. Huang is in charge of the Group's research and development operations. Mrs. Huang is the spouse of Mr. Huang Ying Yuan, Chairman of the Company.

Mr. CHEN Chun Chieh, aged 34, was appointed an Executive Director of the Company on 3 April 2008. Mr. Chen has been working for the Group since 2002. He obtained a master's degree in business administration from Lawrence Technical University, U.S.A. Mr. Chen is responsible for the strategic planning and finance of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LIM Pat Wah Patrick, aged 50, is a corporate finance and development advisor of a consultancy company. Mr. Lim is a Chartered Financial Analyst and a fellow member of Association of Chartered Certified Accountants. He holds HKSI specialist certificate (Corporate Finance). He obtained a bachelor's degree in accounting from Birmingham University, a master's degree in management of information systems from the London School of Economics and Political Science and a master's degree in management from University of Sydney. Mr. Lim has over 25 years of experience in accounting and finance. He was the chairman of the SME committee of the Hong Kong Venture Capital Association for the period from June 2008 to May 2009. Mr. Lim was appointed as Independent Non-executive Director of the Company in 20 November 1998.

Mr. HUANG Zhi Wei, aged 71, is currently the Executive Vice President of Guangdong General Chamber of Commerce. Mr. Huang has spent over a decade in economic-related government sectors in China. He served as the Deputy Director General of Guangdong Department of Foreign Trade & Economic Cooperation and the Director General of Guangdong Board of Investment from 1993 to 2000 respectively. He also served as the Executive Officer of Foshan Economic Committee from 1984 to 1992. Prior to this, he worked as an engineer in Foshan Power Plant for almost 10 years and served as the Chief Engineer and Deputy General Manager of Foshan Household Electrical Appliances Corporation from 1981 to 1984. Mr. Huang graduated from the Central China University of Science and Engineering, majored in electric engineering. Mr. Huang was appointed an Independent Non-executive Director of the Company on 30 September 2004.

Mr. CHERN Shyh Feng, aged 42, is the founder and Chairman of Paralink Asset Management Asia Limited. Mr. Chern has extensive experience in banking, finance and accounting and held executive positions at several international financial institutions and listed companies. Mr. Chern obtained his Bachelor Degree in Accounting from the Ohio State University in United States of America and Master Degrees in Accounting and Business Administration in Finance respectively from the University of Illinois in United States of America. Mr. Chern has held executive positions at several investment banks, securities houses and asset management companies in Taiwan, Shanghai and Hong Kong. He was lecturer of Taiwan Securities and Futures Markets International Development Fund and Faculty of Banking and Finance of Tamkang University in Taipei. Mr. Chern performed as independent non-executive directors of several Taiwan listed companies including ADDA Corporation (stock code: TW 3071) (Year 2008), Tung Kai Technology Engineering Company Limited (stock code: TW 3018) (Year 2007 and 2008), Aker Technology Company Limited (stock code: TW 6174) (Years 2006 to 2008) and Azion Corporation (stock code: TW 6148) (Years 2005 to 2008). Mr. Chern was appointed as Independent Non-executive Director of the Company in 6 November 2009.

Corporate Governance Report

The Company recognizes the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identify and formulate corporate governance practices appropriate to the Company's needs.

The Company's corporate governance practices are based on the principles ("Principles") and code provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company has applied the principles as set out in the CG Code and complied with all the Code Provisions throughout the year.

The Company periodically reviews its corporate governance practices to ensure that operations are corresponding with the good corporate governance practices as set out in the CG Code.

The key corporate governance principles and practices of the Company are summarised as follows:

THE BOARD

Responsibilities

The management and control of the business of the Company are vested in its Board. It is the duty of the Board to establish policies, strategies and plans, and to provide leadership in the attainment of the objective of creating value to shareholders.

The Board reserves for its decisions on all major matters of the Company, including: the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the company secretary of the Company, with a view to ensure that Board procedures and all applicable rules and regulations are followed.

Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the executives. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

Composition

The Board currently comprises seven members, consisting of four executive directors and three independent non-executive directors.

During the year ended 31 December 2009, the Board of the Company comprises the following directors:

Executive directors:

HUANG Ying Yuan, *Chairman*
YANG Yu Fu, *Vice Chairman and Chief Executive Officer*
HUANG CHEN Li Chu, *Vice Chairman*
CHEN Chun Chieh

Independent non-executive directors:

LIM Pat Wah Patrick
HUANG Zhi Wei
CHERN Shyh Feng *(appointed on 6 November 2009)*
Tyrone LIN *(resigned on 6 November 2009)*

Mrs. Huang Chen Li Chu is the spouse of Mr. Huang Ying Yuan.

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Appointment and Succession Planning of Directors

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's bye-laws. The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

Each of the independent non-executive directors of the Company is appointed for a specific term of one to three years and shall be subject to retirement by rotation once every three years.

In accordance with the Company's bye-laws, at each annual general meeting of the Company, one-third of the directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation, all directors are subject to retirement by rotation at least once every three years and any new director appointed to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment.

The Board reviews its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

Pursuant to clause 86 of the Company's bye-laws. Mr. Chern Shyh Feng, being a director appointed during the year shall held office only until the next following general meeting after his appointment and will therefore retire at the forthcoming annual general meeting but, being eligible, offer himself for re-election.

In accordance with clause 87 of the Company's bye-laws, Huang Chen Li Chu and Huang Zhi Wei shall retire by rotation and being eligible, offer themselves for re-election at the next forthcoming annual general meeting.

The Board recommended the re-appointment of the directors standing for re-election at the next forthcoming annual general meeting of the Company.

The Company's circular dated 28 April 2010 contains detailed information of the directors standing for re-election.

BOARD MEETINGS

Number of Meetings and Directors' Attendance

Regular Board meetings are held at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The individual attendance (either in person or through other electronic means of communication) of each director at the regular Board meetings during the year ended 31 December 2009 is set out below:

	Attendance/ Number of Meetings
Executive Directors:	
HUANG Ying Yuan *(Chairman)*	8/8
YANG Yu Fu *(Vice Chairman and Chief Executive Officer)*	8/8
HUANG CHEN Li Chu *(Vice Chairman)*	8/8
CHEN Chun Chieh	8/8
Independent Non-Executive Directors:	
LIM Pat Wah Patrick	8/8
HUANG Zhi Wei	8/8
Tyrone Lin *(resigned on 6 November 2009)*	6/8
Chern Shyh Feng *(appointed on 6 November 2009)*	2/8

Practices and Conduct of Meetings

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to enable them to make informed decisions. The Board and each director also have separate and independent access to the executives whenever necessary.

The Company Secretary is responsible to keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's bye-laws also contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the Chairman and Chief Executive Officer are held by Mr. Huang Ying Yuan and Mr. Yang Yu Fu respectively. Their respective responsibilities are clearly defined and set out in writing.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the executives, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings. In addition, the Chairman has particular responsibility for strategic planning and marketing.

The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for formulating the organisational structure, control systems and internal procedures and processes for the Board's approval. In addition, with relevant expertise, he also has particular responsibility for production operations and business development.

BOARD COMMITTEES

The Board has established two committees, namely, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and are available to shareholders upon request.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Remuneration Committee

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the individual's working experience and duties and the performance of the individual and the Company as well as market practice and conditions.

During the year ended 31 December 2009, the Remuneration Committee met to review the overall remuneration of the directors and the proposal on distribution of bonus to the executive directors for the year ended 31 December 2008.

The attendance records of individual members at the Remuneration Committee meeting during the year ended 31 December 2009 are set out below:

	Attendance/ Number of Meeting
HUANG Ying Yuan *(Chairman)*	1/1
LIM Pat Wah Patrick	1/1
HUANG Zhi Wei	1/1
Tyrone LIN	1/1

Audit Committee

The Audit Committee comprises three independent non-executive directors, including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the external auditors before submission to the Board.

(b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held meetings during the year ended 31 December 2009 to review the interim and annual financial results and reports, financial reporting and compliance procedures, risk management and internal control system and the re-appointment of the external auditors.

The attendance records of individual members at Audit Committee meetings during the year ended 31 December 2009 are set out below:

	Attendance/ Number of Meetings
LIM Pat Wah Patrick (Chairman)	2/2
HUANG Zhi Wei	2/2
Tyrone LIN	2/2

INTERNAL CONTROLS

The Board has the ultimate responsibility to maintain a sound and effective internal control system for the Group to safeguard the shareholders' investment and the Group's assets and to ensure strict compliance with relevant laws, rules and regulations. The Audit Committee is responsible for reviewing the effectiveness of the internal control system and reporting to the Board.

The Company endeavours to implement a sound risk management and internal control system. The Board has delegated to the management the implementation of such systems of internal controls and has entrusted the Audit Committee with the responsibility to conduct a review of the internal controls of the Group which cover the material controls including financial, operational and compliance controls and risk management functions.

