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LERADO GROUP (HOLDING) COMPANY LIMITED

(隆成集團(控股)有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1225)

**DISCLOSABLE TRANSACTION INVOLVING ISSUE OF SHARES UNDER
GENERAL MANDATE**

On 26 May 2015 (after trading hours), the Company entered into the Agreement with the Vendor, pursuant to which the Vendor has conditionally agreed to sell and the Company has conditionally agreed to purchase the Sale Shares, representing 100% of the issued share capital of the Target Company, at the Consideration of HK\$45,000,000 which will be satisfied by allotment and issue of the Consideration Shares. The Vendor will procure the allotment and issue of the Consideration Shares by the Company as fully paid at HK\$0.60 per Consideration Share on Completion.

As the applicable percentage ratios under Chapter 14 of the Listing Rules in respect of the acquisition exceed 5% but less than 25%, the acquisition constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

THE AGREEMENT

Date

26 May 2015 (after trading hours)

Parties

- (i) The Company
- (ii) The Vendor

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor is not a connected person of the Company, and none of the Directors are in any way materially interested in the acquisition.

Subject matter

The Vendor has conditionally agreed to sell and the Company has conditionally agreed to purchase the Sale Shares at HK\$45,000,000.

The Sale Shares represent 100% interest in the issued share capital of the Target Company.

Consideration

The Consideration for the sale and purchase of the Sale Shares payable by the Company to the Vendor shall be the sum of Hong Kong Dollars Forty Five Million (HK\$45,000,000), which will be settled by allotment and issue of the Consideration Shares. The Vendor will procure the allotment and issue of the Consideration Shares by the Company as fully paid at HK\$0.60 per Consideration Share on Completion. The issue price also represents:

- (i) a discount of approximately 14.29% of the closing price of HK\$0.70 per Share as quoted on the Stock Exchange on the date of the Agreement;
- (ii) a discount of approximately 9.09% of the closing price of HK\$0.66 per Share as quoted on the Stock Exchange on 22 May 2015, being the date prior to the date of the Agreement;
- (iii) a discount of approximately 8.26% of the average closing price of HK\$0.654 per Share as quoted on the Stock Exchange in the last five consecutive trading days immediately prior to the date of the Agreement; and
- (iv) a discount of approximately 4.15% of the average closing price of HK\$0.626 per share as quoted on the Stock Exchange in the last ten consecutive trading days immediately prior to the date of the Agreement.

The Consideration was arrived at arm's length negotiations among the parties, with reference to (i) the payment term of the Consideration of the Acquisition; (ii) the financial performance of the Target Company; (iii) independent property valuation in the amount of HK\$48,000,000 and (iv) the reasons for the Acquisition as disclosed herein below.

Consideration Shares

The Consideration Shares represent (i) approximately 8.48% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 7.82% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares immediately upon Completion (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the date of the Completion save for the issue of the Consideration Shares).

The Consideration Shares will be issued pursuant to the General Mandate granted to the Directors at the Company's annual general meeting held on 23 May 2014. An application will be made by the Company to the Stock Exchange for the approval for the listing of, and permission to deal in, the Consideration Shares. As disclosed in the announcement of the Company dated 31 March 2015, the Company has allotted and issued 76,000,000 Shares under the General Mandate, representing approximately 50.27% of the General Mandate.

Change in shareholding structure of the Company

The following table illustrates the shareholding structure of the Company (i) as at the date of the Announcement; and (ii) immediately after the allotment and issuance of the Consideration Shares (assuming there is no other change in the issued share capital of the Company before Completion):

Shareholders	As at the date of the Announcement		Immediately after the allotment and issuance of the Consideration Shares	
	Number of Shares	Approximate percentage of shareholdings	Number of Shares	Approximate percentage of shareholdings
Mr. David Michael Webb (Note 1)	68,762,000	7.77%	68,762,000	7.17%
China Investment and Finance Group Limited (Note 2)	76,000,000	8.59%	76,000,000	7.92%
<i>Directors</i>				
Mr. Huang Ying Yuan (Note 3)	152,553,540	17.24%	152,553,540	15.90%
Mr. Chen Chun Chieh (Note 4)	97,823,800	11.06%	97,823,800	10.19%
Mr. Mak Kwong Yiu	600,000	0.07%	600,000	0.06%
The Vendor	-		75,000,000	7.82%
Other Public Shareholders	488,937,384	55.27%	488,937,384	50.94%
Total Shares in issue	884,676,724	100%	959,676,724	100%

