THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Lerado Group (Holding) Company Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

LERADO
LERADO GROUP
隆成集團

LERADO GROUP (HOLDING) COMPANY LIMITED

（隆成集團（控股）有限公司）*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1225)

VERY SUBSTANTIAL DISPOSAL
RE-ELECTION OF DIRECTOR
AND
NOTICE OF SPECIAL GENERAL MEETING

A letter from the Board is set out on pages 4 to 22 of this circular.

A notice convening the Special General Meeting to be held at Shanghai Room I, Level 8, Langham Place Hotel, 555 Shanghai Street, Mongkok, Kowloon, Hong Kong on 16 September 2014 at 2:30 p.m. is set out on pages 90 to 91 of this circular. Whether or not you are able to attend the Special General Meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at Level 22 Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the Special General Meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the Special General Meeting or any adjourned meeting thereof (as the case may be) should you so wish.

28 August 2014

* *For identification purpose only*

CONTENTS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

"Actual NAV"	the net asset value of the Disposed Group before the deduction of deferred taxes at Completion;
"Agreement"	the agreement dated 16 June 2014 between the Seller, the Company, the Buyer and Dorel Industries;
"associate"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of the Company;
"Buyer"	Maxi Miliaan BV, a company incorporated in the Netherlands, a wholly-owned subsidiary of Dorel Industries;
"Bye-laws"	the bye-laws of the Company;
"CAGR"	compounded annual growth rate;
"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 Disposal;
"connected person"	has the meaning ascribed to it under the Listing Rules;
"Directors"	the directors of the Company;
"Disposal"	the sale of the Sale Shares by the Seller to the Buyer;
"Disposed Business"	the business carried on by the Group to manufacture, brand and distribute juvenile and infant products, which mainly comprise strollers, car seats, bouncers, high chairs, play-yards and related products;
"Disposed Group"	the Disposed Subsidiaries and their respective subsidiaries (including Zhongshan Lerado and excluding 上海隆成日用製品有限公司 (Shanghai Lerado Company Limited) and 東莞市啟航貿易有限公司 (Dongguan Qihang Trading Company Limited));

"Disposed Subsidiaries"	the eight wholly-owned subsidiaries of the Company, namely (1) Glory Time Investments Limited, (2) Lerado Overseas Limited, (3) Lerado Success Inc., (4) Lerado China Limited, (5) Lerado Global (MCO) Limited, (6) Actfaster International Limited, (7) Lerado Industrial Limited, and (8) Link Treasure Limited;
"Dorel Industries"	Dorel Industries Inc., a company incorporated in Quebec, Canada, the shares of which are listed on the Toronto Stock Exchange;
"Excluded Properties"	certain properties located on Guangfu Road, Dongshen Town, Zhongshan, PRC (中國中山市東升鎮廣福大道) and held by the Group;
"Group"	the Company and its subsidiaries or upon Completion, the Company and its subsidiaries (other than the Disposed Subsidiaries);
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Latest Practicable Date"	25 August 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Medical Business"	the business carried on by the Group to manufacture and sell medical products including powered and non-powered mobility aid, wheel chairs and other durable medical equipment;
"Plastic Toy Business"	the business carried on principally by Shanghai Lerado Company Limited (上海隆成日用製品有限公司) to manufacture and sell plastic toys, such as slide and swing, as well as children furniture;
"PRC"	the People's Republic of China, and for the purpose of this circular excluding Hong Kong, the Macau Special Administrative Region and Taiwan;

"Proposed Special Dividend"	as defined in the paragraph headed "Use of Proceeds and Possible Special Dividend" in this circular;
"Reference NAV"	HK$840 million;
"RMB"	Renminbi, the lawful currency of the PRC;
"Remaining Group"	the Company and its subsidiaries upon Completion and completion of the Restructuring;
"Restructuring"	the internal re-organisation to reorganise the subsidiaries of the Company so as to effect the transfer of the Medical Business out of the Disposed Group;
"Sale Shares"	the entire issued shares of each of the Disposed Subsidiaries;
"Seller"	Lerado Group Limited, a company incorporated in the British Virgin Islands, a wholly-owned subsidiary of the Company;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"SGM"	the special general meeting of the Company convened to approve the Agreement;
"Shareholders"	shareholders of the Company;
"Shares"	ordinary shares of HK$0.10 each in the share capital of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers;
"Zhongshan Lerado"	中山市隆成日用製品有限公司 (Zhongshan Lerado Manufacturing Company Limited), a subsidiary of one of the Disposed Subsidiaries; and
"%"	per cent.

LERADO GROUP (HOLDING) COMPANY LIMITED
(隆成集團(控股)有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1225)

Executive Directors:	*Registered office:*
Mr. HUANG Ying Yuan *(Chairman and Chief Executive Officer)*	Clarendon House
Mr. HUANG Shen Kai	2 Church Street
Mr. CHEN Chun Chieh	Hamilton HM11
	Bermuda
Independent non-executive Directors:	*Principal place of business in Hong Kong:*
Mr. LIM Pat Wah Patrick	Units 1-3, 30/F
Mr. HUANG Zhi Wei	Universal Trade Centre
Mr. MAK Kwong Yiu	3-5A, Arbuthnot Road
	Central, Hong Kong

28 August 2014

To the Shareholders

Dear Sir/Madam,

VERY SUBSTANTIAL DISPOSAL
RE-ELECTION OF DIRECTOR
AND
NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

On 16 June 2014, the Seller, a wholly-owned subsidiary of the Company, and the Company entered into the Agreement with the Buyer and Dorel Industries, pursuant to which the Seller has conditionally agreed to sell, and the Buyer has conditionally agreed to buy, the Sale Shares at a consideration of HK$930 million (subject to adjustment).

* *For identification purpose only*

The Sale Shares represent the entire issued share capital of each of the Disposed Subsidiaries, which hold the Group's interests in the Disposed Business. After Completion, the Disposed Subsidiaries will cease to be subsidiaries of the Company.

The Disposal constitutes a very substantial disposal for the Company and is subject to the approval by the Shareholders at a general meeting.

The purpose of this circular is to provide you with information in respect of, among other things, the details of the Disposal and the re-election of Director, and the notice concerning the SGM.

THE DISPOSAL

The Agreement

Date

16 June 2014

Parties

(1) the Seller;

(2) the Company;

(3) the Buyer; and

(4) Dorel Industries.

The Buyer is an investment company established in the Netherlands and is a wholly-owned subsidiary of Dorel Industries. Dorel Industries is a company established in Quebec, Canada which is principally engaged in the manufacture and sale of juvenile and bicycle products. The shares of Dorel Industries are listed on the Toronto Stock Exchange. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Buyer and Dorel Industries is independent of the Company and its connected persons.

Subject matter

The Seller will sell the Sale Shares, representing the entire issued share capital of each of the Disposed Subsidiaries, to the Buyer. The Disposed Subsidiaries (together with their respective subsidiaries) hold the interests of the Group in the Disposed Business.

Consideration

The consideration for the Disposal is HK$930 million (subject to adjustment). The consideration was determined after arm's length negotiations between the parties taking into consideration of the factors below:

(i) the combined net asset value of the Disposed Group as of 31 December 2013;

(ii) the market value of the properties owned by the Disposed Group; and

(iii) the potential of the Disposed Group.

Based on the unaudited management accounts of the Disposed Group and assuming completion of the Restructuring, the combined net asset value of the Disposed Group as at 31 December 2013 and 31 March 2014 was approximately HK$880.9 million and HK$862.7 million, respectively (which included certain properties with an aggregate book value of approximately HK$416.4 million as of 31 March 2014). Based on the valuation report as set out in Appendix IV of this circular, the then market value of the properties held by the Disposed Group was approximately HK$493.4 million as of 30 June 2014. Set out below is the reconciliation of the difference between the book value of such properties as of 31 March 2014 and the market value as of 30 June 2014:

	HK$ million
Book value of the properties to be held by the Disposed Group *(Note 1)*	416.4
Less: building portion with no formal titles *(Note 2)*	(140.2)
	276.2
Add: addition during the period from 1 April 2014 to 30 June 2014	2.7
Less: depreciation during the period from 1 April 2014 to 30 June 2014	(7.8)
	271.1
Add: net valuation surplus	222.3
Market value of the properties to be held by the Disposed Group *(Note 1)*	493.4

Note 1: Based on exchange rates of RMB1 = HK$1.249 and NTD*1 = HK$0.256

Note 2: The valuer has ascribed no commercial value to the building portions of certain properties to be held by the Disposed Group due to the absence of the building ownership certificates. The book value of such building portions without the building ownership certificates amounted to approximately HK$140.2 million as of 31 March 2014.

* *New Taiwan Dollar, the lawful currency of Taiwan*

The consideration will be payable by the Buyer in the following manner:

(a) a sum of approximately HK$852 million (equivalent to the consideration of HK$930 million less the escrow amount of US$10 million at the exchange rate of US$1.00 = HK$7.8) will be payable to the Seller at Completion, and a sum of US$10 million will be payable to the escrow agent at the same time and held by it in accordance with the terms of the escrow arrangement;

(b) such further payment or adjustment payment in accordance with the difference between the Reference NAV and the Actual NAV as set out in further details in the sub-paragraph headed "Adjustment" below within 10 Business Days (as defined in the Agreement) after the date of the finalization of the completion accounts; and

(c) the payment to the Seller of the escrow sum of US$10 million, less any claim that the Seller is liable to pay under the escrow arrangement upon the expiry of the escrow period on 30 April 2015.

Adjustment

If the Actual NAV as determined in the completion accounts is:

(a) a positive sum which is greater than the Reference NAV, the Buyer will pay to the Seller an amount equal to the difference;

(b) a positive sum which is less than the Reference NAV, the Seller will pay to the Buyer an amount equal to the difference;

(c) a negative sum, the Seller will pay to the Buyer an amount equal to the aggregate of the Reference NAV and the amount by which the Actual NAV is less than zero; or

(d) equal to the Reference NAV, no payment will be due from either the Buyer or the Seller.

Adjustment (c) above would only occur when the Disposed Group is in a net liability position at the date of Completion.

The Reference NAV is agreed to be HK$840 million. The Reference NAV was determined with reference to the combined unaudited net asset value of the Disposed Group as of 31 December 2013 and assuming completion of the Restructuring, being HK$880.9 million, adjusted for (i) adding the deferred tax liabilities in the amount of approximately HK$65 million; (ii) adding the debt owed by the Disposed Group to the Remaining Group of approximately HK$42.6 million; and (iii) deducting cash of the Disposed Group of approximately HK$146.7 million (after taking into consideration of the repayment of bank debt and the Restructuring) as of 31 December 2013.

For the purpose of the adjustment to the consideration for the Disposal, the Actual NAV will be determined pursuant to the accounting policies as agreed under the Agreement which include, among other policies, that no deferred tax liabilities will be taken into account. Based on the unaudited management accounts, the Disposed Group had deferred tax liabilities of approximately HK$65 million and HK$63.1 million as of 31 December 2013 and 31 March 2014, respectively.

Escrow Arrangement

A sum of US$10 million out of the consideration will be held by an independent escrow agent until the later of 30 April 2015 and the day all claims initiated against the Seller prior to 30 April 2015 are settled, resolved or withdrawn. The escrow sum will be used to settle any claim initiated against the Seller prior to 30 April 2015. The Seller would only be liable for a single claim in excess of US$300,000, or multiple claims that exceed US$120,000 each and in aggregate exceed US$300,000. Such limitation on liability on the part of the Seller was the results of arm's length negotiations between the Seller and the Buyer. If no claim has been initiated against the Seller, the escrow sum will be released in full to the Seller at the end of the escrow period on 30 April 2015.

Conditions

Completion of the Agreement is conditional upon:

(a) the passing at a general meeting of the Company of a resolution to approve the sale of the Sale Shares for the purposes of Chapter 14 of the Listing Rules; and

(b) completion of the transfer of the Excluded Properties and certain other assets out of the Disposed Group to the Group under the Restructuring.

If the conditions are not satisfied or waived by the Buyer (other than the condition in (a) above which cannot be waived) on or before the 180th day from the date of the Agreement, then the Agreement will terminate and no party will have any claim against the other except for antecedent breaches.

Intercompany debts

The Buyer has undertaken to procure the Disposed Group to pay and discharge the intercompany debts due by the Disposed Group to the Remaining Group as at Completion after finalization of the completion accounts. Based on the unaudited management accounts of the Disposed Group as of 31 December 2013, the Disposed Group had (i) net intercompany debts of approximately HK$174.9 million, and (ii) cash balance of approximately HK$148.4 million (assuming the bank debt has been repaid). Assuming completion of the Restructuring, the net intercompany debts and cash balance would be reduced to approximately HK$42.6 million and HK$146.7 million respectively.

Guarantee

Subject to the terms of the Agreement:

(a) the Company agreed to guarantee the obligations and liabilities of the Seller under the Agreement which are to be performed prior to Completion and the payment obligations of the Seller arising from the adjustment of the consideration for the Disposal; and

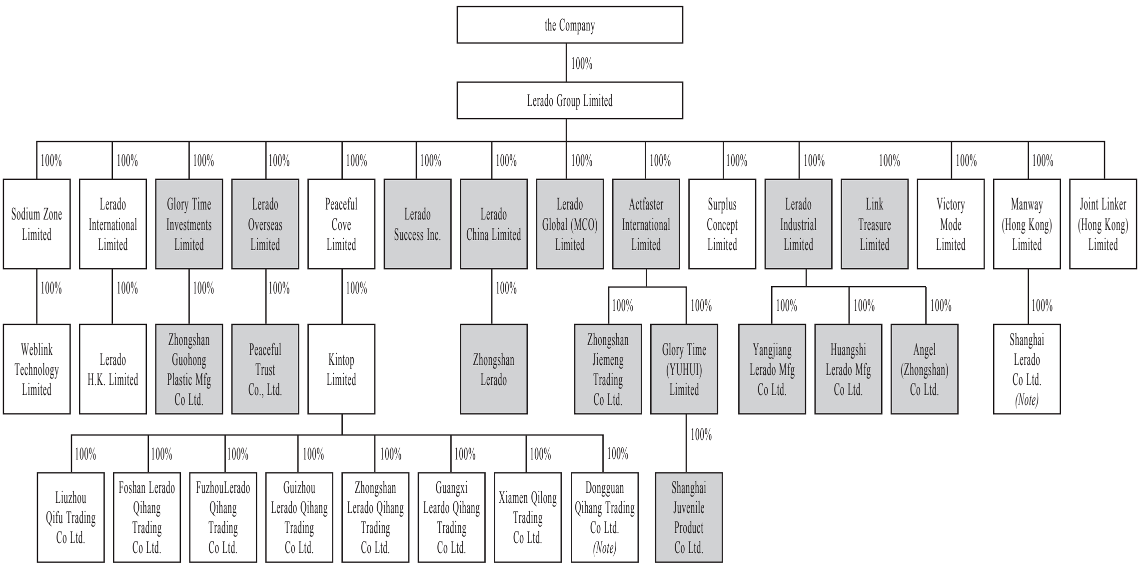
(b) Dorel Industries agreed to guarantee the obligations and liabilities of the Buyer under the Agreement.

Non-compete undertaking

Subject to the terms of the Agreement, each of the Seller and the Company has undertaken to the Buyer and the Disposed Group that each of them will not compete or engage in any business in the PRC, Macau, Hong Kong and/or Taiwan that competes, whether directly or indirectly, with the Disposed Business for a period of 30 months from the date of Completion.