Deloitte Touche Tohmatsu, the Group's external auditors, reported matters concerning internal control of the Group for the year ended 31 December 2009 in according with Hong Kong Standards on Auditing to the Audit Committee during its regular meetings.

During the year ended 31 December 2009, the Board considered the internal control systems effective and adequate. No material internal control aspects of any significant problems were noted.

MODEL CODE FOR SECURITIES TRANSACTIONS

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.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2009.

The Company also has established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2009.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on page 25.

AUDITORS' REMUNERATION

The Company's external auditors are Deloitte Touche Tohmatsu. The remuneration paid/payable to Deloitte Touche Tohmatsu in respect of audit services and non-audit services for the year ended 31 December 2009 amounted to approximately HK$1,614,000 and HK$297,000 respectively.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's bye-laws. Details of such rights to demand a poll and the poll procedures are included in all related circulars to shareholders and will be explained during the proceedings of meetings.

Poll results will be posted on the websites of the Company and the Stock Exchange on the same day of the shareholders' meeting.

The general meetings of the Company provide a forum for communication between the shareholders and the Board. The Chairman of the Board as well as chairmen of the Remuneration Committee and Audit Committee, or in their absence, other members of the respective committees, normally attend the annual general meetings and other relevant shareholders' meetings to answer questions at the shareholders' meetings.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

The Company continues to enhance communications and relationships with its investors. Designated executives maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner.

The directors present their annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 35 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on page 27 of the annual report.

An interim dividend of HK2 cents per share amounting to HK$14,541,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK4.5 cents per share to the shareholders on the register of members on 17 June 2010, amounting to approximately HK$33,777,000, and the retention of the remaining profit for the year.

PROPERTY, PLANT AND EQUIPMENT

The Group's leasehold land and buildings were revalued at 31 December 2009. The revaluation resulted in a gain amounting to HK$24,797,000, of which HK$22,041,000 has been credited directly to the property revaluation reserve and HK$2,756,000 has been credited to consolidated statement of comprehensive income.

Details of movements during the year in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 26 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at the end of the reporting period were as follows:

	2009	2008
	HK$'000	*HK$'000*
Contributed surplus	**244,461**	244,461
Accumulated profits	**10,386**	10,554
	254,847	255,015

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Huang Ying Yuan *(Chairman)*
Mrs. Huang Chen Li Chu *(Vice Chairman)*
Mr. Yang Yu Fu *(Vice Chairman)*
Mr. Chen Chun Chieh

Independent non-executive directors:

Mr. Lim Pat Wah Patrick	
Mr. Huang Zhi Wei	
Mr. Chern Shyh Feng	(appointed on 6 November 2009)
Mr. Tyrone Lin	(resigned on 6 November 2009)

Pursuant to clause 86 of the Company's bye-laws, Mr. Chern Shyh Feng, being a director appointed during the year, shall held office only until the next following general meeting after his appointment and will therefore retire at the forthcoming annual general meeting but, being eligible, offer himself for re-election.

In accordance with clause 87 of the Company's bye-laws, Mrs. Huang Chen Li Chu and Mr. Huang Zhi Wei retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

All other directors will continue in office.

The terms of office of all independent non-executive directors are subject to retirement by rotation in accordance with the Company's bye-laws.

DIRECTORS' SERVICE CONTRACTS

Mr. Huang Ying Yuan and Mrs. Huang Chen Li Chu have entered into service agreements with the Company for a period of three years commencing 1 December 1998 and will continue thereafter unless and until terminated by either party by three months' prior written notice.

Other than as disclosed above, no directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2009, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long positions in shares and underlying shares of the Company

Name of director	Number of shares held as Beneficial owner	Spouse interest	Corporate interest	Total interests	Approximate percentage of the issued share capital of the Company	Number of share options
Mr. Huang Ying Yuan	2,966,000	1,234,000 *(note 1)*	148,353,540 *(note 2)*	152,553,540	20.4%	–
Mrs. Huang Chen Li Chu	1,234,000	2,966,000 *(note 1)*	148,353,540 *(note 2)*	152,553,540	20.4%	–
Mr. Chen Chun Chieh	1,018,000	–	96,805,800 *(note 3)*	97,823,800	13.1%	–
Mr. Yang Yu Fu	8,524,000	–	–	8,524,000	1.1%	3,000,000

Notes:

1. The spouse interest represents the shares held by the spouse of Mr. Huang Ying Yuan and Mrs. Huang Chen Li Chu, respectively. Mrs. Huang Chen Li Chu is the wife of Mr. Huang Ying Yuan.

2. The corporate interest represents the shares held by Intelligence Hong Kong Group Limited, which is controlled by Mr. Huang Ying Yuan and Mrs. Huang Chen Li Chu.

3. The corporate interest represents the shares held by Hwa Foo Investment Limited, which is controlled by Mr. Chen Chun Chieh.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations, which were recorded in the register maintained by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code, as at 31 December 2009.

SHARE OPTIONS

Particulars of the share option schemes and the movements in share options of the Company are set out in note 27 to the consolidated financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than share holdings disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Franklin Templeton Investments Corp.	Corporate interest	50,206,032	6.7%

Other than as disclosed above, the Company has not been notified of any other relevant interest or short position in the issued share capital of the Company as at 31 December 2009.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all of the independent non-executive directors are independent.

CONNECTED TRANSACTIONS

There were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Other than disclosed in note 25 to the consolidated financial statements, no contracts of significance, to which the Company or its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$656,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers represented approximately 36% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 9% of total sales. The aggregate purchases attributable to the Group's five largest suppliers during the year were less than 20% of the total purchases of the Group.

None of the directors, their associates or any shareholders which, to the knowledge of the directors, owning more than 5% of the Company's issued share capital, had any interest in the share capital of any of the five largest customers of the Group.

EVENT AFTER THE REPORTING PERIOD

Details of a significant event occurring after the reporting period are set out in note 34 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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

There was no purchase, sale or redemption of the shares of the Company by the Company or any of its subsidiaries during the year ended 31 December 2009.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted share option schemes as an incentive to directors and eligible employees, details of these schemes are set out in note 27 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2009.

AUDITOR

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the board

Huang Ying Yuan
CHAIRMAN
19 April 2010

Deloitte.
德勤

TO THE MEMBERS OF LERADO GROUP (HOLDING) COMPANY LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Lerado Group (Holding) Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 87, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 April 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	5	**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	6	**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	7	**–**	(417)
Profit before taxation		**82,659**	73,484
Income tax expense	8	**(12,328)**	(16,052)
Profit for the year	9	**70,331**	57,432
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	13		
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	14	**344,627**	325,144
Prepaid lease payments	15	**83,295**	65,644
Intellectual property rights	16	**5,542**	8,431
Investment in an associate	17	**6,175**	6,741
Available-for-sale investments	18	**4,672**	4,664
Deferred tax assets	19	**1,319**	2,125
Deposits paid for lease premium of land		**3,084**	—
		448,714	412,749
Current assets			
Inventories	20	**174,596**	204,605
Trade and other receivables and prepayments	21	**270,820**	323,443
Prepaid lease payments	15	**1,810**	858
Derivative financial instruments	22	**2,957**	15,297
Taxation recoverable		**1,580**	852
Bank balances and cash	23	**304,077**	179,872
		755,840	724,927
Current liabilities			
Trade and other payables and accruals	24	**233,374**	223,926
Taxation payable		**10,167**	15,373
Derivative financial instruments	22	**—**	9,785
		243,541	249,084
Net current assets		**512,299**	475,843
		961,013	888,592

Consolidated Statement Of Financial Position

At 31 December 2009

	Notes	**2009** **HK$'000**	2008 HK$'000
Capital and reserves			
Share capital	26	**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	19	**26,067**	17,418
		961,013	888,592

The consolidated financial statements on pages 27 to 87 were approved and authorised for issue by the Board of Directors on 19 April 2010 and are signed on its behalf by:

