



LERADO GROUP (HOLDING) COMPANY LIMITED

(隆成集團(控股)有限公司)*

(incorporated in Bermuda with limited liability)

Stock code: 1225

ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS

Summary

On 22 March 2006, Lerado China and Taiwan Company, each a wholly-owned subsidiary of the Company, entered into the Master Agreement with Holy Baby pursuant to which Lerado China and Taiwan Company will supply infant products, toys and other products agreed by the parties from time to time to Holy Baby on a regular basis.

Holy Baby is wholly owned by Mr. Huang Tien Cheng, the brother of Mr. Huang Ying Yuan. Mr. Huang Ying Yuan is a Director and a substantial shareholder of the Company. Under Rule 14A.11(4) of the Listing Rules, Holy Baby is considered a connected person of the Company. Accordingly, transactions between each of Lerado China and Taiwan Company and Holy Baby will constitute connected transactions of the Company under the Listing Rules. As each of the percentage ratios (other than the profits ratio) as stated in the Listing Rules is on an annual basis (i) less than 2.5% or (ii) more than 2.5% but less than 25% and the annual consideration is less than HK\$10,000,000, the Continuing Connected Transactions under the Master Agreement constitute continuing connected transactions for the Company under Rule 14A.34 of the Listing Rules and will be subject to reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules.

1. THE CONTINUING CONNECTED TRANSACTIONS

Date of the Master Agreement	: 22 March, 2006
Suppliers	: Lerado China and Taiwan Company, each a wholly-owned subsidiary of the Company
Purchaser	: Holy Baby
Nature of Transaction	: Pursuant to the Master Agreement, Lerado China and Taiwan Company will, and will procure its associates to, supply infant products, toys and other products agreed by the parties from time to time to Holy Baby
Term	: The Master Agreement has a fixed term of one financial year ending 31 December 2006
Price	: The basis of determining the prices for the Continuing Connected Transactions will be in accordance with: (i) direct comparable prices offered by the Group to other customers; or (ii) by agreement between the parties based on reasonable principle if no direct comparable price can be taken as a reference. Payment will be made in cash within 60 days upon the issue of the monthly statement by the relevant party, the credit period of which is within the range of credit period granted by the relevant supplier to other third party customers
Cap amount	: The cap amount of the Continuing Connected Transactions under the Master Agreement for the financial year ending 31 December 2006 will not exceed HK\$10 million each year. The cap amount is determined with reference to (i) the historical sales of the relevant infant products, toys and other products of Lerado China and Taiwan Company to Holy Baby, which amounted to approximately HK\$4.3 million and HK\$4.5 million for the 2 financial years ended 31 December 2005; and (ii) the expected increase in the demand of the relevant infant products, toys and other products of Holy Baby in Taiwan in 2006 as a result of the extensive promotional campaign launched in various cities of Taiwan especially in the second half of 2005

2. LISTING RULES IMPLICATIONS

Holy Baby is wholly owned by the brother of Mr. Huang Ying Yuan. Mr. Huang Ying Yuan is a Director and a substantial shareholder of the Company. Under Rule 14A.11(4) of the Listing Rules, Holy Baby is considered a connected person of the Company. Accordingly, transactions between each of Lerado China and Taiwan Company and Holy Baby will constitute connected transactions of the Company under the Listing Rules. As each of the percentage ratios (other than the profits ratio) as stated in the Listing Rules is on an annual basis (i) less than 2.5% or (ii) more than 2.5% but less than 25% and the annual consideration is less than HK\$10,000,000, the Continuing Connected Transactions under the Master Agreement constitute connected transactions for the Company under Rule 14A.34 of the Listing Rules and will be subject to reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules.