INFORMATION ON THE DISPOSED GROUP AND THE DISPOSED BUSINESS

The Disposed Group comprises eight wholly-owned subsidiaries of the Company, namely (1) Glory Time Investments Limited, (2) Lerado Overseas Limited, (3) Lerado Success Inc., (4) Lerado China Limited, (5) Lerado Global (MCO) Limited, (6) Actfaster International Limited, (7) Lerado Industrial Limited, and (8) Link Treasure Limited together with their respective subsidiaries (including Zhongshan Lerado and excluding 上海隆成日用製品有限公司 (Shanghai Lerado Company Limited) and 東莞市啟航貿易有限公司 (Dongguan Qihang Trading Company Limited). The Disposed Group carries on the Disposed Business. The existing structure of the Group is set out below:

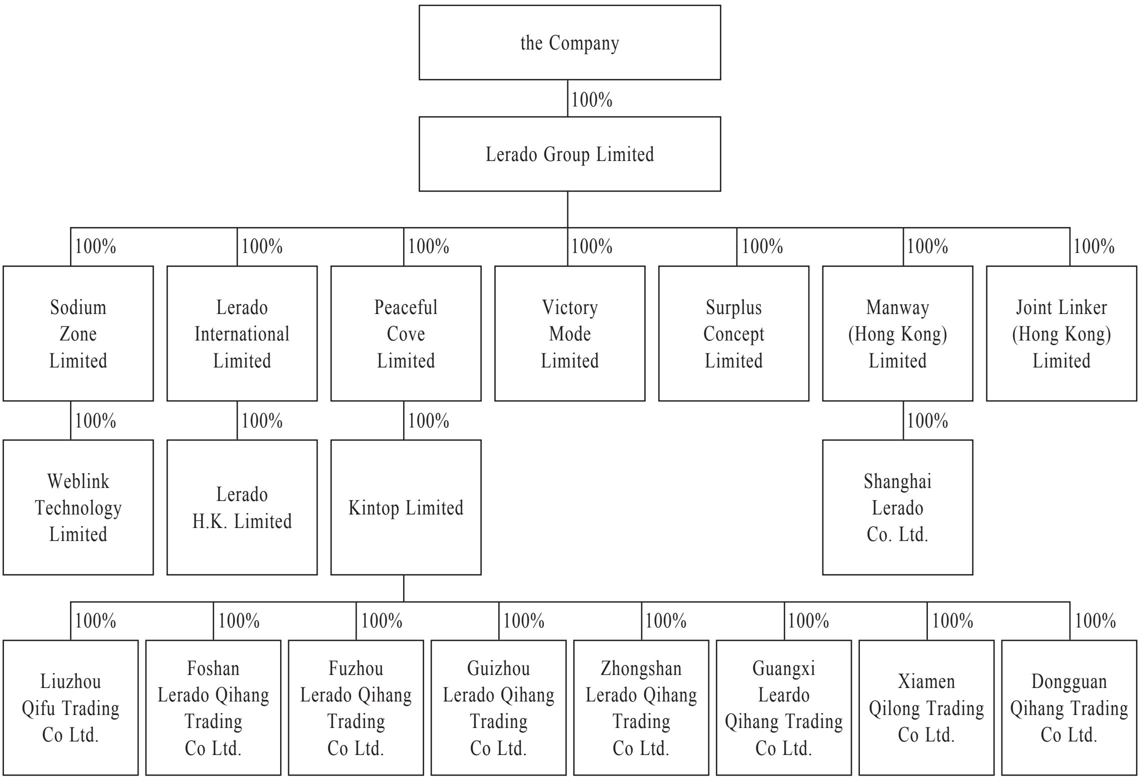


— the Disposed Subsidiaries and their respective subsidiaries

Note: Shanghai Lerado Co Ltd and Dongguan Qihang Trading Co Ltd were held by the Disposed Subsidiaries as at the date of the Agreement.

The Group will undergo the Restructuring for the purpose of the Disposal. The Restructuring will involve transferring the Medical Business (including the Excluded Properties) which is currently held by Zhongshan Lerado to another wholly-owned subsidiary of the Company, Zhongshan Lerado Qihang Trading Co. Ltd. ("Lerado Qihang"). The effect of the Restructuring is to transfer the Medical Business out of the Disposed Subsidiaries, so that only the Disposed Business will be transferred to the Buyer.

After completion of the Restructuring, the remaining business of the Group will consist of the Plastic Toy Business, which is the manufacture and sale of plastic toys like swings, slides and children furniture, and the Medical Business, which is the manufacture and sale of powered and non-powered mobility aid, wheel chairs and other durable medical equipment. The Plastic Toy Business is different from that of the Disposed Business in that the juvenile products in the Disposed Business are primarily functional products like strollers and car seats whereas the juvenile products in the Plastic Toy Business are primarily leisure and educational/learning products. The structure of the Remaining Group is set out below:



The Medical Business of the Group is currently being carried out by Zhongshan Lerado, which possesses the relevant licenses for the production and export of the products under the Medical Business. As a result of the Disposal, the operation of the Medical Business will be taken up by Lerado Qihang, which would need to apply for the relevant production and export licenses for the products under the Medical Business. Lerado Qihang has applied for the production license in early August 2014 and the production license was granted by the Guangdong Food and Drugs Administration and Supervisory Bureau (廣東省食品藥品監督管理局) on 20 August 2014. Following the issue of the production license, Lerado Qihang will start its application for the export licenses, which could only start after Lerado Qihang has obtained the necessary production license. The PRC legal advisers to the Company advised that there should not be any legal impediment in obtaining such production and export licenses, and it is expected that the entire process would be completed in late November 2014.

To address the event that Lerado Qihang does not obtain the required licenses for the manufacture and export of the medical products from the relevant PRC government authorities prior to Completion, Zhongshan Lerado and Lerado Qihang has entered into a legally binding agreement on 26 August 2014 pursuant to which the Medical Business will be operated by Zhongshan Lerado under the instructions of the Company and managed by representatives of the Company. Under such an arrangement, representatives of the Company will be seconded to Zhongshan Lerado to manage and operate the Medical Business under the name of Zhongshan Lerado. It is agreed that designated production facility and equipment consistent with the past operation of the Medical Business at Zhongshan Lerado will be made available for the operation of the Medical Business. Personnel of the Group will control the purchase of supplies and Zhongshan Lerado will only sell to Lerado H.K. Limited, a company in the Remaining Group, at cost. Zhongshan Lerado will also set up a separate set of accounts for the purposes of recording all transactions relating to the Medical Business during such period. As the supplies and sales functions and the manufacturing operation will all be managed by personnel of the Group, and because separate accounts will be kept by Zhongshan Lerado for the Medical Business, the Company is confident that it can retain control of the Medical Business during this transition period. In order to protect the interest of the Company, the agreement with Zhongshan Lerado provides an undertaking from Zhongshan Lerado that except with the consent of Lerado Qihang, it will not dispose of any of the assets relating to the Medical Business to any party other than Lerado Qihang, contract with any supplier or customer for the supply of raw materials or the sale of products, or take any action which is inconsistent with the arrangement as agreed between the parties for the management and operation of the Medical Business during the transition period. Should Zhongshan Lerado be in breach of its obligations under this agreement, Lerado Qihang is entitled to initiate arbitration proceedings against Zhongshan Lerado for specific performance and seek compensation for losses and damages for breach of agreement.

Completion of the transfer of the Medical Business is subject to Lerado Qihang having obtained the required licenses for the manufacture and export of the medical products from the relevant PRC government authorities. Notwithstanding that the Company is confident in obtaining the necessary licenses for Lerado Qihang to carry on such business within a reasonable time, there is no assurance that there will not be a delay in obtaining the licenses. In this connection, the above contingent management arrangement was put in place so as not to delay Completion or cause any interruption in the conduct of the Medical Business. Should this contingent management arrangement be implemented, the Medical Business will be operated by Zhongshan Lerado under the instructions of the Company and will continue to be accounted as the Company's business until completion of the transfer. The Board confirms that such arrangement would not impact the Company's ability to recognise revenue, expenses and other items relating to Medical Business in the Company's financial statements. Given that this arrangement is put in place to reduce the uncertainty of a possible delay in Completion or any interruption in the conduct of the

Medical Business, the Directors are of the view that the arrangement is beneficial and in the interests of the Company and the Shareholders as a whole.

According to the unaudited combined statement of financial position of the Disposed Business as set out in Appendix II of this circular, the combined net asset value of the Disposed Business as at 31 December 2013 and 31 March 2014 was HK$933.3 million and HK$906.2 million, respectively. The net asset value of the Disposed Business shall be adjusted as below in order to reconcile with the actual combined unaudited net asset value of the Disposed Group of approximately HK$880.9 million and HK$862.7 million as at 31 December 2013 and 31 March 2014, respectively (assuming completion of the Restructuring):

	As at 31 December 2013 *HK$ million*	**As at 31 March 2014** *HK$ million*
Net asset value of the Disposed Business	933.3	906.2
Less: assets and liabilities of Peaceful Cove Limited ("PCL") and Lerado H.K. Limited ("Lerado HK") *(Note 1) (Note 3)*	(101.8)	(92.9)
Add: consideration for Shanghai Lerado Company Limited ("Shanghai Lerado") and Dongguan Qihang Trading Company Limited ("Dongguan Qihang") *(Note 2)*	49.4	49.4
Net asset value of the Disposed Group (assuming completion of the Restructuring)	880.9	862.7

Note 1: PCL and Lerado HK are both subsidiaries of the Remaining Group and will not be part of the Disposed Group. However, for the purpose of preparing the financial information of the Disposed Business, the assets and liabilities of PCL and Lerado HK which relates to the Disposed Business were included for the reason that a non-compete undertaking was given by the Company and the Seller pursuant to the Agreement. These assets and liabilities however will be kept by the Remaining Group.

Note 2: As at the date of the Agreement, Shanghai Lerado and Dogguan Qihang were still subsidiaries of the Disposed Group but they would be transferred to the Remaining Group as part of the Restructuring. For the purpose of preparing the financial information of the Disposed Business as set out in Appendix II to this circular, the assets and liabilities of Shanghai Lerado and Dongguan Qihang were not included. However, the Remaining Group would pay a consideration to the Disposed Group equivalent to the carrying amount of the investment costs in Shanghai Lerado and Dongguan Qihang, but the financial impact of such consideration payable by the Remaining Group to the Disposed Group would be offset by an incremental consideration of the same amount to be paid by the Buyer to the Remaining Group pursuant to the adjustment mechanism of comparing the Actual NAV to the Reference NAV under the Agreement.

Note 3: Please refer to note 2 of the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular for further details.

The combined financial results of the Disposed Group and the Disposed Business for the two years ended 31 December 2012 and 2013, and the three months ended 31 March 2013 and 2014 are as follows:

	For the year ended 31 December		Three months ended 31 March	
	2012	**2013**	**2013**	**2014**
	HK$ million (unaudited)	*HK$ million* (unaudited)	*HK$ million* (unaudited)	*HK$ million* (unaudited)
Disposed Group *(Note)*				
Profit/(loss) before taxation	79.8	(2.5)	9.1	7.8
Profit/(loss) after taxation	67.6	(9.3)	8.1	5.9
Disposed Business *(Note)*				
Profit/(loss) before taxation	86.3	12.2	13.2	11.2
Profit/(loss) after taxation	73.3	4.3	11.9	9.1

Note: Difference between the profit and loss of the Disposed Group and the Disposed Business were attributable to the profit and loss of PCL and Lerado HK. PCL and Lerado HK are both subsidiaries of the Remaining Group and will not be part of the Disposed Group. However, for purpose of preparing the financial information of the Disposed Business, the profit and loss of PCL and Lerado HK which relates to the Disposed Business were included given a non-compete undertaking was given by the Company and the Seller pursuant to the Agreement.

Please refer to section headed "FINANCIAL EFFECTS OF THE DISPOSAL" in this letter for the estimation of the gain from the Disposal.

REASON FOR THE DISPOSAL

The Group is principally engaged in the manufacture and distribution of juvenile and infant products, toys and medical products.

For the two years ended 31 December 2012 and 2013, sales to the U.S. and Europe in aggregate accounted for approximately 77.2% and 75.6% of the Group's total revenue respectively. These two markets are considered the key markets for the bulk of the Group's juvenile and infant products. With the slower than expected economic recovery in the U.S. and Europe, coupled with the declining birth rates experienced by developed countries, the higher operating costs in the PRC and the continuous appreciation of Renminbi, the export markets of the Group continue to be weak and a rapid turnaround in market conditions is not expected in the near future. Under this difficult operating environment, the Group has experienced a decline in profit margin in recent years and the Disposed Business only recorded a net profit of approximately HK$4.3 million for the year ended 31 December 2013. Under these circumstances, the Company decided to exit the Disposed Business and entered into the Agreement with the Buyer to transfer the Company's interest in the Disposed Business to the Buyer.

INFORMATION ABOUT THE REMAINING GROUP

Set out below is a summary of the book value and market value of the key tangible assets (other than cash) held by the Remaining Group as of 31 December 2013:

Description of the asset	**Usage**	**Book value** *HK$ million* (unaudited)	**Market value** *HK$ million*
commercial premise located in Central, Hong Kong	the Company's administrative head office	54.4	54.4
the Excluded Properties	manufacture facility of the Medical Business	31.3	87.9
property located in Shanghai	manufacture facility of the Plastic Toy Business	21.9	40.0
Total		**107.6**	**182.3**

In terms of business activities after the Disposal, the Company will principally focus on the Plastic Toy Business and the Medical Business.

The Plastic Toy Business and the Medical Business were established in 1999 and 2004, respectively. Set out below is an unaudited financial summary of the Plastic Toy Business and the Medical Business for the three years ended 31 December 2013:

	2011 *HK$ million*	**2012** *HK$ million*	**2013** *HK$ million*
Turnover	122.2	149.4	139.9
— Plastic Toy Business	28.2	28.9	28.7
— Medical Business	94.0	120.5	111.2

	2011	2012	2013
	HK$ million	*HK$ million*	*HK$ million*
Profit/(loss) before taxation	1.8	19.5	(5.6)
— Plastic Toy Business	(3.4)	7.6	(3.6)
— Medical Business	5.2	11.9	(2.0)
Profit/(loss) after taxation *(Note)*	1.0	15.8	(5.6)
— Plastic Toy Business	(3.4)	5.7	(3.6)
— Medical Business	4.4	10.1	(2.0)

Note: These are the estimates made by the Company, as historically, the Company did not separate the profit tax expenses at the business level.

As at 31 December 2013:

(i) the Plastic Toy Business and the Medical Business had a combined workforce of approximately 270 employees, and held 38 patents; and

(ii) assuming completion of the Disposal and distribution of the Proposed Special Dividend, the total assets value and cash position of the Remaining Group would be approximately as follows:

	After the Disposal but before distribution of the Proposed Special Dividend	After the Disposal and distribution of the Proposed Special Dividend
	HK$ million	*HK$ million (Note)*
Total assets	1,224.9	996.9
Cash and cash equivalents	1,043.0	815.0

Note: Based on number of Shares outstanding as at the Latest Practicable Date of 760,002,724 Shares.

Currently, the Group sells its products from the Plastic Toy Business to both overseas and domestic clients. For the year ended 31 December 2013, overseas sales and domestic sales contributed to approximately 69.5% and 30.5% of the revenue for the Plastic Toy Business, whilst the Medical Business comprises overseas sales only.

From 2011 to 2013, the revenue of the Medical Business grew from approximately HK$94 million to approximately HK$111.2 million, representing a CAGR of approximately 8.8%. In general, the growth experienced by the Medical Business in recent years has been stronger than the growth of the Group as a whole.

Building on the strong demand for the products of the Medical Business in the overseas markets as illustrated by the historical growth in its revenue, it is the Company's intention to expand the Medical Business into the PRC domestic market in light of the growing aging population in the PRC. The Medical Business is carried out on the Excluded Properties which the management of the Group foresees would reach its maximum production capacity in approximately two years taking into consideration the potential expansion into the PRC domestic market as well as the development of new products.

Given that (i) both the Medical Business and the Plastic Toy Business have an established historical track record; (ii) the Medical Business has demonstrated relatively strong growth in spite of the slowdown of the Group's overall revenue in the past three years; and (iii) the Group has additional resources after the Disposal for both the Medical Business and the Plastic Toy Business, it is expected that the Company would have a sufficient level of operations after the Disposal.

Given that (i) the remaining tangible assets have significant value; (ii) the Remaining Group owns a sufficient portfolio of intellectual property rights; and (iii) the Remaining Group would have a significant workforce, it is considered that the Company would have tangible assets of sufficient value and/or intangible assets with a sufficient potential value to warrant its continued listing on the Stock Exchange.

In addition to the Plastic Toy Business and the Medical Business, the Company will explore opportunities to diversify into other business sectors that would benefit from the growing aging population and health consciousness in the PRC. As at the date of this circular, the Company has no intention or plan, and has not entered into any agreement, negotiation or understanding regarding any potential acquisition and/or potential further disposal.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, the Company will cease to hold any equity interest in the Disposed Subsidiaries. The Disposed Group will cease to be subsidiaries of the Company and the financial information of the Disposed Group will not be consolidated in the accounts of the Company upon Completion.

According to note 3 to the unaudited pro forma financial information of the Remaining Group as set out in Appendix III (the "Pro-Forma Account") to this circular, based on the financial information as at 31 December 2013, it is estimated that the Group will realize a gain of approximately HK$232.5 million from the Disposal, comprising (i) approximately HK$64.7 million of gain realized from the Disposal, being the difference between the expected consideration and the net asset value of the Disposed Group after the Restructuring (and after deducting the estimated taxes and professional fees in connection with the Disposal); and (ii) release of translation reserve of approximately HK$167.8 million.

The actual gain or loss to be recorded might or might not be different given that the abovementioned estimate is based on the assets and liabilities of the Disposed Group as at 31 December 2013 which might be different from those on the date of Completion.

According to the Pro-Forma Account, assuming the Disposal had been completed on 31 December 2013, the Group's total assets as at 31 December 2013 would decrease from approximately HK$1,739.9 million to approximately HK$1,224.9 million and total liabilities of the Group as at 31 December 2013 would decrease from approximately HK$601.1 million to approximately HK$21.3 million. The net assets of the Group as at 31 December 2013 would increase from approximately HK$1,138.9 million to approximately HK$1,203.6 million.