Huang Ying Yuan
DIRECTOR

Chen Chun Chieh
DIRECTOR

Consolidated Statement Of Changes In Equity

For the year ended 31 December 2009

	Attributable to owners of the Company												
	Share capital *HK$'000*	Share premium *HK$'000*	Special reserve *HK$'000*	Property revaluation reserve *HK$'000*	Statutory surplus reserve fund *HK$'000*	Enterprise expansion fund *HK$'000*	Translation reserve *HK$'000*	Share option reserve *HK$'000*	Capital redemption reserve *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*
At 1 January 2008	72,532	91,994	38,510	65,505	27,290	3,091	50,671	619	1,147	455,288	806,647	7,128	813,775
Profit for the year	–	–	–	–	–	–	–	–	–	56,943	56,943	489	57,432
Exchange differences arising from translation	–	–	–	–	–	–	28,498	–	–	–	28,498	–	28,498
Share of exchange difference of an associate	–	–	–	–	–	–	(165)	–	–	–	(165)	–	(165)
Gain on revaluation of land and buildings	–	–	–	13,864	–	–	–	–	–	–	13,864	–	13,864
Deferred tax liability arising on revaluation of land and buildings	–	–	–	(3,072)	–	–	–	–	–	–	(3,072)	–	(3,072)
Total comprehensive income for the year	–	–	–	10,792	–	–	28,333	–	–	56,943	96,068	489	96,557
Shares repurchased and cancelled	(61)	(185)	–	–	–	–	–	–	61	(61)	(246)	–	(246)
Exercise of share options	210	1,276	–	–	–	–	–	(350)	–	–	1,136	–	1,136
Share options lapsed during the year	–	–	–	–	–	–	–	(339)	–	339	–	–	–
Employee share-based payments	–	–	–	–	–	–	–	2,445	–	–	2,445	–	2,445
Acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(6,122)	(6,122)
Transfer on disposal of relevant properties	–	–	–	(15,043)	–	–	–	–	–	15,043	–	–	–
Transfer to statutory reserves	–	–	–	–	1,895	–	–	–	–	(1,895)	–	–	–
Dividends recognised as distributions *(note 12)*	–	–	–	–	–	–	–	–	–	(36,371)	(36,371)	–	(36,371)
At 31 December 2008	72,681	93,085	38,510	61,254	29,185	3,091	79,004	2,375	1,208	489,286	869,679	1,495	871,174
Profit for the year	–	–	–	–	–	–	–	–	–	70,248	70,248	83	70,331
Exchange differences arising from translation	–	–	–	–	–	–	2,110	–	–	–	2,110	–	2,110
Share of exchange difference of an associate	–	–	–	–	–	–	18	–	–	–	18	–	18
Gain on revaluation of land and buildings	–	–	–	22,041	–	–	–	–	–	–	22,041	–	22,041
Deferred tax liability arising on revaluation of land and buildings	–	–	–	(4,464)	–	–	–	–	–	–	(4,464)	–	(4,464)
Total comprehensive income for the year	–	–	–	17,577	–	–	2,128	–	–	70,248	89,953	83	90,036
Exercise of share options	2,049	13,314	–	–	–	–	–	(2,313)	–	–	13,050	–	13,050
Share options lapsed during the year	–	–	–	–	–	–	–	(99)	–	99	–	–	–
Employee share-based payments	–	–	–	–	–	–	–	665	–	–	665	–	665
Transfer to statutory reserves	–	–	–	–	3,742	–	–	–	–	(3,742)	–	–	–
Dividends recognised as distributions *(note 12)*	–	–	–	–	–	–	–	–	–	(39,979)	(39,979)	–	(39,979)
At 31 December 2009	74,730	106,399	38,510	78,831	32,927	3,091	81,132	628	1,208	515,912	933,368	1,578	934,946

The special reserve represents the difference between the nominal value of shares of Lerado Group Limited together with its share premium and the nominal value of the Company's shares issued for the acquisition at the time of a group reorganisation.

The capital redemption reserve represents the aggregate par value of shares which have been repurchased and cancelled.

As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "PRC"), the PRC subsidiaries of the Company are required to maintain two statutory reserves, being the "statutory surplus reserve fund" and the "enterprise expansion fund", both of which are not distributable. Appropriations to such reserves are made out of the profit for the year as per the statutory financial statements of relevant PRC subsidiary. The amount and allocation basis are decided by the respective board of directors annually.

Consolidated Statement Of Cash Flows

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**82,659**	73,484
Adjustments for:		
Amortisation of intellectual property rights	**2,789**	2,786
Amortisation of prepaid lease payments	**1,544**	1,495
Depreciation of property, plant and equipment	**35,704**	39,620
Employee share-based payments	**665**	2,445
Finance cost	**—**	417
Gain on fair value changes of derivative financial instruments	**(1,637)**	(2,669)
Impairment loss on trade receivables	**7,638**	4,449
Impairment loss on intellectual property rights	**222**	—
Interest income	**(1,786)**	(3,767)
Loss on disposal of property, plant and equipment	**400**	25
Recovery of doubtful debts	**(2,350)**	(1,636)
Share of result of an associate	**584**	581
(Gain) loss on revaluation of land and buildings	**(2,756)**	1,221
Write-down of inventories	**288**	12,285
Operating cash flows before movements in working capital	**123,964**	130,736
Decrease (increase) in inventories	**29,721**	(36,638)
Decrease (increase) in trade and other receivables and prepayments	**47,335**	(115,254)
Decrease in derivative financial instruments	**4,192**	7,785
Increase in trade and other payables and accruals	**9,448**	9,573
Cash from (used in) operations	**214,660**	(3,798)
Hong Kong Profits Tax paid	**(885)**	—
Taxation paid in other jurisdictions	**(12,461)**	(5,501)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**201,314**	(9,299)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(32,010)**	(19,739)
Payment of leasehold land	**(20,026)**	—
Deposits paid for lease premium of land	**(3,084)**	—
Proceeds from disposal of property, plant and equipment	**2,633**	2,214
Interest received	**1,786**	3,767
Proceeds from disposal of asset classified as held for sale	**—**	79,156
Acquisition of additional interests in a subsidiary	**—**	(6,122)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(50,701)**	59,276

Consolidated Statement Of Cash Flows

For the year ended 31 December 2009

	2009 *HK$'000*	2008 *HK$'000*
FINANCING ACTIVITIES		
Dividends paid	**(39,979)**	(36,371)
Proceeds from issue of shares upon exercise of share options	**13,050**	1,136
Interest paid	**—**	(417)
Repurchase of shares	**—**	(246)
NET CASH USED IN FINANCING ACTIVITIES	**(26,929)**	(35,898)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**123,684**	14,079
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**179,872**	159,280
Effect of foreign exchange rate changes	**521**	6,513
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**304,077**	179,872

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). The shares of the Company are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 35.

The functional currency of the Company is United States dollars ("US$"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") for the convenience of the shareholders, as the Company is listed in Hong Kong.

2. 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.

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

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 5) 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.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

On acquisition of additional interest in subsidiaries, goodwill is calculated as the difference between the consideration paid for the additional interest and the carrying amount of the net assets of the subsidiaries attributable to the additional interest acquired. If the Group's additional interest in the net assets of the subsidiaries exceeds the consideration paid for the additional interest, the excess is recognised in the consolidated statement of comprehensive income.

Investment in an associate

An associate is an entity, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over the policy.

The results and assets and liabilities of the associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in the associate is carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Rental income, including rental invoiced in advance, from properties under operating leases, is recognised on a straight-line basis over the term of the relevant lease.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment, excluding land and buildings held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of land and buildings is recognised in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for their intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Prepaid lease payments

Prepaid lease payments represent up-front payments to acquire leasehold land interests are stated at cost and amortised over the period of the lease on a straight-line basis.

Intellectual property rights

Intellectual property rights are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated to write off the cost of the intellectual property rights over their estimated useful lives, using the straight-line method.

Gains or losses arising from derecognition of intellectual property rights are measured at the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in the profit or loss when the assets are derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange difference arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange difference arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which a foreign operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") and state-managed retirement schemes, which are defined contribution schemes, are charged as an expense when employees have rendered services entitling them to the contribution.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity, respectively.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss are derivatives that are not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are neither classified as financial assets at fair value through profit or loss nor loans and receivables.

The Group's available-for-sale equity investments do not have a quoted market price in an active market and whose fair value cannot be reliably measured and are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For available-for-sale investments measured at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rates transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity-settled share-based payment transactions

Share options granted on or before 7 November 2002 and vested prior to 1 January 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the share options are exercised, and no charge is recognised in the profit or loss in respect of the value of share options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Share options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding share options.

Share options granted and vested on or after 1 January 2005

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of share options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Impairment loss on trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2009, the carrying amount of trade receivables is HK$200,012,000 (2008: HK$222,584,000), net of allowance for doubtful debts of HK$17,143,000 (2008: HK$11,855,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Allowance for inventories

The management of the Group reviews its inventories at the end of the reporting period and make allowance for obsolete and slow-moving inventory items identified that no longer suitable for use in production. Management estimates the net realisable value for such items based on the market conditions at the end of reporting period by reference to the latest invoice prices. The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for obsolete items. As at 31 December 2009, the carrying amount of inventories is HK$174,596,000 (2008: HK$204,605,000).

5. 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.