Apart from the 3 lease agreements entered into with Huang Ying Yuan and his associate in the PRC in 1997 details of which have been disclosed in the Company's prospectus dated 8 December 1998, details of the only other connected transaction entered into between the Company and Mr. Huang Ying Yuan and his associates are set out below which fell within the de minimis exemption under Rule 14A.33(3) of the Listing Rules:

Name of party	Address of premises	Date of the lease/ period of the lease	Nature of transaction	Estimated amount for the financial year ended 31 December 2006 (HK\$)
Yojin Industrial Corporation (Note)	No. 22 Kuang Fu Road, Chia Tai Industrial Zone, Tai Pao City, Chia Yi County, Taiwan	1 January 2006/ From 1 January 2006 to 31 December 2006	Rental expenses paid by the Group in respect of office and workshop premises in Taiwan	588,000

Note: Huang Ying Yuan and Huang Chen Li Chu have beneficial interests in Yojin Industrial Corporation. Huang Chen Li Chu is the spouse of Huang Ying Yuan.

3. REASON

Holy Baby started purchasing infant products, toys and other products from Lerado China and Taiwan Company in April 2004. The Master Agreement was entered into as a result of the expiry of term of an agreement dated 7 April 2005 entered into, among others, Lerado China and Taiwan Company in relation to the purchase of infant products, toys and other products by Holy Baby. The Directors confirm that the sales amount from 1 January 2006 to 21 March 2006 incurred under the Master Agreement amounts to

approximately HK\$570,000. The Directors consider that the Continuing Connected Transactions are of the type that are entered into in the ordinary and usual course of businesses of each of Lerado China and Taiwan Company and on a regular basis. The terms of the Master Agreement were reached between the parties by arm's length negotiation, on normal commercial terms and are no less favourable to the Company than those available to independent third parties. The price will be determined according to (i) direct comparable prices offered by the Group to other third party customers; or (ii) by agreement between the parties based on reasonable principle (e.g. having considered the costs of and the expected profits generated from the goods), if no direct comparable market price can be taken as a reference (e.g. in the event that the products concerned are new inventions or have adopted some modifications which are not available in the market and have not been offered by the Group to third party customers). Therefore, the Board (including the independent non-executive Directors) considers that the Continuing Connected Transactions contemplated under the Master Agreement will be entered into in the ordinary course of business of the Group and on normal commercial terms or on terms that are fair and reasonable so far as the shareholders of the Company are concerned.

4. GENERAL

The Group is principally engaged in the design, manufacture and trading of infant products. Holy Baby is principally engaged in the wholesale of consumer products. Lerado China is principally engaged in the trading of infant products. Taiwan Company is principally engaged in the trading of infant products and provision of purchasing service.

As at the date of this announcement, the Board comprises Mr. Huang Ying Yuan, Mr. Chen Hsing Shin, Madam Huang Chen Li Chu, Mr. Leung Man Fai as executive Directors and Mr. Lim Pat Wah Patrick, Mr. Huang Zhi Wei and Mr. Yang Yu Fu as independent non-executive Directors.

5. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

"Board"	the board of Directors;
"Company"	Lerado Group (Holding) Company Limited, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange;
"connected person"	has the meaning ascribed to it in the Listing Rules;
"Continuing Connected Transactions"	the supply of infant products, toys and other products agreed by the parties from time to time by Lerado China and Taiwan Company to Holy Baby;
"Directors"	the directors of the Company;
"Group"	the Company and its subsidiaries;
"Holy Baby"	好萊兒嬰兒用品有限公司, a company incorporated in Taiwan with limited liability;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Lerado China"	Lerado China Limited, a company incorporated in the British Virgin Islands with limited liability;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Master Agreement"	the agreement entered into between Lerado China, Taiwan Company and Holy Baby dated 22 March 2006 pursuant to which Lerado China and Taiwan Company will supply infant products, toys and other products agreed by the parties to Holy Baby on a regular basis;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"substantial shareholder"	has the meaning as given in the Listing Rules;
"Taiwan Company"	金和信股份有限公司, a company incorporated in Taiwan with limited liability; and
"HK\$"	Hong Kong dollar, the lawful currency of Hong Kong.

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

Hong Kong, 24 March 2006

* for identification purposes only

Please also refer to the published version of this announcement in International Herald Tribune and Hong Kong Economic Times.