Furthermore, according to the Pro-Forma Account, assuming the Disposal had been completed on 1 January 2013, the Group's loss after tax for the year ended 31 December 2013 would increase from approximately HK$19.8 million to approximately HK$28.3 million.

USE OF PROCEEDS AND POSSIBLE SPECIAL DIVIDEND

After deducting the tax expenses and professional fees in connection with the Disposal and the Restructuring, it is estimated that the net proceeds from the Disposal would be approximately HK$896.3 million. Based on number of Shares outstanding as at the Latest Practicable Date, the Directors intend to apply approximately HK$228.0 million for payment of a possible special dividend of HK$0.30 per Share (the "Proposed Special Dividend"), subject to the approval of the Board and compliance with the relevant bye-laws of the Company and the Listing Rules, and taking into consideration the future cash requirement of the Group.

The balance of the net proceeds of approximately HK$668.3 million would be applied in the following manner:

(i) HK$200.0 million as expansion capital for the Medical Business, and in particular, for the purposes of expansion into the PRC domestic market and building a new factory when the Excluded Properties can no longer accommodate the production activities of the Medical Business;

(ii) HK$280.0 million for potential investment or acquisition opportunities in connection with the Medical Business;

(iii) HK$120.0 million for investment opportunities in other business sectors that would benefit from the growing aging population and health consciousness in the PRC; and

(iv) HK$68.3 million as general working capital for the Remaining Group.

Set out below is an indicative timetable as to when the proceeds will be applied:

Use of proceeds	**Timing**	**Remarks**
Proposed Special Dividend	After Completion, which is expected to take place before the end of 2014	—
Expansion capital for the Medical Business	2015 to 2017	It is expected that the Remaining Group will begin to recruit additional personnel in the second half of 2015 for the Medical Business to expand into the PRC domestic market, and for new product development Depending on the volume of new businesses, it is currently expected that the Remaining Group would require additional production facilities for the Medical Business by 2016 at the earliest
Potential investment or acquisition opportunities in connection with the Medical Business *(Note 1)*	2015 to 2017	—
Potential investment opportunities in other business sectors that would benefit from the growing aging population and health consciousness in the PRC *(Note 1)*	2015 to 2017	—
General working capital *(Note 2)*	—	—

Note 1: Consideration only *(i.e. no additional working capital is required, see Note 2 below)*

Note 2: It is expected that the Remaining Group would not have need for additional working capital in the next 12 months. This is budgeted into the use of proceeds taking into account that the Remaining Group may make some acquisition(s) in the future and in such a situation the working capital needs of the Remaining Group may increase.

The indicative timetable above is tentative in nature and will subject to change depending on the development of the Company, the market conditions and economy from time to time. The Company will comply with the relevant regulatory requirements if any change occurs.

Based on the financial position of the Group as of 31 December 2013, it is estimated that after the Disposal and the distribution of the Proposed Special Dividend (and assumming completion of the Restructuring), approximately 20% of the Remaining Group's total assets on a pro-forma basis would be non-cash assets including the properties as described in section headed "Information about the Remaining Group" above. In addition, the Remaining Group has a significant portfolio of patents and 270 employees which the Company considers as valuable assets. The Company will not consist wholly or substantially of cash or short-dated securities and it will be regarded as suitable for listing.

The Directors (including the independent non-executive Directors) consider that the Disposal is in the interest of the Group under the current difficult market environment for the Disposed Business. The Directors (including the independent non-executive Directors) also consider that the terms of the Disposal have been concluded after arm's length negotiations, and are normal commercial terms which are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

RE-ELECTION OF DIRECTOR

Mr. Huang Shen Kai was appointed as an executive Director on 22 August 2014 following the resignation of Mrs. Huang Chen Li Chu. In accordance with Bye-law 86(2) of the Bye-laws of the Company, any Director appointed by the Board to fill a casual vacancy will only hold office until the next following general meeting of the Company and will then be eligible for re-election at that meeting. Accordingly, Mr. Huang Shen Kai will retire at the SGM and being eligible, will offer himself for re-election. The biographical details of Mr. Huang Shen Kai are as follows:

Mr. Huang Shen Kai ("Mr. Huang"), aged 37, joined the Group since March 2005 and has been working as the Group Vice President for the manufacturing business of the Group. Mr. Huang is responsible for the Group's management and business development in the PRC market. Mr. Huang holds a Bachelor's Degree of Business Administration from the Rochester University of Institute and a Master's Degree of Business Administration from the American University.

Mr. Huang has not entered into a director service agreement with the Company but his directorship position will be subject to retirement by rotation and re-election at general meeting in accordance with the Bye-laws of the Company. Mr. Huang has waived his director's emoluments but is entitled to an annual salary of NT$5,250,000 acting as the Group Vice President.

Mr. Huang is the son of Mr. Huang Ying Yuan, chairman and chief executive officer of the Company. As at the Latest Practicable Date, Mr. Huang did not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). Save as disclosed, Mr. Huang has no relationships with any directors, senior management or substantial or controlling shareholders of the Company.

Save as disclosed above, Mr. Huang did not hold any other position in the Company or any other member of the Group, nor any directorship in listed public companies in the last three years, and there is no information that is required to be disclosed in accordance with Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules nor any other matters that need to be brought to the attention of the shareholders of the Company in relation to the re-election of Mr. Huang as an executive Director.

GENERAL

The Disposal constitutes a very substantial disposal for the Company and is subject to the approval by the Shareholders at a general meeting. As neither the Buyer nor Dorel Industries is interested in any Shares and no Shareholder has a material interest in the Disposal, no Shareholder is required to abstain from voting in respect of the ordinary resolution to approve the Disposal at the SGM.

At the request of the Buyer, Mr. Huang Ying Yuan and Mr. Chen Chun Chieh, who are deemed to be interested in 152,553,540 Shares and 97,823,800 Shares, representing approximately 20.1% and 12.9%, respectively of the issued share capital of the Company as at the Latest Practicable Date, have undertaken to vote in favour of the resolution to be proposed at the SGM to approve the Disposal. The undertakings were given to allow the Buyer to have the comfort that the Disposal is supported by the two largest shareholders in the Company. Mr. Huang Ying Yuan and Mr. Chen Chun Chieh have also agreed to a non-compete undertaking on the same terms that are imposed on the Seller, as described above under the heading — "Non-compete Undertaking". Save for such undertakings, there are no other arrangement or understanding among Mr. Huang Ying Yuan, Mr. Chen Chun Chieh and the Buyer.

SPECIAL GENERAL MEETING

A notice convening the SGM to be held at Shanghai Room I, Level 8, Langham Place Hotel, 555 Shanghai Street, Mongkok, Kowloon, Hong Kong on 16 September 2014 at 2:30 p.m. is set out on pages 90 to 91 of this circular for the purpose of considering and, if thought fit, passing the ordinary resolution to approve the Disposal and the re-election of Director as set out therein. Voting at the SGM will be by poll.

No Shareholder is interested in the Disposal. Accordingly, no Shareholder is required to abstain from voting at the SGM to approve the Disposal.

A form of proxy for use by the Shareholders at the SGM is enclosed herewith. Whether or not you are able to attend the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at Level 22 Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof (as the case may be) should you so wish.

RECOMMENDATION

For the reasons stated in this letter, the Board recommends the Shareholders to vote in favour of the resolution proposed at the SGM to approve the Disposal. The Board also considers the re-election of Mr. Huang Shen Kai as an executive Director is in the interests of the Company and the Shareholders and recommends the Shareholders to vote in favour of the resolution proposed at the SGM for the re-election of Mr. Huang Shen Kai as an executive Director. Your attention is also drawn to the additional information set out in the appendices of this circular.

By Order of the Board
Lerado Group (Holding) Company Limited
HUANG Ying Yuan
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The published audited consolidated financial statements of the Group for each of the three years ended 31 December 2011, 2012 and 2013 are disclosed on pages 27 to 85 of the annual report of the Company for the year ended 31 December 2011, pages 30 to 91 of the annual report of the Company for the year ended 31 December 2012 and pages 30 to 99 of the annual report of the Company for the year ended 31 December 2013, which can be accessed on both the website of the Stock Exchange (http://www.hkex.com.hk) and the website maintained by the Company (www.irasia.com/listco/hk/lerado/index.htm). Quick links to the annual reports of the Company are set out below:

Annual report for the year ended 31 December 2011:
http://www.hkexnews.hk/listedco/listconews/SEHK/2012/0420/LTN20120420893.pdf

Annual report for the year ended 31 December 2012:
http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0422/LTN20130422626.pdf

Annual report for the year ended 31 December 2013:
http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0321/LTN201403211022.pdf

2. INDEBTEDNESS

Borrowings

At the close of business on 30 June 2014, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group did not have any outstanding secured or unsecured bank borrowings.

Contingent Liabilities

As at 30 June 2014, the Group was involved:

(i) in proceedings in relation to certain wholly-owned subsidiaries of the Company which entered into agreements with a U.S. based supplier in August 2002, pursuant to which the supplier appointed the Group as its exclusive distributor for the territories of China and Taiwan for a term of five years. The date of termination of the agreement is still being reviewed.

The supplier initiated proceedings against the Group in the U.S. alleging the Group owed them outstanding commission of approximately US$2.2 million which is still being reviewed by United States District Court. The Group denied the allegations of the supplier and disputed their claims. A trial date has been set for the case at the United States District Court, Western District of Louisiana on 23 March 2015. As the outcome of the proceedings is uncertain, the Directors are of the opinion that no provision for any potential liability would need to be made for the related claims in the consolidated financial statements as at 30 June 2014.

(ii) as a joint defendant in a civil claim initiated at the United States District Court for the District of Nebraska in April 2014 together with, among others, Baby Trend, Inc. on the alleged faulty design in a car seat manufactured by the Group under the contract for Baby Trend, Inc. A trial date has not been set. The outcome of the proceedings is uncertain as at the Latest Practicable Date and the Directors are of the opinion that no provisions for any potential liability needs to be made for the related claim in the consolidated financial statements of the Group as at 30 June 2014.

Mortgages and Charges

As at 30 June 2014, none of the assets of the Group were pledged to banks.

Save as disclosed above and apart from intra-group liabilities, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantee or other material contingent liabilities at the close of business on 30 June 2014.

Subsequent changes of indebtedness

The Directors confirm that there has been no material change in the indebtedness and contingent liabilities of the Group since 30 June 2014 up to the Latest Practicable Date.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that after taking into account the present internal resources and the proceeds from the Disposal, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular, in the absence of any unforeseeable circumstances.

4. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

After the completion of the Disposal, the Remaining Group will principally be engaged in the Medical Business and the Plastic Toy Business. Please refer to the section headed "Information about the Remaining Group" in the Letter from the Board of this circular for an overview (the "Overview") on each of these businesses.

According to the China National Committee on Ageing (全國老齡工作委員會辦公室) ("CNCA"), elderly population in China, being people aged 60 or above, grew from approximately 178 million by end of 2010 to approximately 202 million by end of 2013. It was expected by CNCA that the elderly population would further grow to approximately 250 million and 400 million by 2020 and 2050 respectively.

As mentioned in the Overview, currently the Medical Business only sells its products to overseas and it has experienced relatively strong growth as compared to the growth of the Group as a whole in the past few years. Therefore, leveraging on the demand for its products in the overseas markets, the Remaining Group intends to expand the Medical Business into the domestic market in light of the growing elderly population in China. Management of the Medical Business has already commenced to make consultation about the regulatory requirements for the sale of its products in China.

In addition to expanding into the domestic market, it is also the Remaining Group's intention to enlarge the product offering of the Medical Business. Currently, the core products of the Medical Business are powered and non-powered mobility aids, including wheelchairs. Based on enquiries made by its existing customers, the Remaining Group has identified oxygen machine and medical bed to be potential new products for the Medical Business. If the Remaining Group managed to develop these new products, it is expected that it could generate more cross-selling opportunities from its existing customers as well as increase its customer base.

Taking into consideration its plan to expand into the domestic market as well as to enlarge the product offering, the Remaining Group envisaged the production facility of the Medical Business might need to expand its capacity in two years.

As for the Plastic Toy Business, the Remaining Group will continue to conduct it in the same manner. Currently, products of the Plastic Toy Business are already being sold to both the overseas and domestic markets. However, given this sector is still quite competitive, the Remaining Group has no plans to allocate significant financial resource for the expansion of the Plastic Toy Business in the short run. Should the Remaining Group expand the Plastic Toy Business, the more significant expenses would be working capital related items and no significant capital investments are expected to be made.

The Remaining Group will also explore opportunities to diversify into other business sectors that could benefit from the growing aging population and health consciousness in the PRC, with view to create synergistic effects with the Medical Business.

5. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL POSITION OF THE REMAINING GROUP FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011

For the year ended 31 December 2013

Financial and business reviews

For the year ended 31 December 2013, the Medical Business had a revenue of HK$111.2 million and loss before taxation of HK$2.0 million.

— the revenue represented a decline of approximately 7.7% as compared to the revenue in 2012 and was mainly attributable to the decline in sale of the non-core products (i.e. products other than powered and non-powered mobility aid). It is believed that such decline was caused by the slower than as expected economy recovery experienced by the overseas markets.

— from 2012 to 2013, the Medical Business turned from a net profit to a net loss position. Such change in profitability was caused by the decline in sales as well as appreciation in RMB during the year.

For the year ended 31 December 2013, the Plastic Toy Business had a revenue of HK$28.7 million and loss before taxation of HK$3.6 million.

— the revenue represented a decline of approximately 0.7% as compared to the revenue in 2012.

— from 2012 to 2013, the Plastic Toy Business turned from a net profit to a net loss position. Such change in profitability was mainly attributable to appreciation in RMB during the year.

Capital expenditure

For the year ended 31 December 2013, the Remaining Group's capital expenditure was approximately HK$93,000.

Financial resources and liquidity

As at 31 December 2013, the Remaining Group had cash and bank balances of HK$28.4 million, none of which were restricted bank balances. Of the Remaining Group's cash and bank balances as at 31 December 2013, 18.5% was in RMB, 58.2% was in US$, and 22.1% in HK$. Most of the transactions from the Remaining Group's daily operations were denominated in US$ and the Remaining Group did not perform currency hedge of the transactions actively.

As at the end of 2013, the Remaining Group did not have any outstanding bank loans. Given the Remaining Group's existing cash balances, the Remaining Group will have sufficient financial resources to finance its operations.

None of the assets of the Remaining Group was pledged to any creditors.

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

The supplier initiated proceedings against certain member of the Remaining Group in the U.S. alleging that the defendants owed them outstanding commission of approximately US$2.2 million which is still being reviewed. The Remaining Group denied the allegations of the supplier and disputed their claims.

Save for the above, there was no material contingent liability recorded as at the end of year 2013.

Significant investments, material acquisitions and disposals of subsidiaries

The Remaining Group did not have any significant investment, material acquisition or disposal of subsidiaries during the year ended 31 December 2013.

Human resources

The Remaining Group had 280 employees as at the end of the year, with total remuneration and provident fund contributions (including those for the Directors) for the year of HK$30.7 million. Various basic benefits are provided to the Remaining Group's staff with an incentive policy which is designed to remunerate staff by reference to the Remaining Group's sales volume and results as well as their individual performance.

For the year ended 31 December 2012

Business reviews

For the year ended 31 December 2012, the Medical Business had revenue of HK$120.5 million and profit before taxation of HK$11.9 million.

— the revenue represented an increase of approximately 28.2% as compared to the revenue in 2011. It is believed that such increase was driven by the improving economic sentiments in the overseas markets.

— from 2011 to 2012, profit before taxation of the Medical Business increased by 128.9%. Such increase was mainly attributable to the increase in revenue.

For the year ended 31 December 2012, the Plastic Toy Business had a revenue of HK$28.9 million and profit before taxation of HK$7.6 million.

— the revenue represented an increase of approximately 2.5% as compared to the revenue in 2011.

— from 2011 to 2012, the Plastic Toy Business turned from a net loss to a net profit position. Such increase in profitability was mainly attributable to a reduction in cost of sales and recognition of a one-off gain in the amount of approximately HK$4.5 million arising from disposal of certain assets.

Capital expenditure

For the year ended 31 December 2012, the Remaining Group's capital expenditure was approximately HK$116,000.

Financial resources and liquidity

As at 31 December 2012, the Remaining Group had cash and bank balances of HK$47.4 million, none of which were restricted bank balances. Of the Remaining Group's cash and bank balances as at 31 December 2012, 21.4% was in RMB, 44.4% was in US$, and 19.7% in HK$. Most of the transactions from the Remaining Group's daily operations were denominated in US$ and the Remaining Group did not perform currency hedge of the transactions actively.

As at the end of 2012, the Remaining Group did not have any outstanding bank loans. Given the Remaining Group's existing cash balances, the Remaining Group will have sufficient financial resources to finance its operations.

None of the assets of the Remaining Group was pledged to any creditors and there was no material contingent liability recorded as at the end of year 2012.