Notes:

- (1) Mr. David Michael Webb is deemed to be interested in a total of 68,762,000 Shares, of which 48,221,000 Shares are held by Preferable Situation Assets Limited. Preferable Situation Assets Limited is wholly owned by Mr. David Michael Webb.
- (2) China Investment and Finance Group Limited is deemed to be interest in a total of 76,000,000 Shares, which are held by New Express Investment Limited. New Express Investment Limited is wholly owned by China Investment and Finance Group Limited
- (3) Mr. Huang Ying Yuan, the Chairman and an executive Director of the Company, is deemed to be interested in a total of 152,553,540 Shares, of which 1,234,000 Shares are held by Mrs. Huang Chen Li Chu and 148,353,540 Shares are held by Intelligence Hong Kong Group Limited. Mrs. Huang Chen Li Chu is the wife of Mr. Huang Ying Yuan and Intelligence Hong Kong Group Limited is controlled by Mr. Huang Ying Yuan and Mrs. Huang Chen Li Chu.
- (4) Mr. Chen Chun Chieh, an executive Director of the Company, is deemed to be interested in a total of 97,823,800 Shares, of which 96,805,800 Shares are held by Hwa Foo Investment Limited. Hwa Foo Investment Limited is wholly owned by Mr. Chen Chun Chieh.

Conditions Precedent

Completion is conditional upon fulfilment of the following Conditions:

- (a) the passing of the resolution(s) by the shareholder(s) of the parties in accordance with the Listing Rules (if required) to approve this Agreement and the transactions contemplated hereunder;

- (b) the Company having completed and being satisfied with the results of the due diligence review;
- (c) key members of the existing management of the Target Group continuing to be employed by the Target Group at completion of the Acquisition;
- (d) no material adverse change having occurred to the business, assets, financial position and performance of the Target Group;
- (e) warranties on the Target Group given by the Vendor being true and accurate in all material respects when made, and being true and accurate in all material respects on and as of the Completion Date;
- (f) (if necessary) all other authorisations, approvals, consents, waivers and permits which are necessary or relevant to give effect to the transactions contemplated hereunder having been granted, received or obtained and not revoked; and
- (g) the listing of, and permission to deal in, the Consideration Shares having been granted by the Stock Exchange.

The Company may in its absolute discretion at any time before the Completion waive any of the above conditions (b), (c), (d), (e) and (f) by notice to the Vendor and such waiver may be subject to such terms and conditions as determined by the Company. Each of the parties shall use their best endeavours to procure the fulfilment of the Conditions Precedent on or prior to the Long Stop Date.

If the Conditions Precedent are not fulfilled (or waived by the Company in respect of the clause (b)) in accordance with the above-mentioned conditions, this Agreement shall (unless otherwise agreed in writing by the parties) terminate and each Party shall have no liability to the other Party save and except for any antecedent breaches of the terms hereof.

Completion

Subject to all the Conditions Precedent being fulfilled (or waived by the Company), Completion shall take place on the Completion Date.

Reasons for the acquisition

The Directors are of the view that certain fabrics products and expertise knowledge of the Target Group can be utilised in the Group's business of manufacturing medical products, including but not limited to powered and non-powered mobility aid, wheel chairs and other durable medical equipment. Furthermore, the Target Group has commenced its business for many years and it has a certain sizable clientele, which allows the Company to penetrate into a new market. The Group expects to realize synergetic effect as a result of the consolidation of the Target Group as the Acquisition allows the Group to obtain professional knowledge in fabrics and help develop new application to the Company's core business.

In addition, as the Target Group has track record for the past years and the Vendor has unconditionally and irrevocably undertaken a profit guarantee, the Group expects the potential returns from the investment in the Target Company will contribute positively to the financial results of the Group in the near future.

The Directors are of the view that the terms of the Agreement are on normal commercial terms and are reasonable and in the interests of the Company and the shareholders as a whole.

Information of the Target Group

The Target Company was incorporated in the British Virgin Islands and is an investment holding company. The Target Group is principally engaged in trading of garment accessories, such as nylon tape, polyester tape and polyester string, which is mainly carried out by the Subsidiary.