5. SEGMENT INFORMATION *(continued)*

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

5. SEGMENT INFORMATION (continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

Segment profit (loss) represents the profit (loss) earned by each segment without allocation of interest income, gain on fair value change on derivative financial instruments, central administrative costs, share of loss of an associate, finance cost and income tax expense. This is the measure reported to the Group's Executive Directors for the purposes of resources allocation and performance assessment.

For the year ended 31 December 2009

OTHER SEGMENT INFORMATION

	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*
Amounts included in the measure of segment profit or loss:				
Capital additions	42,137	9,011	3,972	55,120
Depreciation of property, plant and equipment	26,030	2,747	6,927	35,704
Amortisation of intellectual property rights and prepaid lease payments	4,093	–	240	4,333
Impairment loss on trade receivables	6,479	–	1,159	7,638
Impairment loss on intellectual property rights	222	–	–	222
Loss on disposal of property, plant and equipment	193	11	196	400
Employee share-based payments	567	28	70	665
Write-down of inventories to net realisable value	239	35	14	288
Recovery of doubtful debts	(2,350)	–	–	(2,350)

5. SEGMENT INFORMATION *(continued)*

For the year ended 31 December 2008

OTHER SEGMENT INFORMATION

	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*
Amounts included in the measure of segment profit or loss:				
Capital additions	8,724	9,321	1,694	19,739
Depreciation of property, plant and equipment	31,547	557	7,516	39,620
Amortisation of intellectual property rights and prepaid lease payments	4,029	–	252	4,281
Impairment loss on trade receivables	2,077	–	2,372	4,449
Loss on disposal of property, plant and equipment	25	–	–	25
Employee share-based payments	2,154	27	264	2,445
Write-down of inventories to net realisable value	8,542	–	3,743	12,285
Recovery of doubtful debts	(1,636)	–	–	(1,636)

Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	2009 ***HK$'000***	2008 *HK$'000*
Strollers	**479,577**	556,792
Car seats and boosters	**144,331**	211,750
Beds and playards	**103,673**	107,797
Miscellaneous infant products	**340,422**	397,431
Others	**223,845**	217,114
	1,291,848	1,490,884

5. SEGMENT INFORMATION *(continued)*

Geographical information

The Group's operations are principally located in the PRC, Taiwan and Hong Kong. The Group's manufacturing function is carried out in the PRC and the marketing function, sales support and research and development are carried out in Taiwan. The operations in Hong Kong include mainly finance and corporate administrations.

The following table provides an analysis of the Group's sales by geographical market based on locations of customers, irrespective of the origin of the goods:

	2009	2008
	HK$'000	*HK$'000*
The United States of America ("the USA")	**545,227**	592,392
France	**100,851**	118,382
The PRC	**98,136**	70,006
Australia	**71,573**	60,688
Germany	**70,713**	55,471
United Kingdom	**51,549**	53,387
Canada	**31,433**	43,188
Japan	**18,179**	25,727
Other European counties excluding France, Germany and United Kingdom*	**152,429**	236,715
Others*	**151,758**	234,928
	1,291,848	1,490,884

* No further analysis by countries in these two categories is presented because the revenue from each individual country is insignificant to the total revenue.

5. SEGMENT INFORMATION *(continued)*

Geographical information *(continued)*

The following is an analysis of the non-current assets (other than financial instruments and deferred tax assets), analysed by the geographical area in which the assets are located:

	2009	2008
	HK$'000	*HK$'000*
Non-current assets		
The PRC	**317,421**	292,800
Taiwan	**53,075**	56,492
Hong Kong	**64,238**	47,904
The USA	**1,814**	2,023
	436,548	399,219

Information about major customers

None of the customers of the Group contribute over 10% of the total sales of the Group for both years.

6. OTHER GAINS AND LOSSES

	2009	2008
	HK$'000	*HK$'000*
Gain on fair value changes of derivative financial instruments	**1,637**	2,669
Gain (loss) on revaluation on land and building	**2,756**	(1,221)
Loss on disposal of property, plant and equipment	**(400)**	(25)
Net foreign exchange (loss) gain	**(3,333)**	370
	660	1,793

7. FINANCE COST

	2009	2008
	HK$'000	*HK$'000*
Interest on bank borrowings	**–**	417

8. 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 *(note 19)*:		
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.

8. INCOME TAX EXPENSE *(continued)*

The income tax expense can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2009 **HK$'000**	2008 HK$'000
Profit before taxation	**82,659**	73,484
Tax at Hong Kong Profits Tax rate of 16.5%	**13,638**	12,125
Tax effect of share of loss of an associate	**96**	96
Tax effect of expenses not deductible for tax purpose	**1,975**	2,231
Tax effect of income not taxable for tax purpose	**(7,469)**	(4,453)
(Over)underprovision in prior years	**(1,284)**	1,013
Tax effect of tax losses not recognised	**7,313**	7,973
Utilisation of tax losses previously not recognised	**—**	(2,221)
Effect of tax exemption granted to a PRC subsidiary	**(4,634)**	(2,991)
Effect of tax relief granted to a PRC subsidiary	**(4,438)**	—
Effect of different tax rates of subsidiaries operate in other jurisdictions	**3,716**	739
Deferred tax provided on dividends withholding tax of PRC subsidiaries	**3,415**	1,540
Income tax expense	**12,328**	16,052

Details of movements in deferred taxation are set out in note 19.

9. 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

10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the eight (2008: eight) directors are as follows:

2009

	Huang Ying Yuan HK$'000	Huang Chen Li Chu HK$'000	Yang Yu Fu HK$'000	Chen Chun Chieh HK$'000	Lim Pat Wah Patrick HK$'000	Huang Zhi Wei HK$'000	Tyrone Lin *(note i)* HK$'000	Chern Shyh Feng *(note ii)* HK$'000	Total HK$'000
Fees	–	–	–	–	265	205	163	37	670
Salaries and allowances	2,045	1,490	2,368	515	–	–	–	–	6,418
Performance related incentive payments *(note iv)*	4,000	2,000	–	2,000	–	–	–	–	8,000
Employee share-based payment	–	–	332	33	–	–	–	–	365
Total emoluments	6,045	3,490	2,700	2,548	265	205	163	37	15,453

2008

	Huang Ying Yuan HK$'000	Huang Chen Li Chu HK$'000	Yang Yu Fu HK$'000	Chen Chun Chieh HK$'000	Chen Hsing Shin *(note iii)* HK$'000	Lim Pat Wah Patrick HK$'000	Huang Zhi Wei HK$'000	Tyrone Lin HK$'000	Total HK$'000
Fees	–	–	–	–	–	200	160	160	520
Salaries and allowances	2,069	1,502	2,463	397	172	–	–	–	6,603
Performance related incentive payments *(note iv)*	3,400	2,000	600	1,000	–	–	–	–	7,000
Employee share-based payment	–	–	1,190	119	–	–	–	–	1,309
Total emoluments	5,469	3,502	4,253	1,516	172	200	160	160	15,432

Notes:

(i) Mr. Tyrone Lin resigned as an independent non-executive director on 6 November 2009.
(ii) Mr. Chern Shyh Feng was appointed as an independent non-executive director on 6 November 2009.
(iii) Mr. Chen Hsing Shin was deceased on 14 February 2008.
(iv) Performance related incentive payments are decided by the Remuneration Committee.

No directors had waived any emoluments during any of the two years.

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2008: four) were directors of the Company whose emoluments are included in the disclosure in note 10 above. The emolument of the remaining individual is as follows:

	2009 ***HK$'000***	2008 *HK$'000*
Salaries and other benefits	**1,136**	1,186
Performances related incentive payments	**–**	99
	1,136	1,285

No emoluments were paid by the Group to the directors or the above individual as an inducement to join or upon joining the Group or as compensation for loss of office.

12. 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.