Significant investments, material acquisitions and disposals of subsidiaries

The Remaining Group did not have any significant investment, material acquisition or disposal of subsidiaries during the year ended 31 December 2012.

Human resources

The Remaining Group had 236 employees as at the end of the year, with total remuneration and provident fund contributions (including those for the Directors) for the year of HK$26.1 million. Various basic benefits are provided to the Remaining Group's staff with an incentive policy which is designed to remunerate staff by reference to the Remaining Group's sales volume and results as well as their individual performance.

For the year ended 31 December 2011

Financial and business reviews

For the year ended 31 December 2011, the Medical Business had revenue of HK$94.0 million and profit before taxation of HK$5.2 million.

— the revenue represented an increase of approximately 1.8% as compared to the revenue in 2010.

— from 2010 to 2011, profit before taxation of the Medical Business declined by 59.8%. Such decline was mainly attributable to the appreciation of RMB which resulted in an increase in the overall expense level for the Group.

For the year ended 31 December 2011, the Plastic Toy Business had a revenue of HK$28.2 million and loss before taxation of HK$3.4 million.

— the revenue represented a decline of approximately 5.1% as compared to the revenue in 2010.

— from 2010 to 2011, loss before taxation of the Plastic Toy Business increased by approximately 99.3%. Such increase in loss was mainly attributable to the recognition of a one-off loss in the amount of approximately HK$2.3 million.

Capital expenditure

For the year ended 31 December 2011, the Remaining Group's capital expenditure was approximately HK$383,000.

Financial resources and liquidity

As at 31 December 2011, the Remaining Group had cash and bank balances of HK$75.1 million, none of which were restricted bank balances. Of the Remaining Group's cash and bank balances as at 31 December 2011, 36.6% was in RMB, 55.1% was in US$, and 8.1% in HK$. Most of the transactions from the Remaining Group's daily operations were denominated in US$ and the Remaining Group did not perform currency hedge of the transactions actively.

As at the end of 2011, the Remaining Group did not have any outstanding bank loans. Given the Remaining Group's existing cash balances, the Remaining Group will have sufficient financial resources to finance its operations.

None of the assets of the Remaining Group was pledged to any creditors and there was no material contingent liability recorded as at the end of year 2011.

Significant investments, material acquisitions and disposals of subsidiaries

The Remaining Group did not have any significant investment, material acquisition or disposal of subsidiaries during the year ended 31 December 2011.

Human resources

The Remaining Group had 82 employees as at the end of the year, with total remuneration and provident fund contributions (including those for the Directors) for the year of HK$15.5 million. Various basic benefits are provided to the Remaining Group's staff with an incentive policy which is designed to remunerate staff by reference to the Remaining Group's sales volume and results as well as their individual performance.

The combined financial information of the Disposed Business has been reviewed by the auditor of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Based on their review, nothing has come to their attention that causes them to believe that the combined financial information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the consolidated financial statements of the Company for the year ended 31 December 2013 which conform with Hong Kong Financial Reporting Standards issued by the HKICPA and the basis of preparation set out in note 2 to the unaudited combined financial information.

UNAUDITED COMBINED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2013 AND THE THREE MONTHS ENDED 31 MARCH 2014

	Year ended 31 December			Three months ended 31 March	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	1,609,340	1,693,675	1,575,105	372,923	376,806
Cost of sales	(1,285,909)	(1,337,539)	(1,291,192)	(299,096)	(313,811)
Gross profit	323,431	356,136	283,913	73,827	62,995
Other income	20,747	32,146	23,461	9,498	6,549
Other gains and losses	(1,559)	(4,839)	(6,464)	807	8,177
Marketing and distribution costs	(104,604)	(116,490)	(101,692)	(21,482)	(20,669)
Research and development expenses	(59,379)	(71,188)	(81,025)	(19,549)	(17,746)
Administration expenses	(109,512)	(101,941)	(100,282)	(28,339)	(27,253)
Other expenses	(1,200)	(935)	(430)	(107)	(107)
Finance cost	(3,283)	(6,583)	(5,294)	(1,424)	(741)
Profit before taxation	64,641	86,306	12,187	13,231	11,205
Income tax expense	(10,406)	(13,007)	(7,865)	(1,282)	(2,103)

	Year ended 31 December			Three months ended 31 March	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit for the year/period	54,235	73,299	4,322	11,949	9,102
Other comprehensive income					
Item that will not be reclassified to profit or loss:					
Gain (loss) on revaluation of land and buildings	23,701	(13,987)	67,872	—	—
(Recognition of) reversal of deferred tax liability arising on revaluation of land and buildings	(5,926)	3,571	(16,453)	—	—
Item that may be subsequently reclassified to profit or loss:					
Exchange difference arising from translation	28,556	12,671	21,800	77	(24,069)
Other comprehensive income (expense) for the year/period	46,331	2,255	73,219	77	(24,069)
Total comprehensive income (expense) for the year/period	100,566	75,554	77,541	12,026	(14,967)
Profit for the year/period attributable to owners of the Company	54,235	73,299	4,322	11,949	9,102
Total comprehensive income (expense) attributable to owners of the Company	100,566	75,554	77,541	12,026	(14,967)

UNAUDITED COMBINED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2011, 2012 AND 2013 AND 31 MARCH 2014

	At 31 December			At 31 March
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	407,456	403,562	523,810	512,515
Prepaid lease payments	97,450	95,893	106,746	103,244
Intellectual property rights	1,820	945	492	375
Available-for-sale investments	5,130	—	—	—
Deferred tax assets	639	80	—	—
Deposit paid for lease premium of land	4,394	4,441	2,007	1,956
	516,889	504,921	633,055	618,090
Current assets				
Inventories	255,526	276,086	265,718	233,137
Amounts due from fellow subsidiaries	61,986	65,207	59,767	60,995
Amount due from ultimate holding company	45,109	61,522	69,623	64,109
Trade and other receivables and prepayments	341,817	367,592	345,649	285,812
Prepaid lease payments	1,948	1,948	2,639	2,639
Derivative financial instruments	—	1,732	5,246	222
Taxation recoverable	926	935	725	938
Pledged bank deposits	128,777	194,833	162,489	100,501
Bank balances and cash	296,914	285,393	190,778	171,896
	1,133,003	1,255,248	1,102,634	920,249

	At 31 December			At 31 March
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities				
Trade and other payables and accruals	284,401	295,757	303,807	210,519
Amounts due to fellow subsidiaries	29,594	40,407	37,919	45,036
Amount due to immediate holding company	228,674	144,959	178,969	178,969
Taxation payable	14,020	8,931	9,175	11,207
Bank borrowings	286,133	322,184	204,879	123,303
Derivative financial instruments	1,495	1,397	2,684	—
	844,317	813,635	737,433	569,034
Net current assets	288,686	441,613	365,201	351,215
Total assets less current liabilities	805,575	946,534	998,256	969,305
Capital and reserves				
Combined share capital	12,195	12,195	12,195	12,195
Combined reserves	750,110	889,509	921,104	894,050
Total Equity	762,305	901,704	933,299	906,245
Non-current liability				
Deferred tax liabilities	43,270	44,830	64,957	63,060
	805,575	946,534	998,256	969,305

UNAUDITED COMBINED STATEMENT OF CHANGES IN EQUITY

FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2013 AND THE THREE MONTHS ENDED 31 MARCH 2014

	Attributable to owners of the Company								
	Share capital	Share premium	Property revaluation reserve	Statutory surplus reserve	Enterprise expansion fund	Translation reserve	Other reserve	Accumulated profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Note 1)*	*HK$'000* *(Note 2)*	*HK$'000*	*HK$'000*
At 1 January 2011	12,195	16,279	81,739	39,752	3,091	104,728	(12,300)	521,129	766,613
Profit for the year	—	—	—	—	—	—	—	54,235	54,235
Exchange difference arising from translation	—	—	—	—	—	28,556	—	—	28,556
Gain on revaluation of land and buildings	—	—	23,701	—	—	—	—	—	23,701
Deferred tax liability arising on revaluation of land and buildings	—	—	(5,926)	—	—	—	—	—	(5,926)
Total comprehensive income for the year	—	—	17,775	—	—	28,556	—	54,235	100,566
Assets/liabilities transfer in/out	—	—	—	—	—	—	(54,874)	—	(54,874)
Transfer to statutory reserves	—	—	—	4,245	—	—	—	(4,245)	—
Dividends recognised as distributions	—	—	—	—	—	—	—	(50,000)	(50,000)
At 31 December 2011	12,195	16,279	99,514	43,997	3,091	133,284	(67,174)	521,119	762,305
Profit for the year	—	—	—	—	—	—	—	73,299	73,299
Exchange differences arising on translation	—	—	—	—	—	12,671	—	—	12,671
Loss on revaluation of land and buildings	—	—	(13,987)	—	—	—	—	—	(13,987)
Reversal of deferred tax liability arising on revaluation of land and buildings	—	—	3,571	—	—	—	—	—	3,571
Total comprehensive (expense) income for the year	—	—	(10,416)	—	—	12,671	—	73,299	75,554

	Attributable to owners of the Company								
	Share capital	Share premium	Property revaluation reserve	Statutory surplus reserve	Enterprise expansion fund	Translation reserve	Other reserve	Accumulated profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Note 1)*	*HK$'000* *(Note 2)*	*HK$'000*	*HK$'000*
Assets/liabilities transfer in/out	—	—	—	—	—	—	99,845	—	99,845
Transfer to statutory reserves	—	—	—	3,179	—	—	—	(3,179)	—
Dividends recognised as distributions	—	—	—	—	—	—	—	(36,000)	(36,000)
At 31 December 2012	12,195	16,279	89,098	47,176	3,091	145,955	32,671	555,239	901,704
Profit for the year	—	—	—	—	—	—	—	4,322	4,322
Exchange differences arising on translation	—	—	—	—	—	21,800	—	—	21,800
Gain on revaluation of land and buildings	—	—	67,872	—	—	—	—	—	67,872
Deferred tax liability arising on revaluation of land and buildings	—	—	(16,453)	—	—	—	—	—	(16,453)
Total comprehensive income for the year	—	—	51,419	—	—	21,800	—	4,322	77,541
Assets/liabilities transfer in/out	—	—	—	—	—	—	(11,914)	—	(11,914)
Realised on deregistration of a subsidiary	—	—	—	(32)	-	—	—	—	(32)
Transfer to statutory reserves	—	—	—	1,837	—	—	—	(1,837)	—
Dividends recognised as distributions	—	—	—	—	—	—	—	(34,000)	(34,000)
At 31 December 2013	12,195	16,279	140,517	48,981	3,091	167,755	20,757	523,724	933,299
Profit for the period	—	—	—	—	—	—	—	9,102	9,102
Exchange differences arising on translation	—	—	—	—	—	(24,069)	—	—	(24,069)
Total comprehensive (expense) income for the period	—	—	—	—	—	(24,069)	—	9,102	(14,967)
Asset/liabilities transfer in/out	—	—	—	—	—	—	(12,087)	—	(12,087)
At 31 March 2014	12,195	16,279	140,517	48,981	3,091	143,686	8,670	532,826	906,245

	Attributable to owners of the Company								
	Share capital	Share premium	Property revaluation reserve	Statutory surplus reserve	Enterprise expansion fund	Translation reserve	Other reserve	Accumulated profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Note 1)*	*HK$'000* *(Note 2)*	*HK$'000*	*HK$'000*
At 1 January 2013	12,195	16,279	89,098	47,176	3,091	145,955	32,671	555,239	901,704
Profit for the period	—	—	—	—	—	—	—	11,949	11,949
Exchange differences arising on translation	—	—	—	—	—	77	—	—	77
Total comprehensive income for the period	—	—	—	—	—	77	—	11,949	12,026
Asset/liabilities transfer in/out	—	—	—	—	—	—	(13,375)	—	(13,375)
Realised on deregistration of a subsidiary	—	—	—	(32)	—	—	—	—	(32)
At 31 March 2013	12,195	16,279	89,098	47,144	3,091	146,032	19,296	567,188	900,323

Notes:

(1) The translation reserve represents the translation of the assets/liabilities and results of its foreign operation.

(2) Other reserve represents:

(i) The net assets of Lerado H.K. Limited ("Lerado HK") and Peaceful Cove Limited ("PCL") directly attributable to the manufacturing, brand and distribute juvenile and infant product business ("Juvenile and Infant Product Business") on 1 January 2011, including inventories, trade and other receivables and trade and other payables; and the transfer-in-out amounts during the year ended 31 December 2011, 2012, 2013 and period ended 31 March 2013 and 2014, which represent the difference in the opening and closing balances of the net assets of Lerado HK and PCL directly attributable to Juvenile and Infant Product Business after excluding the results directly attributable to the Juvenile and Infant Product Business.

(ii) The investment cost in Shanghai Lerado Company Limited ("Shanghai Lerado") and Dongguan Qihang Trading Company Limited ("Dongguan Qihang") for an aggregate amount of HK$49,423,000 as at 31 March 2014 (2013: HK$49,423,000; 2012: HK$49,423,000; 2011: HK$49,423,000) for which the equity interests are held by Lerado Industrial Limited and its subsidiary, respectively. The entire equity interests in Shanghai Lerado and Dongguan Qihang will be transferred to the Group as one of the conditions precedent of the disposal agreement as detailed in note 1 of the unaudited combined financial information.

UNAUDITED COMBINED STATEMENT OF CASH FLOWS

FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2013 AND THE THREE MONTHS ENDED 31 MARCH 2014

	Year ended 31 December			Three months ended 31 March	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES					
Profit before taxation	64,641	86,306	12,187	13,231	11,205
Adjustments for:					
Amortisation of intellectual property rights	1,200	935	430	107	107
Amortisation of prepaid lease payments	2,526	2,580	2,642	654	749
Depreciation of property, plant and equipment	39,173	46,175	53,969	13,687	12,423
Finance cost	3,283	6,583	5,294	1,424	741
Impairment loss on available-for-sale investments	—	4,489	—	—	—
Impairment loss on trade and other receivables	115	1,221	561	—	—
Interest income	(7,119)	(10,670)	(8,495)	(1,632)	(1,644)
Loss (gain) on fair value changes of derivative financial instruments	136	(137)	(578)	161	1,422
Loss (gain) on revaluation of land and buildings	896	(3,761)	—	—	—
Loss on disposal of property, plant and equipment	121	1,201	536	14	6
Recovery of doubtful debts	(9,619)	(44)	—	—	—
Write-down of inventories	5,483	—	27,063	—	—

	Year ended 31 December			Three months ended 31 March	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Operating cash flows before movements in working capital	100,836	134,878	93,609	27,646	25,009
(Increase) decrease in inventories	(43,581)	(17,921)	(12,019)	(4,282)	26,795
(Increase) decrease in trade and other receivables and prepayments	(4,040)	(26,865)	21,867	48,201	57,566
Decrease (increase) in derivative financial instruments	4,937	(1,693)	(1,649)	(1,552)	918
(Decrease) increase in trade and other payables and accruals	(45,905)	8,935	3,049	(41,366)	(85,220)
Assets/liabilities transfer in/out	(54,874)	99,845	(11,914)	(13,375)	(12,087)
Cash (used in) generated from operations	(42,627)	197,179	92,943	15,272	12,981
Taxation paid in other jurisdictions	(14,686)	(12,778)	(4,128)	(656)	(1,652)
Interest paid	(3,283)	(6,583)	(5,294)	(1,424)	(741)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(60,596)	177,818	83,521	13,192	10,588

	Year ended 31 December			Three months ended 31 March	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
INVESTING ACTIVITIES					
Placement of pledged bank deposits	(223,163)	(384,234)	(162,450)	(85,444)	(25,671)
Purchase of property, plant and equipment	(67,904)	(49,338)	(99,560)	(33,327)	(11,479)
Payment of leasehold land	—	—	(11,598)	—	—
(Advance to) repayment from ultimate holding company	(45,843)	(16,413)	(8,101)	834	5,514
Withdrawal of pledged bank deposits	97,148	320,257	200,760	96,874	84,507
Repayment from (advance to) fellow subsidiaries	3,712	(3,221)	9,819	(10,572)	(10,545)
Interest received	7,119	10,670	8,495	1,632	1,644
Proceeds from disposal of property, plant and equipment	2,023	812	—	—	—
Proceeds from disposal of available-for-sale investments	—	641	—	—	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(226,908)	(120,826)	(62,635)	(30,003)	43,970
FINANCING ACTIVITIES					
Repayment of bank loans	(460,200)	(531,690)	(324,025)	(141,382)	(102,266)
Dividends paid	(50,000)	(36,000)	(34,000)	—	—
New bank loans raised	660,533	567,093	204,879	86,666	23,040
Advance from (repayment to) immediately holding company	49,261	(83,715)	34,010	—	—
Advance from (repayment to) fellow subsidiaries	32,448	12,656	(44)	11,242	7,734

	Year ended 31 December			Three months ended 31 March	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NET CASH FROM (USED IN) FINANCING ACTIVITIES	232,042	(71,656)	(119,180)	(43,474)	(71,492)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(55,462)	(14,664)	(98,294)	(60,285)	(16,934)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	348,525	296,914	285,393	285,393	190,778
Effect of foreign exchange rate changes	3,851	3,143	3,679	161	(1,948)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash	296,914	285,393	190,778	225,269	171,896

NOTES TO THE UNAUDITED COMBINED FINANCIAL INFORMATION
FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2013 AND THE THREE MONTHS ENDED 31 MARCH 2014

1. GENERAL

On 16 June 2014, Lerado Group (Holding) Company Limited (the "Company") and its wholly-owned subsidiary, Lerado Group Limited ("LGL"), entered into a sale and purchase agreement (the "Agreement") with Dorel Industries Inc. and its wholly-owned subsidiary, Maxi Miliaan BV Limited ("Maxi Miliaan"), pursuant to which LGL conditionally agreed to sell, and Maxi Miliaan conditionally agreed to buy the entire issued share capital of eight wholly-owned subsidiaries of the Company, namely (i) Glory Time Investments Limited, (ii) Lerado Overseas Limited, (iii) Lerado Success Inc., (iv) Lerado China Limited, (v) Lerado Global (Macao Commercial Offshore) Limited, (vi) Actfaster International Limited, (vii) Lerado Industrial Limited, (viii) Link Treasure Limited, together with their respective subsidiaries except for Shanghai Lerado Company Limited and Dongguan Qihang Trading Company Limited (collectively, the "Disposed Group"). The combined financial information also included the assets and liabilities and results directly attributable to the manufacture, brand and distribute juvenile and infant products (the "Juvenile and Infant Product Business") operated by Lerado H.K. Limited ("Lerado HK") and Peaceful Cove Limited ("PCL") (collectively referred to as the "Disposed Business") as a non-compete undertaking was given by the Company and LGL pursuant to the Agreement. The Group will discontinue the Disposed Business upon completion of the Agreement.