The financial information of the Subsidiary is set out below:

	For the year ended 31 March 2014 (Audited) HK\$'000	For the year ended 31 March 2015 (Unaudited) HK\$'000
Profit before taxation	178	1,103
Profit after taxation	154	921

The unaudited and audited net asset value of the Subsidiary as at 31 March 2015 and 31 March 2014 was approximately HK\$8,159 million and HK\$7,238 million respectively.

Profit Guarantee

The Vendor hereby unconditionally and irrevocably represent and warrant to the undertaking with the Company that for the period ended from 1 April 2014 to 30 September 2015, the consolidated net profit after taxation of the Target Company shall not be less than HK\$4 million. In the event the said guaranteed profit is not achieved, the Vendor shall pay the Company (or its nominees) a compensation sum of HK\$ X based on the following formula:

$$\text{HK\$ X} = (\text{HK\$4 million} - \text{actual consolidated net profit of the Target Company achieved}) \times 11.25 \text{ and in any event shall not exceed HK\$45,000,000.}$$

This profit guarantee shall survive the Completion. Under no circumstances shall the Vendor dispute their obligations under this clause notwithstanding that the Target Group shall be owned and controlled by the Company upon Completion.

The audited report of the consolidated net profit of the Target Company shall be completed and presented to the Company within three months after 30 September 2015.

The Company is entitled to require the settlement of the compensation under the above-mentioned clause to be settled by way of cash payment within 10 business days after the presenting of the audited report.

Implications under the Listing Rules

As at the date of this announcement, as the application percentage ratio calculated pursuant to Rules 14.07 of the Listing Rules in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing

Rules.

Information of the Vendor

The Vendor, China Automotive Interior Decoration Holdings Limited is a company listed on the main board of the Stock Exchange and is principally engaged in manufacture and sale of nonwoven fabric products used in automotive interior decoration parts and other parts, trading of rubber and garment accessories.

Information of the Company

The Company is principally engaged in manufacture and distribution of toys and medical products.

Terms used in this announcement

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meanings ascribed to them below:

“Consideration”	the total consideration of HK\$45,000,000 payable by the Purchaser to the Vendor being the purchase price for the Sale Shares
“Consideration Shares”	75,000,000 Shares to be issued by the Company to the Vendor (or to his nominee as he may direct) as the Consideration
“Company”	Lerado Group (Holding) Company Limited, a company incorporated in Bermuda, the shares of which are listed on the main board of the Stock Exchange
“Completion”	Completion of the sale and purchase of the Sale Shares under the Agreement
“Completion Date”	The business day agreed by the parties to perform the Completion which shall be within 5 business days immediately following the satisfaction (or waiver) of all the Conditions Precedent (or such other date to be agreed by the parties)
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by the shareholders of the Company at the annual general meeting held on 23 May 2014 to allot and issue up to 151,175,344 new Shares. As disclosed in the announcement of the Company dated 31 March 2015, the Company has allotted and issued 76,000,000 Shares under the General Mandate, representing approximately 50.27% of the General Mandate.
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of PRC

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Long Stop Date”	31 July 2015 or any other later date as agreed between the parties
“Sale Shares”	50,000 shares in the capital of the Target Company, representing the entire issued share capital of the Target Company
“Share(s)”	ordinary issued share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	Brilliant Summit Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Target Company as at the date of this announcement
“Target Company”	Oriental Strategic Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Vendor as at the date of this announcement
“Target Group”	The Target Company and its subsidiaries at present or in the future (including the Subsidiary)
“Vendor”	China Automotive Interior Decoration Holdings Limited, a company incorporated in Cayman Islands, the shares of which are listed on the main board of the Stock Exchange
“%”	per cent.

By order of the Board
Lerado Group (Holding) Company Limited
Huang Ying Yuan
Chairman

Hong Kong, 26 May 2015

As at the date of this announcement, the executive Directors of the Company are Mr. HUANG Ying Yuan, Mr. CHEN Chun Chieh, Mr. HUANG Shen Kai and Mr. LAI Kin Chung Kenneth; and the independent non-executive Directors of the Company are Mr. MAK Kwong Yiu, Mr. YE Jianxin and Mr. CHERN Shyh Feng.

** For identification purposes only.*