13. 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

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST OR VALUATION							
At 1 January 2008	203,322	6,089	183,744	80,128	12,728	15,072	501,083
Exchange realignment	10,379	(3)	11,080	3,392	717	932	26,497
Additions	583	2,361	5,758	10,179	662	196	19,739
Disposals	–	(2,522)	(1,580)	(384)	(1,344)	(1,959)	(7,789)
Transfer	14,241	–	–	–	–	(14,241)	–
Adjustment on valuation	(8,003)	–	–	–	–	–	(8,003)
At 31 December 2008	220,522	5,925	199,002	93,315	12,763	–	531,527
Exchange realignment	1,498	10	301	196	22	–	2,027
Additions	3,872	2,542	16,142	7,836	1,358	260	32,010
Disposals	(1,438)	–	(2,012)	(3,034)	(2,345)	–	(8,829)
Adjustment on valuation	8,625	–	–	–	–	–	8,625
At 31 December 2009	233,079	8,477	213,433	98,313	11,798	260	565,360
Comprising:							
At cost	–	8,477	213,433	98,313	11,798	260	332,281
At valuation – 2009	233,079	–	–	–	–	–	233,079
	233,079	8,477	213,433	98,313	11,798	260	565,360
DEPRECIATION							
At 1 January 2008	–	3,933	109,115	59,527	7,402	–	179,977
Exchange realignment	3,458	(3)	6,645	2,423	459	–	12,982
Provided for the year	17,188	295	13,377	7,871	889	–	39,620
Eliminated on disposals	–	(2,522)	(1,451)	(368)	(1,209)	–	(5,550)
Adjustment on valuation	(20,646)	–	–	–	–	–	(20,646)
At 31 December 2008	–	1,703	127,686	69,453	7,541	–	206,383
Exchange realignment	249	5	195	150	15	–	614
Provided for the year	16,211	914	12,436	5,335	808	–	35,704
Eliminated on disposals	(288)	–	(1,714)	(2,216)	(1,578)	–	(5,796)
Adjustment on valuation	(16,172)	–	–	–	–	–	(16,172)
At 31 December 2009	–	2,622	138,603	72,722	6,786	–	220,733
CARRYING VALUES							
At 31 December 2009	233,079	5,855	74,830	25,591	5,012	260	344,627
At 31 December 2008	220,522	4,222	71,316	23,862	5,222	–	325,144

Note: Owner-occupied leasehold land are included in property, plant and equipment only when the allocation between the land and buildings elements cannot be made reliably.

Certain buildings of the Group erected on the lands in the PRC were not granted formal title of their ownership. At 31 December 2009, the carrying value of buildings in the PRC for which the Group had not been granted formal title amounted to HK$87,220,000 (2008: HK$85,380,000). In the opinion of the directors, the absence of formal title does not impair the value of the relevant building. The directors also believe that formal title to these buildings will be granted to the Group in due course.

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment other than construction in progress are depreciated on a straight-line basis at the following rates per annum:

Freehold land	Nil
Leasehold land and buildings	2% or the remaining period of the leases, if shorter
Leasehold improvements	10 — 20% or the remaining period of the leases, if shorter
Plant and machinery	10 — 20%
Furniture, fixtures and equipment	20 — 33⅓%
Motor vehicles	20 — 50%

The carrying values of land and buildings held by the Group at the end of reporting period comprises:

	2009	2008
	HK$'000	*HK$'000*
Held in Hong Kong under long-term leases	**31,140**	24,500
Held in the PRC under medium term land use rights	**162,881**	160,144
Held in Taiwan, freehold	**39,058**	35,878
	233,079	220,522

The Group revalued its land and buildings at the year end date. The revaluation resulted in a gain over carrying values amounting to HK$24,797,000 (2008: HK$12,643,000), of which HK$22,041,000 (2008: HK$13,864,000) has been credited directly to the property revaluation reserve and a surplus of HK$2,756,000 (2008: a deficit of HK$1,221,000) has been recognised in the profit or loss for the year to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

At 31 December 2009, certain leasehold land and buildings in the PRC of the Group with carrying values of HK$386,000 (2008: HK$422,000) as at 31 December 2009 were valued by the directors, who estimated that their fair value was not materially different from the carrying amount.

Other than the above, the land and buildings of the Group were revalued at 31 December 2009 by Grant Sherman Appraisal Limited ("Grant Sherman"), a firm of independent property valuers not connected with the Group. The land and buildings in Hong Kong and in the PRC of an aggregate carrying value of HK$39,169,000 (2008: HK$31,516,000) were valued on an open market value basis. The remaining land and buildings in the PRC amounting to HK$154,466,000 (2008: HK$152,706,000) and the land and buildings in Taiwan amounting to HK$39,058,000 (2008: HK$35,878,000) were valued on depreciated replacement cost basis.

If the land and buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation at HK$129,497,000 (2008: HK$134,229,000).

15. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments of HK$85,105,000 (2008: HK$66,502,000) represent leasehold land in the PRC held under medium-term lease. An amount of HK$1,810,000 (2008: HK$858,000) is classified under current assets for reporting purpose.

16. INTELLECTUAL PROPERTY RIGHTS

	HK$'000
COST	
At 1 January 2008	86,896
Exchange realignment	(925)
At 31 December 2008	85,971
Exchange realignment	2,141
At 31 December 2009	88,112
AMORTISATION AND IMPAIRMENT	
At 1 January 2008	75,664
Exchange realignment	(910)
Provided for the year	2,786
At 31 December 2008	77,540
Exchange realignment	2,019
Provided for the year	2,789
Impairment loss recognised in the year	222
At 31 December 2009	82,570
CARRYING VALUES	
At 31 December 2009	5,542
At 31 December 2008	8,431

The amount represents the carrying value of the Group's intellectual property rights acquired in 1998. The intellectual property rights entitle the Group to manufacture infant products using the registered technology for a period of ranging from 4 to 18 years commencing from the date of acquisition. The net carrying amount will therefore be amortised over the remaining useful lives, using the straight-line method.

17. INVESTMENT IN AN ASSOCIATE

	2009 **HK$'000**	2008 HK$'000
Cost of unlisted investment	**11,700**	11,700
Less: impairment loss recognised	**(3,600)**	(3,600)
	8,100	8,100
Share of post-acquisition losses and other comprehensive income	**(1,925)**	(1,359)
	6,175	6,741

Details of the Group's associates at 31 December 2009 and 2008 are as follows:

Name of associate	**Form of business structure**	**Place of incorporation/ establishment**	**Issued and fully paid share capital/ registered capital**	**Effective interest in the issued share capital/ registered capital held**	**Principal activity**
Weblink Technology Limited ("Weblink")	Incorporated	British Virgin Islands ("BVI")	US$100	30%	Investment holding
FLT Hong Kong Technology Limited*	Incorporated	BVI	US$1	30%	Trading of optical fibre peripheral products
珠海保稅區隆宇光電科技有限公司*	Established	PRC	US$1,548,000	30%	Manufacture and distribution of optical fibre peripheral products

* wholly-owned subsidiaries of Weblink

17. INVESTMENT IN AN ASSOCIATE *(continued)*

The summarised consolidated financial information of Weblink is set out below:

	2009 *HK$'000*	2008 *HK$'000*
Total assets	**25,207**	28,060
Total liabilities	**(4,624)**	(5,590)
Net assets	**20,583**	22,470
Group's share of net assets of an associate	**6,175**	6,741
Revenue	**17,494**	18,991
Loss for the year	**(1,948)**	(1,936)
Other comprehensive income	**60**	(550)
Group's share of profits and other comprehensive income of an associate for the year	**(566)**	(746)

18. AVAILABLE-FOR-SALE INVESTMENTS

The Group's non-current available-for-sale investments at 31 December 2009 represent a 8% and 0.7% equity interests in unlisted equity securities issued by private entities established in the PRC and Taiwan respectively. They do not have a quoted market price in an active market. As the range of reasonable fair value estimates is so significant, the corresponding fair values cannot be measured reliably. Accordingly, the investments are measured at cost less impairment at the end of reporting period.

19. DEFERRED TAXATION

The following are the major deferred tax (assets) liabilities recognised and movements thereon during the current and prior years:

	Difference between accounting and tax depreciation HK$'000	Revaluation of properties HK$'000	Withholding income tax HK$'000	Others HK$'000	Total HK$'000
At 1 January 2008	(816)	14,362	–	(2,794)	10,752
Exchange realignment	–	–	–	43	43
(Credit) charge to profit or loss	(724)	(305)	1,540	915	1,426
Charge to other comprehensive income	–	3,072	–	–	3,072
At 31 December 2008	**(1,540)**	**17,129**	**1,540**	**(1,836)**	**15,293**
Exchange realignment	**–**	**–**	**2**	**1**	**3**
Charge to profit or loss	**296**	**689**	**3,415**	**588**	**4,988**
Charge to other comprehensive income	**–**	**4,464**	**–**	**–**	**4,464**
At 31 December 2009	**(1,244)**	**22,282**	**4,957**	**(1,247)**	**24,748**

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

	2009 HK$'000	2008 HK$'000
Deferred tax assets	**(1,319)**	(2,125)
Deferred tax liabilities	**26,067**	17,418
	24,748	15,293

According to the EIT Law as mentioned in note 8, starting from 1 January 2008, 10% withholding income tax will be imposed on dividends relating to profits generated by the companies established in the PRC for the financial year 2008 onwards to their foreign shareholders. Deferred taxation has been provided for in respect of the undistributed profits from these PRC subsidiaries amounting to approximately HK$4,957,000 (2008: HK$1,540,000).

At 31 December 2009, the Group had unused tax losses of HK$114,168,000 (2008: HK$95,833,000) available for offset against future profits. Deferred tax assets thereon have not been recognised because of the unpredictability of future profit streams. The unused tax losses of HK$70,489,000 (2008: HK$34,507,000) will expire in 2014. Other losses may be carried forward indefinitely.