Upon the completion of the Agreement, the Disposed Group will cease to be subsidiaries of the Company and Lerado HK and PCL will cease to operate Juvenile and Infant Product Business and continue to be subsidiaries of the Company.

2. BASIS OF PREPARATION OF THE UNAUDITED COMBINED FINANCIAL INFORMATION

The unaudited combined financial information for each of the three years ended 31 December 2013 and three months ended 31 March 2014 comprises (i) the results and financial position of the Disposed Group, and (ii) the assets, liabilities and results directly attributable to the Juvenile and Infant Product Business operated by Lerado HK and PCL.

All of the inter-company balances, transactions and the related cash flows among the Disposed Group, Lerado HK and PCL directly attributable to the Juvenile and Infant Product Business have been eliminated.

The unaudited combined financial information has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purpose of inclusion in the circular to be issued by the Company in connection with, among other things, the disposal of Juvenile and Infant Product Business.

The unaudited combined financial information of the Disposed Business for each of the three years ended 31 December 2013 and three months ended 31 March 2014 has been prepared using the same accounting policies as those adopted by the Company in the preparation of the consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited financial information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Auditing Standards ("HKAS") 1 "Presentation of Financial Statements" nor an interim report as defined in HKAS 34 "Interim Financial Reporting" issued by the HKICPA.

3. ADDITIONAL INFORMATION

The results of the Disposed Group also included the results of the manufacture and sale of medical product business ("the Medical Business") which are operated by certain subsidiaries of the Disposed Group. The Group will continue to operate the Medical Business after the completion of the Agreement. Set out below is a summary of the revenue, costs of sales and expenses directly attributable to the Medical Business operated by these subsidiaries for each of the three years ended 31 December 2013 and the three months ended 31 March 2014:

	Year ended 31 December			**Three months ended 31 March**	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	93,971	120,512	111,182	21,884	27,546
Costs of sales	(80,960)	(97,726)	(96,117)	(20,430)	(23,254)
Gross Profit	13,011	22,786	15,065	1,454	4,292
Expenses	(7,832)	(10,933)	(17,046)	(3,713)	(2,062)
	5,179	11,853	(1,981)	(2,259)	2,230

Pursuant to the Agreement, the Disposed Group will transfer to the Group certain assets of the Medical Business prior to completion of the Agreement. Set out below is a summary of the carrying value of assets to be transferred out of the Disposed Group as at each of 31 December 2011, 2012 and 2013 and 31 March 2014:

				At
	At 31 December			**31 March**
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	12,457	14,933	19,221	18,854
Prepaid lease payments	12,185	12,033	12,100	11,724
Current assets				
Trade receivables	8,845	17,704	25,273	17,468

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Introduction

The following is a summary of an illustrative and unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows (collectively referred to as the "Unaudited Pro Forma Financial Information") of the Remaining Group, which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the sale and purchase agreement (the "Agreement") as if the Agreement were completed on 31 December 2013 for the unaudited pro forma consolidated statement of financial position and as if the Agreement were completed on 1 January 2013 for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows. The unaudited pro forma does not reflect the completion of the transfer of Medical Business out of the subsidiaries to be disposed of upon the restructuring.

This Unaudited Pro Forma Financial Information of the Remaining Group has been prepared by the directors of the Company in accordance with Paragraph 4.29 of the Listing Rules for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at 31 December 2013 or at any future date or the results and cash flows of the Group for the year ended 31 December 2013 or for any future period.

The Unaudited Pro Forma Financial Information of the Remaining Group should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2013 as disclosed in the 2013 annual report of the Company, and other financial information included elsewhere in the Circular.

Unaudited pro forma consolidated statement of financial position of the Remaining Group

The unaudited pro forma consolidated statement of financial position of the Remaining Group has been prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2013, which has been extracted from the annual report of the Company for the year ended 31 December 2013, with the pro forma adjustments relating to the Agreement that are factually supportable, as explained in the notes below.

Unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group have been prepared based on the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2013, which have been extracted from the annual report of the Group for the year ended 31 December 2013, with the pro forma adjustments relating to the Agreement, that are factually supportable, as explained in the notes below.

Unaudited pro forma consolidated statement of financial position

	Consolidated statement of financial position of the Group at 31 December 2013	Pro forma adjustments			Unaudited pro forma of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	(Unaudited)
Non-current assets					
Property, plant and equipment	595,622	(523,810)	19,221	—	91,033
Prepaid lease payments	111,687	(106,746)	12,100	—	17,041
Intellectual property rights	492	(492)	—	—	—
Investment in an associate	5,166	—	—	—	5,166
Available-for-sale investments	641	—	—	—	641
Deposits paid for lease premium of land	2,007	(2,007)	—	—	—
	715,615	(633,055)	31,321	—	113,881

	Consolidated statement of financial position of the Group at 31 December 2013	Pro forma adjustments			Unaudited pro forma of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	(Unaudited)
Current assets					
Inventories	268,696	(265,567)	—	—	3,129
Trade and other receivables and prepayments	356,219	(325,695)	25,273	—	55,797
Amounts due from fellow subsidiaries	—	39,281	(56,594)	17,313	—
Amount due from ultimate holding company	—	(69,623)	—	69,623	—
Prepaid lease payments	2,799	(2,639)	—	—	160
Derivative financial instruments	5,246	(5,246)	—	—	—
Taxation recoverable	725	(725)	—	—	—
Pledged bank deposits	162,489	(162,489)	—	—	—
Structured bank deposits	8,970	—	—	—	8,970
Cash held under escrow account	—	—	78,000	—	78,000
Bank balances and cash	219,190	(190,778)	818,264	118,333	965,009
	1,024,334	(983,481)	864,943	205,269	1,111,065

	Consolidated statement of financial position of the Group at 31 December 2013	Pro forma adjustments			Unaudited pro forma of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	(Unaudited)
Current liabilities					
Trade and other payables and accruals	312,715	(298,480)	—	—	14,235
Amounts due to fellow subsidiaries	—	(26,300)	—	26,300	—
Amount due to immediate holding company	—	(178,969)	—	178,969	—
Taxation payable	9,196	(8,747)	—	—	449
Bank borrowings	204,879	(204,879)	—	—	—
Derivative financial instruments	2,684	(2,684)	—	—	—
	529,474	(720,059)	—	205,269	14,684
Net current assets	494,860	(263,422)	864,943	—	1,096,381
	1,210,475	(896,477)	896,264	—	1,210,262
Capital and reserves					
Share Capital	75,348	(12,195)	12,195	—	75,348
Reserves	1,063,511	(819,325)	884,069	—	1,128,255
Total Equity	1,138,859	(831,520)	896,264	—	1,203,603
Non-current liability					
Deferred tax liabilities	71,616	(64,957)	—	—	6,659
	1,210,475	(896,477)	896,264	—	1,210,262

Unaudited pro forma consolidated statement of profit or loss and other comprehensive income

	Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013	Pro forma adjustments				Unaudited pro forma of the Remaining Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Note 1)	*(Note 5)*	*(Note 6)*	*(Note 7)*	*(Note 8)*	(Unaudited)
Continuing operations						
Revenue	1,590,494	(1,575,105)	111,182	—	21,005	147,576
Cost of sales	(1,300,104)	1,291,192	(96,117)	—	(19,438)	(124,467)
Gross profit	290,390	(283,913)	15,065	—	1,567	23,109
Other income	22,983	(23,461)	866	—	1,920	2,308
Other gains and losses	(6,447)	6,464	—	—	(56)	(39)
Marketing and distribution costs	(104,357)	101,692	(7,886)	—	—	(10,551)
Research and development expenses	(81,025)	81,025	(4,740)	—	—	(4,740)
Administrative expenses	(125,288)	100,282	(5,286)	—	(5,627)	(35,919)
Other expenses	(430)	430	—	—	—	—
Share of result of an associate	(1,797)	—	—	—	—	(1,797)
Finance cost	(5,294)	5,294	—	—	—	—
Loss before taxation	(11,265)	(12,187)	(1,981)	—	(2,196)	(27,629)
Income tax expense	(8,564)	7,865	—	—	—	(699)
Loss for the year from continuing operations	(19,829)	(4,322)	(1,981)	—	(2,196)	(28,328)
Discontinued operation						
Profit for the year from discontinued operation	—	—	—	207,800	—	207,800
(Loss) profit for the year attributable to owners of the Company	(19,829)	(4,322)	(1,981)	207,800	(2,196)	179,472

	Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013	Pro forma adjustments				Unaudited pro forma of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 5)*	*(Note 6)*	*(Note 7)*	*(Note 8)*	(Unaudited)
Other comprehensive income (expense)						
Items that will not be reclassified to profit or loss						
Gain (loss) on revaluation of land and buildings	75,711	(67,872)	—	—	—	7,839
(Recognition of) reversal of deferred tax liability arising on revaluation of land and buildings	(18,049)	16,453	—	—	—	(1,596)
	57,662	(51,419)	—	—	—	6,243
Items that may reclassified subsequently to profit or loss						
Exchange differences arising from translation	22,384	(21,800)	—	—	—	584
Share of exchange difference of an associate	(72)	—	—	—	—	(72)
Release of translation reserve upon disposal of the Disposed Subsidiaries	—	—	—	(145,955)	—	(145,955)
	22,312	(21,800)	—	(145,955)	—	(145,443)
Other comprehensive income for the year	79,974	(73,219)	—	(145,955)	—	(139,200)
Total comprehensive income for the year	60,145	(77,541)	(1,981)	61,845	(2,196)	40,272

	Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013	Pro forma adjustments				Unaudited pro forma of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 5)*	*(Note 6)*	*(Note 7)*	*(Note 8)*	(Unaudited)
(Loss) profit for the year attributable of owners of the Company:						
— from continuing operations	(19,829)	(4,322)	(1,981)	—	(2,196)	(28,328)
— from discontinued operation	—	—	—	207,800	—	207,800
(Loss) profit for the year attributable to owners of the Company	(19,829)	(4,322)	(1,981)	207,800	(2,196)	179,472
Total comprehensive income (expense) attributable to owners of the Company						
— from continuing operations	60,145	(77,541)	(1,981)	—	(2,196)	(21,573)
— from discontinued operation	—	—	—	61,845	—	61,845
Total comprehensive income for the year attributable to owners of the Company	60,145	(77,541)	(1,981)	61,845	(2,196)	40,272

Unaudited pro forma consolidated statement of cash flows

	Consolidated statement of cash flow of the Group for the year ended 31 December 2013	Pro forma adjustments				Unaudited pro forma of the Remaining Group
	HK'000	*HK'000*	*HK'000*	*HK'000*	*HK'000*	*HK'000*
	(Note 1)	*(Note 6)*	*(Note 9)*	*(Note 10)*	*(Note 11)*	(Unaudited)
OPERATING ACTIVITIES						
(Loss) profit before taxation	(11,265)	(1,981)	(12,187)	266,933	—	241,500
Adjustments for:						
Amortisation of intellectual property rights	430	—	(430)	—	—	—
Amortisation of prepaid lease payments	2,798	285	(2,642)	—	—	441
Depreciation of property, plant and equipment	57,787	3,741	(53,969)	—	—	7,559
Finance cost	5,294	—	(5,294)	—	—	—
Gain(loss) on fair value changes of derivative financial instruments	(578)	—	578	—	—	—
Impairment loss on trade and other receivables	7,121	—	(561)	—	—	6,560
Interest income	(8,543)	297	8,495	—	—	249
Loss on disposal of property, plant and equipment	347	—	(536)	—	—	(189)
Write-down of inventories	27,063	—	(27,063)	—	—	—
Share of result of an associate	1,797	—	—	—	—	1,797
Share-based payment expense	414	—	—	—	—	414
Gain on disposal of Disposed Group	—	—	—	(266,933)	—	(266,933)
Operating cash flows before movements in working capital	82,665	2,342	(93,609)	—	—	(8,602)
Increase in inventories	(1,271)	—	12,019	—	—	10,748
Decrease (increase) in trade and other receivables and prepayments	24,306	—	(21,867)	—	—	2,439
Increase in derivative financial instruments	(1,649)	—	1,649	—	—	—
Increase in trade and other payables and accruals	781	—	(3,049)	—	—	(2,268)
Asset/liabilities transfer in/out	—	—	11,914	—	(11,914)	—

	Consolidated statement of cash flow of the Group for the year ended 31 December 2013	Pro forma adjustments				Unaudited pro forma of the Remaining Group
	HK'000	*HK'000*	*HK'000*	*HK'000*	*HK'000*	*HK'000*
	(Note 1)	*(Note 6)*	*(Note 9)*	*(Note 10)*	*(Note 11)*	(Unaudited)
Cash generated from operations	104,832	2,342	(92,943)	—	(11,914)	2,317
Hong Kong Profits Tax paid	(425)	—	—	—	—	(425)
Taxation paid in other jurisdictions	(4,675)	—	4,128	(59,133)	—	(59,680)
Interest paid	(5,294)	—	5,294	—	—	—
NET CASH FROM OPERATING ACTIVITIES	94,438	2,342	(83,521)	(59,133)	(11,914)	(57,788)
INVESTING ACTIVITIES						
Placement of pledged bank deposits	(162,450)	—	162,450	—	—	—
Purchase of property, plant and equipment	(99,653)	—	99,560	—	—	(93)
Payment of leasehold land	(11,598)	—	11,598	—	—	—
Placement of structured bank deposits	(8,970)	—	—	—	—	(8,970)
Withdrawal of pledged bank deposits	200,760	—	(200,760)	—	—	—
Interest received	8,543	(297)	(8,495)	—	—	(249)
Proceeds from disposals of property, plant and equipment	184	—	—	—	—	184
Advance to ultimate holding company	—	—	8,101	—	(8,101)	—
Repayment from fellow subsidiaries	—	—	(9,819)	—	9,819	—
Net proceeds from disposal of Disposed Group	—	—	—	844,592	—	844,592
Repayment to Remaining Group	—	—	—	—	113,225	113,225
NET CASH USED IN INVESTING ACTIVITIES	(73,184)	(297)	62,635	844,592	114,943	948,689

	Consolidated statement of cash flow of the Group for the year ended 31 December 2013	Pro forma adjustments				Unaudited pro forma of the Remaining Group
	HK'000	*HK'000*	*HK'000*	*HK'000*	*HK'000*	*HK'000*
	(Note 1)	*(Note 6)*	*(Note 9)*	*(Note 10)*	*(Note 11)*	(Unaudited)
FINANCING ACTIVITIES						
Repayment of bank loans	(324,025)	—	324,025	—	—	—
Dividends paid	(26,357)	—	34,000	—	(34,000)	(26,357)
New bank loans raised	204,879	—	(204,879)	—	—	—
Proceeds from issue of shares upon exercise of share options	2,137	—	—	—	—	2,137
Advance from fellow subsidiaries	—	—	44	—	(44)	—
Advance from immediately holding company	—	—	(34,010)	—	34,010	—
NET CASH USED IN FINANCING ACTIVITIES	(143,366)	—	119,180	—	(34)	(24,220)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(122,112)	2,045	98,294	785,459	102,995	866,681
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	332,782	—	(285,393)	—	—	47,389
Effect of foreign exchange rate changes	8,520	—	(3,679)	—	—	4,841
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	219,190	2,045	(190,778)	785,459	102,995	918,911

Notes:

(1) The consolidated statement of financial position of the Group as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows of the Group for the year ended 31 December 2013 are extracted from the 2013 Annual Report of the Group.

(2) The adjustment represents the exclusion of assets and liabilities of the Disposed Group as at 31 December 2013, as if the Agreement were completed on 31 December 2013, which is equal to the combined net assets of HK$933,299,000 as at 31 December 2013 extracted from the Financial Information of the Disposed Business as set out in Appendix II less the net assets directly attributable to the manufacturing, brand and distribute juvenile and infant product business (the "Juvenile and Infant Product Business") operated by Lerado H.K. Limited ("Lerado HK") and Peaceful Cove Limited ("PCL") of HK$101,779,000, as follows:

		HK$'000
Net assets of the Disposed Business		933,299
Adjustments in relation to Lerado HK and PCL:		
Inventories	(151)	
Trade and other receivables and prepayments	(19,954)	
Amounts due from fellow subsidiaries	(99,048)	
Trade and other payables	5,327	
Amounts due to fellow subsidiaries	11,619	
Taxation payable	428	
Total adjustments		(101,779)
Adjusted net assets of the Disposed Group		831,520

Lerado HK and PCL will cease to operate Juvenile and Infant Product Business and continue to be subsidiaries of the Company, and will not form part of the Disposed Group. However, for the purpose of preparing the Financial Information of the Disposed Business as set out in Appendix II, the assets, liabilities, and results directly attributable to the Juvenile and Infant Product Business operated by Lerado HK and PCL were included as a non-compete undertaking was given by the Company and LGL pursuant to the Agreement. The assets and liabilities of Lerado HK and PCL as set out above shall be retained by the Remaining Group.

(3) The adjustment represents the proforma gain on disposal as if the Agreement were completed and the control over the Disposed Group were lost on 31 December 2013 calculated as follows:

		HK$'000	*HK$'000*
Consideration per the Agreement		930,000	
Adjustment to the consideration			
Actual NAV upon completion in excess of Reference NAV of HK$840 million	*(note a)*	56,477	
Adjusted consideration			986,477
Less: Cost of disposal			
Estimated professional fees and other expenses directly attributable to the Disposal			(13,852)
Adjusted consideration, net of expenses	*(note b)*		972,625
Less:			
Net assets value of Disposed Group as at 31 December 2013 *(Note 2)*			(831,520)
Proforma gain on disposal of Disposed Group before realisation of translation reserve and taxes			141,105
Release of cumulative translation reserve upon the Disposal			167,755
			308,860
Estimated taxes related to the Disposal	*(note c)*		(76,361)
			232,499

(a) For the proforma purpose, the actual net asset value ("Actual NAV") is determined based on the aggregate amount of the net assets of Disposed Group of HK$831,520,000 excluding the relevant deferred tax liabilities of HK$64,957,000 as at 31 December 2013 as if the Agreement were completed on 31 December 2013. Assuming the tax expense in relation to the Restructuring is fully settled as of the date of completion of the Agreement, there is no adjustment made on the Actual NAV calculation relating to the tax arose pursuant to the Agreement. Further assuming that there is no special dividend declared by the Disposed Group on the date of completion of the Agreement.

(b) The net proceed from the Disposal would be HK$896,264,000, being the adjusted consideration (net of estimated expenses directly attributable to the Disposal) of HK$972,625,000, less estimated taxes of HK$76,361,000. HK$78,000,000 (equivalent to USD10,000,000) of the net proceed would be included in the escrow account held by the escrow agent with the assumption that the settlement of the remaining consideration is made on the date of completion of the Agreement.

(c) Taxation consists of (i) the People's Republic of China (the "PRC") enterprise income tax ("PRC EIT") of HK$66,686,000 estimated based on tax rate of 10% in relation to transfer of equity interests in certain subsidiaries in the Disposed Group established in the PRC, and (ii) PRC EIT / land appreciation tax ("LAT") of HK$9,675,000 estimated based on PRC EIT tax rate of 15% / LAT effective tax rate of 33% according to the progressive tax system in relation to the transfer of certain land and buildings located in the PRC to a subsidiary of the Remaining Group.

The adjustment also reflected the following conditions precedent as set out in the Agreement as if they were satisfied on 31 December 2013:

(i) There are no proforma adjustments in relation to the transfer of the entire equity interests of Shanghai Lerado Company Limited ("Shanghai Lerado") and Dongguan Qihang Trading Company Limited ("Dongguan Qihang") held by the Disposed Group to the Remaining Group because the combined net assets of the Disposed Group extracted from the Financial Information of the Disposed Business as set out in Appendix II has excluded the investment costs of Shanghai Lerado and Dongguan Qihang.

(ii) Lerado Global (MCO) Limited, a subsidiary of the Disposed Group, will assign all of its receivables which amounted to HK$25,273,000 in relation to the Medical Business to the Remaining Group at their carrying amount, which will be settled by current account with the Remaining Group.

(iii) Zhongshan Lerado Manufacturing Company Limited ("Zhongshan Lerado") will transfer the property, plant and equipment and prepaid lease payments in relation to the Medical Business at their respective carrying amounts of HK$19,221,000 and HK$12,100,000 as at 31 December 2013, to Zhongshan Lerado Qihang Trading Company Limited, one of the subsidiaries of the Remaining Group at their carrying amounts, which will be settled by current account with the Remaining Group.

The adjustments are not expected to have a continuing effect of the Group.

The actual amount of gain or loss from the Disposal may be different from the above pro forma gain or loss as the carrying amounts of assets and liabilities of the Disposed Group as of the actual completion date of the Agreement will be different from the carrying amounts as of 31 December 2013.

(4) The adjustment represents the repayment to be made by the Disposed Group to settle the net amount due by the Disposed Group to the Remaining Group as at 31 December 2013, assuming that settlement of the net amount was made when the Agreement completed. The adjustment is not expected to have a continuing effect on the Group.

(5) The adjustment represents the exclusion of results of the Disposed Group for the year ended 31 December 2013 and results of the Juvenile and Infant Product Business operated by Lerado HK and PCL for the year ended 31 December 2013, amounting to a loss of HK$4,322,000 in aggregate, as if the Agreement were completed on 1 January 2013. According to the Agreement, the Group will discontinue the Juvenile and Infant Product Business upon the completion of the Agreement. The adjustment is not expected to have a continuing effect on the Group.

(6) The adjustment represents the inclusion of the results and cash flows directly attributable to the Medical Business for the year ended 31 December 2013, which is operated by one of the subsidiaries of the Disposed Group, Zhongshan Lerado, as if the Agreement were completed on 1 January 2013.

(7) The adjustment represents the pro forma gain on disposal as if the Agreement had completed and the control over the Disposed Group were lost on 1 January 2013 calculated as follows:

		HK$'000	*HK$'000*
Consideration per the Agreement		930,000	
Adjustment to the consideration			
Actual NAV upon completion in excess of Reference NAV of HK$840 million	*(note a)*	6,444	
Adjusted consideration			936,444
Less: Cost of disposal			
Estimated professional fees and other expenses directly attributable to the Disposal			(13,852)
Adjusted consideration, net of expenses	*(note b)*		922,592
Less:			
Net assets value of Disposed Group as at 1 January 2013	*(note c)*		(801,614)
Proforma gain on disposal of Disposed Group before realisation of translation reserve and taxes			120,978
Release of cumulative translation reserve upon the Disposal			145,955
			266,933
Estimated taxes related to the Disposal	*(note d)*		(59,133)
			207,800

(a) For the proforma purpose, the Actual NAV was determined based on the aggregate amount of the net assets of the Disposed Group of HK$801,614,000, excluding the relevant deferred tax liabilities of HK$44,830,000 as at 1 January 2013 as if the Agreement has completed on 1 January 2013. Assuming the tax expense in relation to the Restructuring is fully settled as of the date of completion of the Agreement, there is no adjustment made on the Actual NAV calculation relating to the tax that arose pursuant to the Agreement. Further assuming that there is no special dividend declared by the Disposed Group on the date of completion of the Agreement.

(b) The net proceed from the Disposal would be HK$863,459,000, being the adjusted consideration (net of estimated expenses directly attributable to the Disposal) of HK$922,592,000, less estimated taxes of HK$59,133,000. HK$78,000,000 (equivalent to USD10,000,000) of the net proceed would be included in the escrow account held by the escrow agent with the assumption that the settlement of the remaining consideration is made on the date of completion of the Agreement.

(c) The amount represents the combined net assets of HK$901,704,000 as at 1 January 2013 extracted from the Financial Information of the Disposed Business as set out in Appendix II less the net assets directly attributable to Juvenile and Infant Product Business operated by Lerado HK and PCL of HK$100,090,000.

(d) Taxation consists of (i) PRC EIT of HK$49,601,000 estimated based on tax rate of 10% in relation to the transfer of equity interests in certain subsidiaries in the Disposed Group established in the PRC and (ii) PRC EIT / LAT of HK$9,532,000 estimated based on PRC EIT tax rates of 15% / LAT effective tax rate of 32% according to the progressive tax rate system in relation to the transfer of certain land and building located in the PRC to a subsidiary of the Remaining Group.

The adjustment also reflected the following conditions precedent as set out in the Agreement as if they were satisfied on 1 January 2013:

(i) There are no proforma adjustments in relation to the transfer of the entire equity interests of Shanghai Lerado and Dongguan Qihang held by the Disposed Group to the Remaining Group because the combined net assets of the Disposed Group extracted from the Financial Information of the Disposed Business as set of in Appendix II has excluded the investment costs of Shanghai Lerado and Dongguan Qihang.

(ii) Lerado Global (MCO) Limited, a subsidiary of the Disposed Group, will assign all of its receivables amounted to HK$17,704,000 in relation to the Medical Business to the Remaining Group at its carrying amount.

(iii) Zhongshan Lerado will transfer the property, plant and equipment and prepaid lease payments amounted to their respective carrying amounts of HK$14,933,000 and HK$12,032,000 as at 1 January 2013, to Zhongshan Lerado Qihang Trading Company Limited, one of the subsidiaries of the Remaining Group at their carrying amounts.

The adjustments are not expected to have a continuing effect of the Group.

The actual amount of gain or loss from the Disposed may be different from the above pro forma gain or loss as the carrying amounts of assets and liabilities of the Disposed Group as of the actual completion date of the Agreement will be different from the carrying amounts as of 1 January 2013.

(8) The adjustment represents the adjustment relating to transactions between the Disposed Group and the Remaining Group for the year ended 31 December 2013 as if the Agreement were completed on 1 January 2013 and assume that such transactions will not happen after the completion date of the Agreement. The adjustment is not expected to have a continuing effect on the Group.

(9) The adjustment represents the exclusion of cash flows of the Disposed Group for the year ended 31 December 2013 and cash flows of the Juvenile and Infant Product Business operated by Lerado HK and PCL for the year ended 31 December 2013, as if the Agreement were completed on 1 January 2013. According to the Agreement, the Group will discontinue the Juvenile and Infant Product Business upon the completion of the Agreement. The adjustment is not expected to have a continuing effect on the Group.

(10) The net cash inflow of HK$785,459,000 represents the estimated adjusted consideration of HK$936,444,000 less (i) estimated professional fees and other expenses directly attributable to the Agreement of HK$13,852,000; (ii) estimated taxes in related to the Disposal of HK$59,133,000 and (iii) HK$78,000,000 cash held under escrow account as if the Agreement had completed on 1 January 2013 and assume that the settlement of remaining consideration and related costs were made on that day. The adjustment is not expected to have a continuing effect on the Remaining Group.

(11) The adjustment reflects the exclusion of inter-company transactions between the Disposed Group and the Remaining Group and settlement of the net amount due to Remaining Group by the Disposed Group, as if the Agreement had completed on 1 January 2013 and assume all the settlements are made on that day. The adjustment is not expected to have a continuing effect on the Remaining Group.

Deloitte.
德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF LERADO GROUP (HOLDING) COMPANY LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Lerado Group (Holding) Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2013, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013, the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2013 and related notes as set out on pages 46 to 59 of the circular issued by the Company dated 28 August 2014 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages 45 to 46 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed disposal of the business carried out by the Group in relation to the manufacture, brand and distribute of juvenile and infant products on the Group's financial position as at 31 December 2013 and its financial performance and cash flows for the year ended 31 December 2013 as if the disposal had taken place at 31 December 2013 and 1 January 2013, respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2013, on which an independent audit's report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on

The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2013 or 1 January 2013 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 August 2014

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from RHL Appraisal Limited, an independent valuer, in connection with its valuation as at 30 June 2014 of the Properties held by companies to be disposed by Lerado Group (Holding) Company Limited.

RHL International

永利行評值顧問有限公司
RHL Appraisal Limited
Corporate Valuation & Advisory
T +852 2730 6212
F +852 2736 9284
Room 1010,10/F, Star House
Tsimshatsui, Hong Kong

28 August 2014

The Board of Directors
Lerado Group (Holding) Company Limited
Units 1-3, 30th Floor,
Universal Trade Centre,
No. 3-5A Arbuthnot Road,
Central,
Hong Kong

Dear Sirs,

INSTRUCTION

We refer to your instruction for us to value the properties interests ("the Properties") held by companies to be disposed by Lerado Group (Holding) Company Limited (the "Company") or its subsidiaries (the "Disposed Group") located in the People's Republic of China (the "PRC") and Taiwan. We confirm that we have carried out property inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of such property interests as at 30 June 2014 (the "Valuation Date") for incorporation in this circular.

BASIS OF VALUATION

The valuation is our opinion of the market value ("Market Value") which we would define as intended to mean the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm's–length transaction after proper marketing where the parties had each acted knowledgeably prudently and without compulsion.

Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase and without offset for any associated taxes or potential taxes.

Market Value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION METHODOLOGY

In valuing properties 1-3 and 11 of Group I, we have adopted market comparison method by making reference to the comparable market transactions as available. Comparable properties of similar size, scale, nature, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value.

Due to the nature of buildings and structures and absence of sufficient market data, we have valued properties nos. 4-10 of Group I and Group II by using the depreciated replacement cost ("DRC") method. DRC is based on an estimate of the market value for the existing use of land, plus the current cost of replacement of the improvements less allowance for physical deterioration and all relevant forms of obsolescence and optimization.

VALUATION CONSIDERATIONS

In valuing the property interest, we have complied with the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

VALUATION ASSUMPTION

In our valuation, unless otherwise stated, we have assumed that:

i. all necessary statutory approvals for the Properties or the subject building of which the Properties forms part of their use have been obtained;

ii. transferable land use rights in respect of the Properties for specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid;

iii. the owners of the Properties have enforceable titles to the Properties and have free and uninterrupted rights to use, occupy or assign the Properties for the whole of the respective unexpired terms as granted;

iv. no deleterious or hazardous materials or techniques have been used in the construction of the Properties;

v. the Properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and that good title can be shown;

vi. the Properties are connected to main services and sewers which are available on normal terms; and

vii. the cost or repairs and maintenance to the buildings of which the Properties are shared among all owners of the building, and that there are no onerous liabilities outstanding.

TITLE INVESTIGATION

We have been shown copies of various documents relating to the property interest. However, we have not examined the original documents to verify the existing titles to the property interest or any amendment which does not appear on the copies handed to us. We have relied considerably on the information given by the Company's PRC legal advisers, Jun He Law Offices and Taiwan legal advisers, Ho Yung-fu Law Firm, concerning the validity of the titles to the property interests located in the PRC and Taiwan.

LIMITING CONDITIONS

We have inspected the exterior and, where possible, the interior of the Properties. During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the properties are free from rot, infestation or any other defects. No tests were carried out on any of the services. Moreover, we have not carried out investigations on site to determine the suitability of the ground conditions and the services etc., for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and no extraordinary expenses or delay will be incurred during the development period.

We have not carried out detailed on-site measurement to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the documents handed to us are correct. All dimensions, measurements and areas are approximate.

We have relied to a considerable extent on information provided by the Company and accepted advices given to us on such matters, in particular, but not limited to tenure, planning approvals, statutory notices, easements, particulars of occupancy, size and floor areas and all other relevant matters in the identification of the Properties.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also been advised by the Company that no material fact has been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

No allowance has been made in our report for any charges, mortgages or amounts owing on the property interest valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

The reported market value only applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

REMARKS

We have valued the property interests of Group I in Renminbi (RMB). For Group II, we have valued the property interests in New Taiwan Dollar (NTD).

We have conducted on-site inspections to the PRC Properties in May 2014 by our Ms. Fiona Tsung (BSc (Hons) in Real Estate).

We enclose herewith the summary of values and the valuation certificates.

Yours faithfully,
For and on behalf of
RHL Appraisal Ltd.