20. INVENTORIES

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

During the year, an allowance of HK$288,000 (2008: HK$12,285,000) was made on obsolete and slow-moving inventory items identified.

At 31 December 2009, the carrying amount of inventories has been arrived at after charging cumulative allowances of HK$41,127,000 (2008: HK$44,408,000).

21. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2009 HK$'000	2008 HK$'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 analaysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of reporting period:

	2009 HK$'000	2008 HK$'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

21. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(continued)*

Before accepting any new customer, the Group will assess the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with a satisfactory trustworthy credit history. Credit limits attributed to customers are reviewed regularly.

At the end of the reporting period, the directors considered the debts not impaired nor past due are of good credit quality.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$32,750,000 (2008: HK$20,902,000) which are past due at the end of reporting period for which the Group has not provided for impairment loss after consideration on the credit quality of those individual customers, the ongoing relationship with Group and the ageing of these receivables. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2009	2008
	HK$'000	*HK$'000*
Within 30 days	**19,259**	13,014
31 to 90 days	**6,304**	2,017
Over 90 days	**7,187**	5,871
Total	**32,750**	20,902

The Group has fully provided for all receivables over 365 days because historical experience is such receivables that are past due beyond 365 days are generally not recoverable.

Movement in the allowance for doubtful debts

	2009	2008
	HK$'000	*HK$'000*
Balance at beginning of the year	**11,855**	9,711
Impairment loss on receivables	**7,638**	4,449
Amount recovered during the year	**(2,350)**	(1,636)
Amount written off as uncollectible	**—**	(669)
Balance at end of the year	**17,143**	11,855

22. DERIVATIVE FINANCIAL INSTRUMENTS

At the end of the reporting period, major terms of the outstanding foreign currency forward contracts are as follows:

At 31 December 2009:

Principal/notional amount	Forward contract rates
22 contracts to sell in total of US$49,500,000 (gross settle)	US$1 to RMB6.7250 — 6.8352
22 contracts to buy in total of US$49,500,000 (net settle)	US$1 to RMB6.6170 — 6.7940

At 31 December 2008:

Principal/notional amount	Forward contract rates
13 contracts to sell in total of US$27,500,000 (gross settle)	US$1 to RMB6.4100 — 6.6600
13 contracts to buy in total of US$27,500,000 (net settle)	US$1 to RMB6.2965 — 6.5660

To give details of foreign currency forward contracts would, in the opinion of the directors, resulted in particulars of excessive length.

All the above contracts will be matured within one month to twelve months (2008: within one month to twelve months).

The above financial instruments are measured at fair values based on a valuation conducted by Grant Sherman as at 31 December 2009 determined based on the difference between the market forward rates at the end of the reporting period for the remaining duration of the outstanding contracts and their contracted forward rates and discounted using an appropriate discount rate to take account of the time value of money.

23. BANK BALANCES AND CASH

Bank balances and cash of the Group comprise bank balances and short-term bank deposits that are interest bearing at prevailing market interest rates and are with maturity of three months or less. The bank deposits carry interest at rates ranging from 0.1% to 0.8% (2008: 0.5% to 1.5%) per annum.

24. TRADE AND OTHER PAYABLES AND ACCRUALS

	2009 HK$'000	2008 HK$'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 HK$'000	2008 HK$'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.

25. RELATED PARTY DISCLOSURES

During the year, the Group had transactions and balances with the directors or related parties. The transactions during the year and balances with them at the end of the reporting period, are as follows:

(a) Transactions with related parties:

Name of parties	Interested directors	Nature of transactions	2009 HK$'000	2008 HK$'000
Yojin Industrial Corporation	Mr. Huang Ying Yuan Mrs. Huang Chen Li Chu *(note i)*	Rental expenses paid by the Group *(note ii)*	**574**	599
Mr. Chen Hung Jung	Mrs. Huang Chen Li Chu *(note iii)*	Rental expenses paid by the Group *(note ii)*	**97**	96

25. RELATED PARTY DISCLOSURES *(continued)*

(b) Transactions with directors:

Name of director	Nature of transactions	2009 *HK$'000*	2008 *HK$'000*
Mr. Huang Ying Yuan	Rental expenses paid by the Group to director *(note ii)*	**243**	240
Mr. Chen Hsing Shin (deceased on 14 February 2008)	Rental expenses paid by the Group to director	**—**	40

(c) Compensation of key management personnel

The remuneration of directors, who are the key management of the Group, during the year are as follows:

	2009 *HK$'000*	2008 *HK$'000*
Short-term employee benefits	**14,783**	14,912

The remuneration of directors was decided by the board of directors, which is reviewed by the Remuneration Committee, having regard to the performance of the individuals and market trends.

Notes:

i. Both Mr. Huang Ying Yuan and Mrs. Huang Chen Li Chu have beneficial interests in Yojin Industrial Corporation.

ii. The rentals were charged in accordance with the terms of the relevant tenancy agreement agreed by both parties.

iii. Mr. Chen Hung Jung is brother of Mrs. Huang Chen Li Chu.

26. SHARE CAPITAL

	Number of ordinary shares	Amount
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2008, 31 December 2008 and 31 December 2009	1,000,000,000	100,000
Issued and fully paid:		
At 1 January 2008	725,320,724	72,532
Exercise of share options	2,104,000	210
Shares repurchased and cancelled	(610,000)	(61)
At 31 December 2008	**726,814,724**	**72,681**
Exercise of share options	**20,488,000**	**2,049**
At 31 December 2009	**747,302,724**	**74,730**

The share issued during the year rank pari passu with the other existing shares in all respect.

During the year ended 31 December 2008, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HK$0.10 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	*HK$*	*HK$'000*
Oct 2008	180,000	0.38	0.37	66
Nov 2008	430,000	0.43	0.41	180

27. SHARE OPTIONS

The Company adopted a share option scheme on 2 December 1998 (the "1998 Scheme") for the primary purpose of providing incentives to directors and eligible employees. Under the 1998 Scheme, the board of directors of the Company may grant share options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted. A share option may be exercised in accordance with the terms of the 1998 Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date.

At 31 December 2008, the number of shares in respect of which share options had been granted and remained outstanding under the 1998 Scheme was 7,000,000, representing 1.0% of the shares of the Company in issue at that date. No share options was remained outstanding under the 1998 Scheme as at 31 December 2009.

As a result of the amendments of Chapter 17 of the Listing Rules on 1 September 2001, certain terms of the 1998 Scheme are no longer in compliance with the Listing Rules and the Company can no longer grant any further share options under the 1998 Scheme without being in breach of the Listing Rules. Accordingly, the Company terminated the 1998 Scheme and adopted a new share option scheme (the "2002 Scheme"), which was approved at the Company's annual general meeting held on 30 May 2002, for the primary purpose of providing incentives to directors and eligible participants.

Except that no further share options may be granted under the 1998 Scheme subsequent to its termination, all the other provisions of the 1998 Scheme will remain in force so as to give effect to the exercise of all outstanding share options granted under the 1998 Scheme prior to 1 September 2001 and all such options will remain valid and exercisable in accordance with the provisions of the 1998 Scheme.

According to the 2002 Scheme, the board of directors the Company may offer to grant share options to eligible employees, including directors of the Company or any of its subsidiaries and any suppliers, consultants, agents and advisers who have contributed to the Group, to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted.

Any offer to grant share options should be accepted within 30 days from the date of offer. The total number of shares in respect of which options may be granted under the 2002 Scheme and any other share option scheme of the Company at any time shall not exceed 10% of the shares of the Company in issue at any point in time. The number of shares in respect of which share options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

27. SHARE OPTIONS *(continued)*

Share options granted to substantial shareholders or any of its associates in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

The directors may at its absolute discretion determine the period during which a share option may be exercised, such period to expire not later than 10 years from the date of grant of the share option. No option may be granted more than 10 years after the date of approval of the 2002 Scheme. Subject to earlier termination by the Company in general meeting or by the Board's meeting, the 2002 Scheme shall be valid and effective for a period of 10 years after the date of adoption of the 2002 Scheme. The exercise price is determined by the directors and shall not be less than the highest of (i) the closing price of the Company's shares on the date on which the share option is offered, (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of offer, and (iii) the nominal value of the share.

On 14 February 2006, the Company granted share options to certain eligible employees to subscribe for a total of 8,000,000 shares in the Company (equally divided into two batches, namely Batch I and Batch II) at an exercise price of HK$0.54 per share under the 2002 Scheme.

On 26 November 2007, the Company granted share options to certain eligible employees to subscribe for a total of 28,000,000 shares in the Company (equally divided into two batches, namely Batch I and Batch II) at an exercise price of HK$0.64 per share under the 2002 Scheme.