Serena S. W. Lau
FHKIS, AAPI, MRICS, RPS(GP), MBA(HKU)
Managing Director

Peggy Y. Y. Lai
MHKIS, MRICS, RPS(GP), BSC
Senior Associate Director

Ms. Serena S. W. Lau is a Registered Professional Surveyor (GP) with over 19 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Ms. Lau is a Professional Member of The Royal Institution of Chartered Surveyors, an Associate of Australian Property Institute, a Fellow of The Hong Kong Institute of Surveyors as well as a registered real estate appraiser in the PRC.

Ms. Peggy Y.Y. Lai is a Registered Professional Surveyor (GP) with over 18 years' experience in valuation of properties in HKSAR, Macau SAR, United Kingdom, Canada, mainland China and the Asia Pacific Region. Ms. Lai is a Professional Member of The Royal Institution of Chartered Surveyors, a Member of The Hong Kong Institute of Surveyors as well as a Member of China Institute of Real Estate Appraisers and Agents in the PRC.

SUMMARY OF VALUES

		Market Value in existing state as at 30 June 2014
		RMB
Group I – Properties held by the Disposed Group in the PRC		
1.	Block A, Liyuan Village, No. 24 Yingbin Road, Dongsheng Town, Zhongshan, Guangdong Province, the PRC	3,800,000
2.	Block B, Liyuan Village, No. 24 Yingbin Road, Dongsheng Town, Zhongshan, Guangdong Province, the PRC	3,800,000
3.	Units B201, B301, B401, B501, B601, B701, B202, B302, B402, B502, B602 and B702, Block 15, Licheng Garden, Tongle Main Road, Dongsheng Town, Zhongshan, Guangdong Province, the PRC	4,400,000
4.	Industrial Complex I located at No. 28 Kuixing Road, Dongsheng Town, Zhongshan, Guangdong Province, the PRC	60,600,000

		Market Value in existing state as at 30 June 2014 *RMB*
5.	Industrial Complex II located at No. 28 Kuixing Road, Dongsheng Town, Zhongshan, Guangdong Province, the PRC	103,800,000
6.	A parcel of land and building located at No. 221 Kuixing Road, Dongsheng Town, Zhongshan, Guangdong Province, the PRC	6,400,000
7.	A parcel of land and building located at No. 251 Kuixing Road, Dongsheng Town, Zhongshan, Guangdong Province, the PRC	5,900,000
8.	An Industrial Complex located at No. 6 Tongxing East Road, Dongsheng Town, Zhongshan, Guangdong Province, the PRC	6,400,000
9.	An Industrial Complex located at No. 202 Kuixing Road, Dongsheng Town, Zhongshan, Guangdong Province, the PRC	76,400,000

		Market Value in existing state as at 30 June 2014 *RMB*
10.	An industrial Complex located at Liuxun Village, Dajipu Town, Daye City, Hubei Province, the PRC	61,030,000
11.	Land parcels located at Xinsing Town, Donsheng Town, Zhongshan, Guangdong Province, the PRC	24,500,000
	Total:	***357,030,000***

		Market Value in existing state as at 30 June 2014 *NTD*
Group II – Property held by the Disposed Group in Taiwan		
12.	An Industrial Complex located at No. 24 Guangfu Road, Jiatai Industrial Zone, Taibao, Jiayi County, Taiwan	185,500,000
	Total:	***185,500,000***

Group I – Properties held by the Disposed Group in the PRC

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2014 *RMB*
1.	Block A, Liyuan Village, No. 24 Yingbin Road, Dongsheng Town, Zhongshan, Guangdong Province, the PRC	The property comprises a 7-storey residential building situated in Liyuan Village erected over a parcel of land with a site area of approximately 301.22 sq.m. (3,242 sq.ft.) completed in about 1994. The property has a total gross floor area of approximately 1,349.22 sq.m. (14,523 sq.ft.). The land use rights of the property were granted for a term expiring on 8 June 2042 for residential use.	As at Valuation Date, the property is occupied by the Disposed Group for residential use.	3,800,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Zhong Fu Guo Yong (Chu) Zi No. 09970016, the land use right of the property with a total site area of approximately 301.22 sq.m. have been granted to 中山市隆成日用製品有限公司 (Zhongshan Lerado Manufacturing Company Limited) ("Zhongshan Lerado") for a term expiring on 8 June 2042 for residential use.

2. Pursuant to a Building Ownership Certificate – Yue Fang Zi No. 1183191, the building ownerships of the property with a total gross floor area of approximately 1,349.22 sq.m. have been vested in Zhongshan Lerado.

3. We have been provided with a legal opinion by the Company's PRC legal adviser, Jun He Law Offices, regarding the legal title of the property, which contains, inter alia, the followings:

   i. Land use right mentioned in note 1 and the building ownership mentioned in note 2 are vested in Zhongshan Lerado.

   ii. Zhongshan Lerado is legally entitled to occupy, use, lease, mortgage or otherwise dispose of the property.

   iii. The property is not subject to any mortgage, encumbrance or lien.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2014 *RMB*
2.	Block B, Liyuan Village, No. 24 Yingbin Road, Dongsheng Town, Zhongshan, Guangdong Province, the PRC	The property comprises a 7-storey residential building situated in Liyuan Village erected over a parcel of land with a site area of approximately 301.22 sq.m. (3,242 sq.ft.) completed in about 1994. The property has a total gross floor area of approximately 1,349.22 sq.m. (14,523 sq.ft.). The land use rights of the property were granted for a term expiring on 8 June 2042 for residential use.	As at Valuation Date, the property is occupied by the Disposed Group for residential use.	3,800,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Zhong Fu Guo Yong (Chu) Zi No. 09970017, the land use right of the property with a total site area of approximately 301.22 sq.m. have been granted to Zhongshan Lerado for a term expiring on 8 June 2042 for residential use.

2. Pursuant to a Building Ownership Certificate – Yue Fang Zi No. 1183192, the building ownerships of the property with a total gross floor area of approximately 1,349.22 sq.m. have been vested in Zhongshan Lerado.

3. We have been provided with a legal opinion by the Company's PRC legal adviser, Jun He Law Offices, regarding the legal title of the property, which contains, inter alia, the followings:

    i. Land use right mentioned in note 1 and the building ownership mentioned in note 2 are vested in Zhongshan Lerado.

    ii. Zhongshan Lerado is legally entitled to occupy, use, lease, mortgage or otherwise dispose of the property.

    iii. The property is not subject to any mortgage, encumbrance or lien.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2014 *RMB*
3.	Units B201, B301, B401, B501, B601, B701, B202, B302, B402, B502, B602 and B702, Block 15, Licheng Garden, Tongle Main Road, Dongsheng Town, Zhongshan, Guangdong Province, the PRC	The property comprises 12 residential units of a 7-storey residential building completed in about 2004. The property has a total gross floor area of approximately 1,360.62 sq.m. (14,646 sq.ft.).	As at Valuation Date, the property is occupied by the Disposed Group for residential use.	4,400,000

Notes:

1. Pursuant to 12 Real Estate Title Certificates – Yue Fang Di Zheng Zi Nos. Di C3462281 to C3462289, C3465946 to C3465948, the building ownerships of the property with a total gross floor area of approximately 1,360.62 sq.m. have been vested in Zhongshan Lerado for residential use. Details of the certificates are summarized as follows:

Certificate No.	Unit No.	Usage	Gross Floor Area (sq.m.)
Yue Fang Di Zheng Zi Di C3462281	B601	Residential	113.22
Yue Fang Di Zheng Zi Di C3462282	B201	Residential	113.22
Yue Fang Di Zheng Zi Di C3462283	B301	Residential	113.22
Yue Fang Di Zheng Zi Di C3462284	B401	Residential	113.22
Yue Fang Di Zheng Zi Di C3462285	B501	Residential	113.22
Yue Fang Di Zheng Zi Di C3462286	B402	Residential	113.55
Yue Fang Di Zheng Zi Di C3462287	B701	Residential	113.22
Yue Fang Di Zheng Zi Di C3462288	B702	Residential	113.55
Yue Fang Di Zheng Zi Di C3462289	B602	Residential	113.55
Yue Fang Di Zheng Zi Di C3465946	B202	Residential	113.55
Yue Fang Di Zheng Zi Di C3465947	B502	Residential	113.55
Yue Fang Di Zheng Zi Di C3465948	B302	Residential	113.55
		Total	**1,360.62**

2. We have been provided with a legal opinion by the Company's PRC legal adviser, Jun He Law Offices, regarding the legal title of the property, which contains, inter alia, the followings:

   i. The building ownerships mentioned in note 1 are vested in Zhongshan Lerado.

   ii. Zhongshan Lerado is legally entitled to occupy, use, lease, mortgage or otherwise dispose of the property.

   iii. The property is not subject to any mortgage, encumbrance or lien.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2014 *RMB*
4.	Industrial Complex I located at No. 28 Kuixing Road, Dongsheng Town, Zhongshan, Guangdong Province, the PRC	The property comprises various industrial/office buildings and structures erected on a parcel of land with a site area of approximately 22,168.30 sq.m. (238,620 sq.ft.) completed in between 1988 to 1997. The buildings of the property have a total gross floor area of approximately 14,073.00 sq.m. (151,482 sq.ft.). The land use rights of the property were granted for a term expiring on 27 April 2067 for commercial/residential uses.	As at Valuation Date, the property is occupied by the Disposed Group for industrial use.	60,600,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Zhong Fu Guo Yong (2008) No. 090004, the land use rights of the property with a site area of approximately 22,168.30 sq.m. have been granted to Zhongshan Lerado for a term expiring on 27 April 2067 for commercial/residential uses.

2. Pursuant to a Real Estate Title Certificate – Yue Fang Di Zheng Zi No. 0883008, the building ownerships of the property with a total gross floor area of approximately 14,073.00 sq.m. have been vested in Zhongshan Lerado.

3. We have been provided with a legal opinion by the Company's PRC legal adviser, Jun He Law Offices, regarding the legal title of the property, which contains, inter alia, the followings:

   i. Land use right mentioned in note 1 and the building ownership mentioned in note 2 are vested in Zhongshan Lerado.

   ii. Zhongshan Lerado is legally entitled to occupy, use, lease, mortgage or otherwise dispose of the property.

   iii. Since Zhongshan Lerado has not yet commence the commercial development on the subject land, the existing development is for industrial use and therefore, the subject land is still regard as for industrial use.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2014 *RMB*
5.	Industrial Complex II located at No. 28 Kuixing Road, Dongsheng Town, Zhongshan, Guangdong Province, the PRC	The property comprises various industrial/office buildings and structures erected on a parcel of land with a site area of approximately 36,458.20 sq.m. (392,436 sq.ft.) completed in between 1993 to 1998. The buildings of the property have a total gross floor area of approximately 29,179.42 sq.m. (314,012 sq.ft.). The land use rights of the property were granted for a term expiring on 1 February 2062 for commercial/residential uses.	As at Valuation Date, the property is occupied by the Disposed Group for industrial use.	103,800,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Zhong Fu Guo Yong (2008) No. 090003, the land use rights of the property with a site area of approximately 36,458.20 sq.m. have been granted to Zhongshan Lerado for a term expiring on 1 February 2062 for commercial/residential uses.

2. Pursuant to a Real Estate Title Certificate – Yue Fang Di Zheng Zi No. C3465319, the building ownerships of the property with a total gross floor area of approximately 29,179.42 sq.m. have been vested in Zhongshan Lerado.

3. We have been provided with a legal opinion by the Company's PRC legal adviser, Jun He Law Offices, regarding the legal title of the property, which contains, inter alia, the followings:

   i. Land use right mentioned in note 1 and the building ownership mentioned in note 2 are vested in Zhongshan Lerado.

   ii. Zhongshan Lerado is legally entitled to occupy, use, lease, mortgage or otherwise dispose of the property.

   iii. Since Zhongshan Lerado has not yet commence the commercial development on the subject land, the existing development is for industrial use and therefore, the subject land is still regard as for industrial use.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2014 *RMB*
6.	A parcel of land and building located at No. 221 Kuixing Road, Dongsheng Town, Zhongshan, Guangdong Province, the PRC	The property comprises a composite building and various structures erected on a parcel of land with a site area of approximately 1,251.90 sq.m. (13,475 sq.ft.) completed in about 1993. The building of the property has a gross floor area of approximately 5,028.00 sq.m. (54,121 sq.ft.). The land use rights of the property were granted for a term expiring on 9 March 2067 for residential use.	As at Valuation Date, the property is occupied by the Disposed Group for dormitory.	6,400,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Zhong Fu Guo Yong (Zhuan) Zi No. 09980060, the land use rights of the property with a site area of approximately 1,251.90 sq.m. have been granted to Zhongshan Lerado for a term expiring on 9 March 2067 for residential use.

2. Pursuant to a Real Estate Title Certificate – Yue Fang Di Zheng Zi No. 1411086, the building ownerships of the property with a total gross floor area of approximately 5,028.00 sq.m. have been vested in Zhongshan Lerado.

3. We have been provided with a legal opinion by the Company's PRC legal adviser, Jun He Law Offices, regarding the legal title of the property, which contains, inter alia, the followings:

   i. Land use right mentioned in note 1 and the building ownership mentioned in note 2 are vested in Zhongshan Lerado.

   ii. Zhongshan Lerado is legally entitled to occupy, use, lease, mortgage or otherwise dispose of the property.

   iii. The property is not subject to any mortgage, encumbrance or lien.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2014 *RMB*
7.	A parcel of land and building located at No. 251 Kuixing Road, Dongsheng Town, Zhongshan, Guangdong Province, the PRC	The property comprises an industrial building and various structures erected on a parcel of land with a site area of approximately 1,310.24 sq.m. (14,103 sq.ft.) completed in about 1994. The buildings of the property have a total gross floor area of approximately 7,185.89 sq.m. (77,349 sq.ft.). The land use rights of the property were granted for a term expiring on 24 June 2042 for industrial use.	As at Valuation Date, the property is occupied by the Disposed Group for storage.	5,900,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Zhong Fu Guo Yong (2006) No. 090473, the land use right of the property with a site area of approximately 1,310.24 sq.m. have been granted to Zhongshan Lerado for a term expiring on 24 June 2042 for industrial use.

2. Pursuant to a Real Estate Title Certificate – Yue Fang Di Zheng Zi No. C4861758, the building ownerships of the property with a total gross floor area of approximately 7,185.89 sq.m. have been vested in Zhongshan Lerado.

3. We have been provided with a legal opinion by the Company's PRC legal adviser, Jun He Law Offices, regarding the legal title of the property, which contains, inter alia, the followings:

   i. Land use right mentioned in note 1 and the building ownership mentioned in note 2 are vested in Zhongshan Lerado.

   ii. Zhongshan Lerado is legally entitled to occupy, use, lease, mortgage or otherwise dispose of the property.

   iii. The property is not subject to any mortgage, encumbrance or lien.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2014 *RMB*
8.	An Industrial Complex located at No. 6 Tongxing East Road, Dongsheng Town, Zhongshan, Guangdong Province, the PRC	The property comprises various industrial/office buildings and structures erected on a parcel of land with a site area of approximately 10,600.65 sq.m. (114,105 sq.ft.) completed in about 1998. The buildings of the property have a total gross floor area of approximately 6,648.00 sq.m. (71,559 sq.ft.). The land use rights of the property were granted for a term expiring on 29 June 2046 for industrial use.	As at Valuation Date, the property is occupied by the Disposed Group for industrial use.	6,400,000 (see notes 2 and 3)

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Zhong Fu Guo Yong (2002) Zi No. 090628, the land use right of the property with a site area of approximately 10,600.65 sq.m. have been granted to 中山市國宏塑膠製品有限公司 ("中山國宏") for a term expiring on 29 June 2046 for industrial use.

2. As informed by the Group, buildings with a total gross floor area of approximately 6,648 sq.m. erected thereon are without building ownership certificate.

3. We have ascribed no commercial value to the buildings mentioned in note 2 due to the absence of the building ownership certificate, since they are not entitled to be transferred, leased and mortgaged in the market. However, for indicative purpose, at the Valuation Date, the market value of the buildings mentioned in note 2 is about RMB 5,100,000 by assuming the relevant title documents were obtained and it is freely transferrable in the market.

4. We have been provided with a legal opinion by the Company's PRC legal adviser, Jun He Law Offices, regarding the legal title of the property, which contains, inter alia, the followings:

   i. Land use right mentioned in note 1 are vested in 中山國宏.

   ii. 中山國宏 is legally entitled to occupy, use, lease, mortgage or otherwise dispose the land use rights in note 1.

   iii. After obtaining the relevant permits, 中山國宏 can apply for the building ownership certificates of the subject property.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2014 *RMB*
9.	An Industrial Complex located at No. 202 Kuixing Road, Dongsheng Town, Zhongshan, Guangdong Province, the PRC	The property comprises various industrial/office buildings and structures erected on a parcel of land with a site area of approximately 124,060.73 sq.m. (1,335,389 sq.ft.) completed in between 2001 to 2012. The buildings of the property have a total gross floor area of approximately 123,687.31 sq.m. (1,331,370 sq.ft.). The land use rights of the property were granted for a term expiring on 24 December 2048 for industrial use.	As at Valuation Date, the property is occupied by the Disposed Group for industrial use.	76,400,000 (see notes 2 and 3)

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Zhong Fu Guo Yong (2004) No. 090080, the land use rights of the property with a site area of approximately 124,060.73 sq.m. have been granted to Zhongshan Lerado for a term expiring on 24 December 2048 for industrial use.

2. As informed by the Group, buildings with a total gross floor area of approximately 123,687.31 sq.m. erected thereon are without building ownership certificate.

3. We have ascribed no commercial value to the buildings mentioned in note 2 due to the absence of the building ownership certificate, since they are not entitled to be transferred, leased and mortgaged in the market. However, for indicative purpose, at the Valuation Date, the market value of the buildings mentioned in note 2 is about RMB124,180,000 by assuming the relevant title documents were obtained and it is freely transferrable in the market.

4. We have been provided with a legal opinion by the Company's PRC legal adviser, Jun He Law Offices, regarding the legal title of the property, which contains, inter alia, the followings:

   i. Land use right mentioned in note 1 are vested in Zhongshan Lerado.

   ii. Zhongshan Lerado is legally entitled to occupy, use, lease, mortgage or otherwise dispose the land use right in note 1.

   iii. After obtaining the relevant permits, Zhongshan Lerado can apply for the building ownership certificates of the subject property.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2014 *RMB*
10.	An industrial complex located at Liuxun Village, Dajipu Town, Daye City, Hubei Province, the PRC	The property comprises 3 blocks of industrial buildings, 3 blocks of warehouses, an electricity room, a guard room together with structures erected on a parcel of land with a site area of approximately 97,087 sq.m. (1,045,044 sq.ft.) completed in between 2012 and 2014. The total gross floor area of buildings is approximately 31,952.35 sq.m. (343,935 sq.ft.). The land use rights of the property were granted for a term of 50 years for industrial use.	As at Valuation Date, the property is occupied by the Disposed Group for industrial use.	61,030,000

Notes:

1. Pursuant to a State-owned Land Use Rights Contract – 鄂-HS-DY-2012-00111 dated 26 December 2012, the land use right of the property with a total site area of about 97,087.00 sq.m. have been granted to 黃石市隆成日用製品有限公司 ("黃石隆成") for a consideration of RMB14,000,000.

2. Pursuant to a State-owned Land Use Rights Certificate – Da Ye Guo Yong (2014) No. 0140172001, the land use rights of the property with a site area of approximately 97,087.00 sq.m. have been granted to 黃石隆成 for a term expiring on 26 December 2062 for industrial use.

3. Pursuant to 8 Building Ownership Certificates – Da Ye Shi Fang Quan Zheng 18 Zi Nos. 196 to 203, the building ownerships of the property with a total gross floor area of approximately 31,952.35 sq.m.have been vested in 黃石隆成. Details of the certificates are summarized as follows:

Certificate No.	Usage	Gross Floor Area (sq.m.)
Da Ye Shi Fang Quan Zheng 18 Zi No. 196	Guard Room	37.52
Da Ye Shi Fang Quan Zheng 18 Zi No. 197	Factory	4,784.36
Da Ye Shi Fang Quan Zheng 18 Zi No. 198	Factory	4,784.36
Da Ye Shi Fang Quan Zheng 18 Zi No. 199	Electricity Room	387.48
Da Ye Shi Fang Quan Zheng 18 Zi No. 200	Factory	4,437.16
Da Ye Shi Fang Quan Zheng 18 Zi No. 201	Storage	150.06
Da Ye Shi Fang Quan Zheng 18 Zi No. 202	Factory	12,934.25
Da Ye Shi Fang Quan Zheng 18 Zi No. 203	Factory	4,437.16
	Total	31,952.35

4. We have been provided with a legal opinion by the Company's PRC legal adviser, Jun He Law Offices, regarding the legal title of the property, which contains, inter alia, the followings:

   i. Land use right mentioned in note 1 and the building ownership mentioned in note 2 are vested in 黃石隆成.

   ii. 黃石隆成 is legally entitled to occupy, use, lease, mortgage or otherwise dispose of the property.

   iii. The property is not subject to any mortgage, encumbrance or lien.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2014 *RMB*
11.	Land parcels located at Xinsing Town, Donsheng Town, Zhongshan, Guangdong Province, the PRC	The property comprises 4 parcel of adjoining land with a total site area of approximately 39,613.50 sq.m. (426,399.70 sq.ft.). The land use rights of the property were granted for various terms. (please refer to notes 1 to 4.)	As at Valuation Date, the property is vacant.	24,500,000 (see note 6)

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract No. 442000-2013-000346 dated 27 March 2013, land use rights of the property with a site area of approximately 10,968.2 sq.m. have been granted to Zhongshan Lerado for a term of 50 years commencing from the handover date of the subject site for industrial use at a consideration of RMB8,226,150.

   As revealed from the aforesaid Land Use Rights Contract, property with the site area of approximately 10,968.2 sq.m. is subject to the following material development conditions:

Site Area:	Approximately 10,968.2 sq.m.
Land Use	Industrial
Plot Ratio:	Not less than 1.0
Site Coverage:	Not less than 30%
Building Covenant:	Completed before 4 July 2017

2. Pursuant to a State-owned Land Use Rights Certificate – Zhong Fu Guo Yong (2010) No. Yi 091880, the land use rights of the property with a site area of approximately 10,783.60 sq.m. have been granted to Zhongshan Lerado for a term expiring on 20 January 2043 for industrial use.

3. Pursuant to a State-owned Land Use Rights Certificate – Zhong Fu Guo Yong (2009) No. Yi 091680, the land use rights of the property with a site area of approximately 8,591.30 sq.m. have been granted to Zhongshan Lerado for a term expiring on 20 January 2043 for industrial use.

4. Pursuant to a State-owned Land Use Rights Certificate – Zhong Fu Guo Yong (2009) No. Yi 091712, the land use rights of the property with a site area of approximately 9,270.40 sq.m. have been granted to Zhongshan Lerado for a term expiring on 30 December 2056 for industrial use.

5. As informed by the Group, the Land Use Rights Certificate of the land parcel mentioned in note 3 has not yet been obtained. In valuing the property, we have assumed the Company may obtained the relevant certificate without legal or administrative impediment and onerous cost incurred.

6. Pursuant to two land transferable agreements dated 11 September 2009 and 15 July 2010, the land use rights mentioned in notes 2, 3 and 4 above with a total site area of approximately 36,726.57 sq.m. (including the areas of public utilities) were transferred to Zhongshan Lerado at a total consideration of RMB 29,137,160. Approximately 8,081 sq.m. (12.12 mu) is allocated to Zhongshan Lerado for public utilities purpose. We have ascribed no commercial value to such area as it is excluded from the site areas of the land use rights certificates mentioned in notes 2 to 4 above. For reference purpose, the market value of such public utilities as at Valuation Date was RMB4,846,000 under the assumption that it is legally held by the Company and the Company is entitled to transfer, lease, mortgage or dispose such area freely in the market.

7. We have been provided with a legal opinion by the Company's PRC legal adviser, Jun He Law Offices, regarding the legal title of the property, which contains, inter alia, the followings:

   i. Land use right mentioned in note 2,3 and 4 are vested in Zhongshan Lerado.

   ii. Zhongshan Lerado is legally entitled to occupy, use, lease, mortgage or otherwise dispose of the land use rights mentioned in notes 2, 3 and 4.

   iii. Subject to the obtaining of the land use right certificate of note 1, Zhongshan Lerado is legally entitled to occupy, use, lease, mortgage or otherwise dispose of the land use rights mentioned in note 1.

   iv. Zhongshan Lerado is the process of applying for the land use rights certificate mentioned in note 1 and Zhongshan Lerado has no legal impediment to obtain the such land use rights certificate.

Group II — Property held by the Disposed Group in Taiwan

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2014 *NTD*
12.	An Industrial Complex located at No. 24 Guangfu Road, Jiatai Industrial Zone, Taibao, Jiayi County, Taiwan	The property comprises various industrial/office buildings and structures erected on a parcel of land with a site area of approximately 5,870.00 sq.m. (63,185 sq.ft.) completed in about 2002. The buildings of the property have a total gross floor area of approximately 11,025.00 sq.m. (118,673 sq.ft.). The land use rights of the property were granted for a term expiring on 22 January 2045 for industrial uses.	As at Valuation Date, the property is occupied by the Disposed Group for industrial uses.	185,500,000

Notes:

1. We have been provided with a legal opinion by the Company's Taiwan legal adviser, Ho Yung-fu Law Firm, regarding the legal title of the property, which contains, inter alia, the followings;

   i. the registered owner of the property is 金和信股份有限公司.

   ii. 金和信股份有限公司 is legally entitled to occupy, use, lease , mortgage or otherwise dispose of the property.

   iii. the property is not subject to any mortgage, encumbrance or lien.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors and Chief Executive

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company (the "Model Code") were as follows:

Long positions in shares and underlying shares of the Company

	Number of shares held as				
Name of Director	Beneficial owner	Spouse interest	Corporate interest	Total interests	Approximate % of the issued share capital of the Company
Mr. Huang Ying Yuan	2,966,000	1,234,000 *(note 1)*	148,353,540 *(note 2)*	152,553,540	20.1%
Mr. Chen Chun Chieh	1,018,000	—	96,805,800 *(note 3)*	97,823,800	12.9%
Mr. Mak Kwong Yiu	600,000	—	—	600,000	0.1%

Notes:

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

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.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders

So far as is known to any Director or the chief executive of the Company, as at the Latest Practicable Date, Shareholders who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of issued ordinary shares held	% of the issued share capital of the Company
Mrs. Huang Chen Li Chu	Interest in controlled corporation, beneficial interest and spouse interest *(Note 1)*	152,553,540	20.1%
Intellegience Hong Kong Group Limited	Beneficial owner *(Note 2)*	148,353,540	19.5%
Hwa Foo Investment Limited	Beneficial owner *(Note 3)*	96,805,800	12.7%

Name of shareholder	Capacity	Number of issued ordinary shares held	% of the issued share capital of the Company
Mr. David Michael Webb	Beneficial owner *(Note 4)*	60,098,000	7.9%
Preferable Situation Assets Limited	Beneficial owner	44,455,000	5.8%

Note 1: Of the 152,553,540 Shares, 148,353,540 Shares were held by Intelligence Hong Kong Group Limited, a company controlled by Mr. Huang Ying Yuan, the spouse of Mrs. Huang Chen Li Chu, and Mrs. Huang Chen Li Chu, 2,966,000 Shares were held by the spouse of Mrs. Huang Chen Li Chu, and 1,234,000 Shares were beneficially held by Mrs. Huang Chen Li Chu.

Note 2: Intelligence Hong Kong Group Limited is owned as to 68.3% by Mr. Huang Ying Yuan and as to 31.7% by Ms. Huang Chen Li Chu, both executive Directors.

Note 3: Hwa Foo Investment Limited is controlled by Mr. Chen Chun Chieh, an executive Director.

Note 4: Mr. David Michael Webb beneficially owns 15,643,000 shares, and in addition he holds 44,455,000 shares through Preferable Situation Assets Limited, which is 100% directly owned by him.

Save as disclosed above, so far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

Mr. Huang Ying Yuan is a director of Intelligence Hong Kong Group Limited, and Mr. Chen Chun Chieh is a director of Hwa Foo Investment Limited. Save as disclosed, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the Shares or underlying Shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group or any associated company of the Company (excluding contracts expiring or determinable within one year without payment of compensation, other than statutory compensation).

4. COMPETING BUSINESS INTEREST OF DIRECTORS

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

5. MATERIAL ADVERSE CHANGE

The Company is not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest published audited financial statements of the Company were made up.

6. EXPERTS' QUALIFICATIONS AND CONSENTS

The following are the qualifications of the experts who have given their opinion or advice contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified public accountants
RHL Appraisal Limited	An independent professional property valuer

Each of the experts named in this section of the circular has given and has not withdrawn its respective written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, none of the experts named in this circular has any direct or indirect interest in any assets which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2013, the date to which the latest audited financial statements of the Group was made up, and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

7. LITIGATION

So far as the Company is aware, as at the Latest Practicable Date, the Group was engaged in the following proceedings which may be materially important:

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

The supplier initiated proceedings against the Group in the U.S. alleging that the Group owed them outstanding commission of approximately US$2.2 million which is still being reviewed. The Group denied the allegations of the supplier and disputed their claims. A trial date has been set for the case at the United States District Court, Western District of Louisiana on 23 March 2015. As the outcome of the proceedings is uncertain, no provision has been made for the related claims in the Company's financial statements for the year ended 31 December 2013.

(b) The Group was named as a joint defendant in a civil claim initiated at the United States District Court for the District of Nebraska in April 2014 together with, among others, Baby Trend, Inc. on the alleged faulty design in a car seat manufactured by the Group under contract for Baby Trend Inc. A trial date has not been set. The outcome of the proceedings is uncertain as at the Latest Practicable Date and no provisions has been made for the related claim in the financial statement of the Company.

8. MATERIAL CONTRACTS

Save for the Agreement, none of the members of the Group has entered into any contracts (not being contracts in the ordinary course of business) within the two years preceding the date of this circular and up to the Latest Practicable Date that is or may be material.

9. GENERAL

(a) None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired, disposed of by or leased to any member of the Group since 31 December 2013, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.

(b) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group, which was subsisting and was significant in relation to the business of the Group.

(c) The company secretary of the Company is Mr. Chan Kam Fuk, who is a member of the Hong Kong Institute of Certified Public Accountants and CPA (Australia). He has over 10 years of experience in the finance and accounting.

(d) The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(e) The principal place of business of the Company in Hong Kong is at Units 1-3, 30/F, Universal Trade Centre, 3-5A, Arbuthnot Road, Central, Hong Kong.

(f) The branch share registrar of the Company in Hong Kong is Tricor Secretaries Limited.

(g) The principal share registrar of the Company is Codan Service Limited.

(h) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Units 1-3, 30/F, Universal Trade Centre, 3-5A, Arbuthnot Road, Central, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including the date of the Special General Meeting:

(a) the Bye-laws;

(b) the annual report of the Company for the three years ended 31 December 2011, 2012 and 2013;

(c) the financial information of the Disposed Group and the auditors' opinion, the text of which is set out in Appendix II to this circular;

(d) the pro forma financial information on the Remaining Group and the auditors' opinion as set out in Appendix III to this circular;

(e) the property valuation report set out in Appendix IV to this circular;

(f) the written consents referred to in the paragraph headed "Expert's Qualifications and Consent" in this Appendix;

(g) the Agreement; and

(h) this circular.

LERADO GROUP (HOLDING) COMPANY LIMITED

(隆成集團(控股)有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1225)

NOTICE IS HEREBY GIVEN that the special general meeting (the "**SGM**") of Lerado Group (Holding) Company Limited (the "**Company**") will be held at Shanghai Room I, Level 8, Langham Place Hotel, 555 Shanghai Street, Mongkok, Kowloon, Hong Kong on 16 September 2014 at 2:30 p.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

   (a) the agreement dated 16 June 2014 (the "**Agreement**") entered into between Lerado Group Limited (the "**Seller**"), a wholly-owned subsidiary of the Company, and the Company entered into the Agreement with Maxi Miliaan BV (the "**Buyer**") and Dorel Industries Inc., pursuant to which the Seller has conditionally agreed to sell, and the Buyer has conditionally agreed to buy, the issued shares of each of the eight wholly-owned subsidiaries of the Company, namely (1) Glory Time Investments Limited, (2) Lerado Overseas Limited, (3) Lerado Success Inc., (4) Lerado China Limited, (5) Lerado Global (MCO) Limited, (6) Actfaster International Limited, (7) Lerado Industrial Limited, and (8) Link Treasure Limited at a consideration of HK$930 million (subject to adjustment), a copy of the Agreement is tabled at the meeting and marked "A" and initialled by the chairman of the meeting for identification purpose, and the transactions contemplated under the Agreement, be and are hereby approved, confirmed and ratified; and

* *For identification purpose only*

(b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute the Agreement and all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Agreement."

2. "**THAT** Mr. Huang Shen Kai be re-elected as an executive director of the Company."

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

Hong Kong, 28 August 2014

Notes:

1. A form of proxy for use at the SGM is enclosed herewith.

2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.

3. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.

4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged at the office of the of the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at Level 22 Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting thereof (as the case may be).

5. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.

6. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.

As at the date of this notice, the executive directors of the Company are Mr. Huang Ying Yuan, Mr. Huang Shen Kai and Mr. Chen Chun Chieh; the independent non-executive directors of the Company are Mr. Lim Pat Wah, Patrick, Mr. Huang Zhi Wei and Mr. Mak Kwong Yiu.