The eligible employees have rights to exercise their respective share options at any time during the period from the date after the share options have been vested.

27. SHARE OPTIONS *(continued)*

The following table discloses movements in the Company's share options during the year ended 31 December 2009 and 2008:

		Number of shares subject to share options						
	Date of grant	Outstanding at 1 January 2008	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2008	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2009
Category 1: Directors								
Mr. Huang Ying Yuan	18 August 1999	4,000,000	–	–	4,000,000	–	(4,000,000)	–
Mrs. Huang Chen Li Chu	18 August 1999	3,000,000	–	–	3,000,000	–	(3,000,000)	–
Mr. Yang Yu Fu	26 November 2007	7,000,000	–	–	7,000,000	(4,000,000)	–	3,000,000
Mr. Chen Chun Chieh	26 November 2007	700,000	–	–	700,000	(700,000)	–	–
Mr. Chen Hsing Shin (deceased on 14 February 2008)	18 August 1999	3,500,000	–	(3,500,000)	–	–	–	–
Total for directors		18,200,000	–	(3,500,000)	14,700,000	(4,700,000)	(7,000,000)	3,000,000
Category 2: Employees								
	14 February 2006	3,734,000	(2,104,000)	(194,000)	1,436,000	(1,206,000)	(54,000)	176,000
	26 November 2007	20,300,000	–	(2,822,000)	17,478,000	(14,582,000)	(832,000)	2,064,000
Total for employees		24,034,000	(2,104,000)	(3,016,000)	18,914,000	(15,788,000)	(886,000)	2,240,000
Total for all categories		42,234,000	(2,104,000)	(6,516,000)	33,614,000	(20,488,000)	(7,886,000)	5,240,000
Exercisable at the end of the year					21,026,000			5,240,000

27. SHARE OPTIONS *(continued)*

Details of specific categories of share options are as follows:

Date of grant	Vesting period	Exercisable period	Exercise price HK$
18 August 1999	4.5 months	1 January 2000 — 17 August 2009	1.26
14 February 2006 (Batch I)	11 months	17 January 2007 — 16 January 2011	0.54
14 February 2006 (Batch II)	23 months	17 January 2008 — 16 January 2011	0.54
26 November 2007 (Batch I)	12 months	8 November 2008 — 7 November 2012	0.64
26 November 2007 (Batch II)	24 months	8 November 2009 — 7 November 2012	0.64

The estimated fair values of the options granted on 14 February 2006 of Batch I and Batch II were HK$0.15 and HK$0.17, respectively.

The estimated fair values of the options granted on 26 November 2007 of Batch I and Batch II were HK$0.11 and HK$0.10, respectively.

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was HK$0.98 (2008: HK$0.73).

The fair values of the share options granted under the 2002 scheme was calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

	2007	2006
Weighted average share price	**HK$0.66**	HK$0.65
Exercise price	**HK$0.64**	HK$0.54
Expected volatility (Batch I/Batch II)	**45.94%/42.72%**	45.15%/45.15%
Expected life	**3 to 4 years**	3 to 4 years
Hong Kong Monetary Authority Exchange Fund Notes	**1.59%/2.16%**	3.17%/3.18%
Expected dividend yield	**10.61%**	7.69%

Expected volatility was determined by using the historical volatility of the Company's share price over the past year. The expected life used in the model has been estimated taking into account of the effects of non transferability, exercise restrictions and behavioral considerations.

The value of share options vary with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of share option.

In accordance with the above model, the Group recognised the total expense of HK$665,000 for the year ended 31 December 2009 (2008: HK$2,445,000) in relation to share options granted by the Company.

28. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that its subsidiaries will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remain unchanged from prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising share capital, share premium, special reserve, property revaluation reserve, statutory surplus reserve fund, enterprise expansion fund, translation reserve, share option reserve, capital redemption reserve and accumulated profits, net of bank balances, as disclosed in the consolidated financial statements.

The directors of the Company review the capital structure annually. As part of this review, the directors of the Company assess the annual budget prepared by management of the Company. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through the payment of dividends, new share issues, as well as issue of new debts.

29. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2009 ***HK$'000***	2008 *HK$'000*
Financial assets		
At fair value through profit or loss, held for trading	**2,957**	15,297
Loans and receivables (including cash and cash equivalents)	**539,127**	429,935
Available-for-sale financial assets	**4,672**	4,664
Financial liabilities		
At fair value through profit or loss, held for trading	**—**	9,785
Amortised cost	**186,113**	180,069

(b) Financial risk management objectives and polices

The Group's major financial instruments include trade and other receivables, derivative financial instruments, bank balances and trade and other payables. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, market risk (currency risk, interest rate risk and other price risk) and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

29. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and polices *(continued)*

Credit risk

The Group's principal financial assets include trade and other receivables, derivative financial instruments and cash and cash equivalents. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group only extends credit to customers based on careful evaluation of the customers' financial conditions and credit history. Credit sales of products are made to customers with an appropriate credit history. In addition, the Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the directors consider that the Group's exposure to bad debts and concentration risk is minimal.

The Group has concentration of credit risk as 50% of the total trade receivables as at 31 December 2009 (2008: 44%) was due from the Group's five largest customers. Those five largest customers are either reputable infant products traders with long history of the Group. Management perform periodic evaluations and customer visits to ensure the Group's exposure to bad debts is not significant. The historical experience in the collection of trade receivables from the five largest customers falls within the expectation of the directors.

Credit risk on bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Other than the concentration of credit risk on top five largest customers, the Group does not have other significant concentration of credit risk.

29. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and polices *(continued)*

Market risk

(i) Currency risk

Foreign currency risk management

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 10% (2008: 13%) of the Group's sales are denominated in currencies other than the functional currency of the group entities making the sale, and approximately 30% (2008: 34%) of costs are denominated in currencies other than the group entities' functional currency.

The functional currencies of the Group's principal subsidiaries are US$ and Renminbi ("RMB"). While most of the Group's operations are transacted in the functional currency of the respective group entities, the Group undertakes certain sales and purchase transactions denominated in US$, HK$ and Euro dollars ("Euro"). Hence, exposures to exchange rate fluctuations arises. The Group currently does not formulate any hedging policies against its exposure to currency risk. Yet, the Group still manages its foreign currency risk by closely monitoring the movement of the foreign currency rate and buying foreign currency forward contracts if it considers the risk to be significant.

At the end of the reporting period, the carrying amounts of the Group's significant monetary assets and monetary liabilities denominated in currencies other than the functional currency of relevant group entity are as follow:

	2009	2008
	HK$'000	*HK$'000*
Monetary Assets		
US$	**34,161**	8,906
HK$	**19,878**	8,413
EURO	**52,719**	67,790
New Taiwan dollars ("NTD")	**1,450**	1,177
Monetary Liabilities		
US$	**4,643**	4,230
HK$	**38,335**	48,025
EURO	**3,790**	3,862
NTD	**23,482**	19,476

29. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and polices *(continued)*

Market risk *(continued)*

(i) Currency risk (continued)

Foreign currency risk management *(continued)*

At the end of the reporting period, the Group had foreign currency forward contracts with an aggregated notional amount of US$99,000,000 (2008: US$55,000,000). Details are shown in note 22.

Sensitivity analysis

The Group is mainly exposed to the fluctuation of US$, NTD, HK$, EURO and RMB.

Since HK$ is pegged to US$, relevant foreign currency risk is minimal. Accordingly, their fluctuation is excluded from the sensitivity analysis. The following table details the Group's sensitivity to US$ against the other foreign currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A 5% strengthening of US$ against NTD, EURO and RMB and 5% strengthening of RMB against HK$, NTD, EURO and USD will have the following profit (loss) on the results for the year, and vice versa.

	HK$ impact		**NTD impact**		**EURO impact**		**RMB impact**		**USD impact**	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Monetary assets and liabilities	**923**	1,429	**1,102**	915	**(2,446)**	(3,196)	**–**	–	**(1,475)**	(234)
Derivative financial instruments	**–**	–	**–**	–	**–**	–	**(148)**	(765)	**–**	489

29. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and polices *(continued)*

Market risk *(continued)*

(ii) Interest rate risk

The Group does not expose to significant interest rate risk on financial instruments as the Group's financial liabilities are non-interest bearing. Also, the directors consider those interest bearing bank deposits are within short maturity period and the effect on fluctuation in interest rate is insignificant.

(iii) Other price risks

The Group does not expose to significant price risks on financial instruments as its available-for-sale investments are stated at cost less impairment at the end of the reporting periods.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. For non-derivative financial liabilities, the tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

29. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and polices *(continued)*

Liquidity risk *(continued)*

For derivative financial instruments settled on a net basis, undiscounted net cash flows are presented. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	0-30 days *HK$'000*	**31-90 days** *HK$'000*	**91-365 days** *HK$'000*	**Total undiscounted cash flows** *HK$'000*	**Carrying amount at 31 December 2009** *HK$'000*
2009					
Non-derivative financial liabilities					
Trade and other payables	**93,651**	**77,995**	**14,467**	**186,113**	**186,113**

	0-30 days *HK$'000*	31-90 days *HK$'000*	91-365 days *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31 December 2008 *HK$'000*
2008					
Non-derivative financial liabilities					
Trade and other payables	158,360	15,343	6,366	180,069	180,069
Derivative financial liabilities					
Foreign currency forward contracts — outflow	170	3,905	5,710	9,785	9,785

29. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value

The fair value of financial assets and financial liabilities (including derivative financial instruments) are determined in accordance with discounted cash flow analysis.

Foreign currency forward contracts are using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurement of financial assets and financial liabilities

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 2 based on the degree to which the fair value is observable.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

	As at 31 December 2009 Level 2 *HK$'000*
Derivative financial assets	**2,957**

30. OPERATING LEASE COMMITMENTS AND ARRANGEMENTS

The Group as lessee

	2009 HK$'000	2008 HK$'000
Minimum lease payments paid under operating leases during the year	15,887	5,159

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which are fall due as follows:

	2009 HK$'000	2008 HK$'000
Within one year	12,194	11,982
In the second to fifth year inclusive	33,855	40,270
Over five years	668	2,264
	46,717	54,516

Operating lease payments represent rentals payable by the Group for certain of its office premises, lease properties and staff quarters. Leases are negotiated for an average term of five years and rentals are fixed for an average of five years.

The Group as lessor

Property rental income earned during the year was HK$517,000 (2008: HK$323,000).

At the end of both reporting periods, the Group had contracted with a tenant for the following future minimum lease payments:

	2009 HK$'000	2008 HK$'000
Within one year	303	123
In the second to fifth year inclusive	583	—
	886	123

31. CAPITAL COMMITMENTS

	2009	2008
	HK$'000	*HK$'000*
Capital expenditure in respect of lease premium of land contracted for but not provided in the consolidated financial statements	**6,261**	–

32. RETIREMENT BENEFIT SCHEME

The Group operates an MPF Scheme for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes a certain percentage of relevant payroll costs to the Scheme.

The employees of the Company's subsidiaries in the PRC and Taiwan are members of the state-managed retirement benefit schemes operated by the PRC and Taiwan government, respectively. The PRC and Taiwan subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company at 31 December 2009 is as follows:

	Notes	2009 HK$'000	2008 HK$'000
Total asset			
Investment in subsidiaries		**253,971**	253,971
Other receivables		**108**	8
Amount due from a subsidiary	(a)	**160,576**	183,308
Bank balances		**25,183**	48
		439,838	437,335
Total liabilities			
Other payables		**334**	242
Amounts due to subsidiaries	(a)	**1,692**	12,729
		2,026	12,971
		437,812	424,364
Capital and reserves			
Share capital		**74,730**	72,681
Reserves	(b)	**363,082**	351,683
		437,812	424,364

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Notes:

(a) Amount(s) due from (to) subsidiaries

The amounts are unsecured, interest-free and have no fixed repayment terms.

(b) Reserves

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 January 2008	91,994	244,461	619	1,147	8,187	346,408
Profit for the year and total recognised income for the year	—	—	—	—	38,460	38,460
Shares purchased and cancelled	(185)	—	—	61	(61)	(185)
Exercise of share options	1,276	—	(350)	—	—	926
Share options lapsed during the year	—	—	(339)	—	339	—
Employee share-based payments	—	—	2,445	—	—	2,445
Dividends recognised as distributions *(note 12)*	—	—	—	—	(36,371)	(36,371)
At 31 December 2008	**93,085**	**244,461**	**2,375**	**1,208**	**10,554**	**351,683**
Profit for the year and total recognised income for the year	**—**	**—**	**—**	**—**	**39,712**	**39,712**
Exercise of share options	**13,314**	**—**	**(2,313)**	**—**	**—**	**11,001**
Share options lapsed during the year	**—**	**—**	**(99)**	**—**	**99**	**—**
Employee share-based payments	**—**	**—**	**665**	**—**	**—**	**665**
Dividends recognised as distributions *(note 12)*	**—**	**—**	**—**	**—**	**(39,979)**	**(39,979)**
At 31 December 2009	**106,399**	**244,461**	**628**	**1,208**	**10,386**	**363,082**

34. EVENT AFTER THE REPORTING PERIOD

On 8 November 2009, the Company entered into a program for the issuance of the Taiwan Depositary Receipts (the "TDRs"). Pursuant to which, the Company entered into an engagement with a depositary bank and will issue new shares of the Company to such depositary bank when the TDRs launched.

Subsequently, the launch of the TDRs was approved by the Securities and Futures Bureau under the Financial Supervisory Commission of the Executive Yuan of Taiwan on 29 January 2010.

The Company is in the process of discussion with the underwriter of the TDRs about the launching timetable. At the report date, details of the issuance of the TDRs have not yet been finalised.

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2009 and 2008 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company				Principal activities *(note i)*
			Directly		Indirectly		
			2009 %	2008 %	**2009 %**	2008 %	
Lerado China Limited	BVI	HK$5,000 ordinary shares	**–**	–	**100**	100	Investment holding and trading of infant products in Taiwan
Lerado Group Limited	BVI	HK$10,702 ordinary shares	**100**	100	**–**	–	Investment holding
Lerado Global (Macao Commercial Offshore) Limited	Macau	MOP100,000	**–**	–	**100**	100	Trading of infant products
Lerado H.K. Limited	Hong Kong	HK$5,000 ordinary shares	**–**	–	**100**	100	Trading of infant products
Link Treasure Limited	BVI	US$5,000 ordinary shares	**–**	–	**100**	100	Provision of research and development services in Taiwan
中山市隆成日用制品有限公司	the PRC *(note ii)*	US$20,750,000 registered capital	**–**	–	**100**	100	Manufacture and trading of infant products
中山市國宏塑膠製品有限公司	the PRC *(note ii)*	US$3,150,000 registered capital	**–**	–	**96.6**	96.6	Manufacture and trading of stroller wheels

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company Directly 2009 %	Directly 2008 %	Indirectly 2009 %	Indirectly 2008 %	Principal activities *(note i)*
小天使嬰童用品（中山）有限公司	the PRC *(note ii)*	US$2,400,000 registered capital	–	–	100	100	Manufacture and trading of infant products
上海隆成日用製品有限公司	the PRC *(note ii)*	US$6,260,000 registered capital	–	–	100	100	Manufacture and trading of nursery products
金和信股份有限公司	Taiwan	NTD205,000,000 ordinary shares	–	–	100	100	Provision of purchasing services and trading of infant products
中山隆成啟航商貿有限公司	the PRC *(note ii)*	US$1,370,000 registered capital	–	–	100	100	Retail sales of infant products
貴州隆成啟航商貿有限公司	the PRC *(note ii)*	RMB10,000,000 registered capital	–	–	100	100	Retail sales of infant products
廣西隆成啟航貿易有限公司	the PRC *(note ii)*	US$1,370,000 registered capital	–	–	100	100	Retail sales of infant products
廈門啟隆貿易有限公司	the PRC *(note ii)*	US$1,370,000 registered capital	–	–	100	100	Retail sales of infant products

Notes:

(i) The principal activities of the subsidiaries are carried out in the place of incorporation/establishment except as otherwise stated under principal activities above.

(ii) These PRC subsidiaries are foreign investment enterprises.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results, assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Financial Summary

RESULTS

	Year ended 31 December				
	2005	2006	2007	2008	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
REVENUE	1,047,328	1,125,465	1,208,715	1,490,884	**1,291,848**
PROFIT BEFORE TAXATION	13,993	97,758	55,044	73,484	**82,659**
INCOME TAX EXPENSE	(3,439)	(9,410)	(7,467)	(16,052)	**(12,328)**
PROFIT FOR THE YEAR	10,554	88,348	47,577	57,432	**70,331**
ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	9,155	86,219	48,022	56,943	**70,248**
MINORITY INTERESTS	1,399	2,129	(445)	489	**83**
	10,554	88,348	47,577	57,432	**70,331**

ASSETS AND LIABILITIES

	At 31 December				
	2005	2006	2007	2008	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
TOTAL ASSETS	909,183	979,420	1,070,287	1,137,676	**1,204,554**
TOTAL LIABILITIES	(183,853)	(198,982)	(256,512)	(266,502)	**(269,608)**
	725,330	780,438	813,775	871,174	**934,946**
EQUITY ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	708,409	772,227	806,647	869,679	**933,368**
MINORITY INTERESTS	16,921	8,211	7,128	1,495	**1,578**
	725,330	780,438	813,775	871,174	**934,946**