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LERADO GROUP (HOLDING) COMPANY LIMITED

(隆成集團(控股)有限公司)*

(incorporated in Bermuda with limited liability)

(Stock Code: 1225)

Directors:

Mr. HUANG Ying Yuan (*Chairman*)
Mr. CHEN Hsing Shin (*Vice Chairman*
and Chief Executive Officer)
Madam HUANG CHEN Li Chu (*Vice Chairman*)
Mr. LEUNG Man Fai
Mr. LIM Pat Wah Patrick**
Mr. HUANG Zhi Wei**
Mr. YANG Yu Fu**

** *independent non-executive directors*

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

*Principal place of business
in Hong Kong:*

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China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

27th April, 2006

To the shareholders

Dear Sir or Madam,

GENERAL MANDATES TO ISSUE NEW SHARES AND REPURCHASE SHARES, RE-ELECTION OF RETIRING DIRECTORS AND AMENDMENTS TO THE BYE-LAWS

INTRODUCTION

At the annual general meeting (“the AGM”) of Lerado Group (Holding) Company Limited (“the Company”) to be held at Kennedy Room, 7/F., Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 15th June, 2006 at 2:30 p.m., resolutions will be proposed to approve the grant of general mandate to issue new shares and repurchase shares of the Company, the re-election of retiring directors of the Company and the amendments to the bye-laws of the Company (the “Bye-laws”).

* *for identification purposes only*

GENERAL MANDATE TO ISSUE NEW SHARES

It will be proposed at the AGM two ordinary resolutions respectively granting to the directors of the Company (the “Directors”) a general mandate to allot, issue and deal with new shares of the Company not exceeding 20% of the share capital of the Company in issue as at the date of passing the relevant resolution and adding to such general mandate so granted to the Directors any shares representing the aggregate nominal amount of the shares repurchased by the Company after the granting of the below repurchase mandate in order to provide flexibility for issuing new shares when it is in the interests of the Company.

GENERAL MANDATE TO REPURCHASE SHARES

An ordinary resolution will be proposed to renew the granting to the Directors of a general mandate, in the terms set out in the notice of AGM (the “Buyback Mandate”), allowing the Company to repurchase its own shares up to a limit of 10 per cent in aggregate of the Company’s issued share capital (the “Maximum Number of Shares”) as at the date of passing the relevant resolution during the period ending on the earliest of the date of the next annual general meeting, the date by which the next annual general meeting of the Company is required to be held by law and the date upon which such authority is revoked or varied. This will allow the Company to repurchase its own shares, inter alia, on-market in accordance with the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

RE-ELECTION OF RETIRING DIRECTORS

Pursuant to Bye-law 87 of the Bye-laws of the Company, Mr. Huang Ying Yuan, Mr. Chen Hsing Shin and Mr. Leung Man Fai will retire from office as Directors at the AGM and being eligible, offer themselves for re-election. Set out below are the details of the Directors proposed to be re-elected:

Executive Directors

Mr. HUANG Ying Yuan, aged 55, is a founding member and the chairman of the Group. Mr. Huang has 29 years of experience in the infant products industry. Mr. Huang oversees the strategic planning and has particular responsibility for marketing.

Mr. Huang Ying Yuan is the husband of Madam Huang Chen Li Chu, vice chairman of the Company. Save as mentioned, Mr. Huang does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company. In accordance with the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”), Mr. Huang was interested in 108,153,360 shares and underlying shares in the Company in his personal interest and 46,336,180 shares and underlying shares in his spouse’s interest, representing approximately 15.0% and 6.4% respectively in the issued share capital of the Company as at 20th April, 2006 (the “Latest Practicable Date”).

The amount of director’s remuneration specified in the service contract dated 2nd December, 1998 (for a term of 3 years and shall continue until terminated by either party by serving written notice of 3 months) between Mr. Huang and the Company includes a basic remuneration and a discretionary bonus, both to be determined by the Board. According to the service contract, the annual increment of basic remuneration shall not exceed ten per cent. of the then current annual basic remuneration. The discretionary bonus is determined by the Board in its absolute discretion provided that the total amount of discretionary bonuses payable to all the executive directors of the Company shall not exceed ten per cent. of the audited consolidated net profit after taxation and minority interests but before extraordinary items of the Group for that financial year. Mr. Huang received an annual emolument of approximately HK\$2,364,000 for the year ended 31st December, 2005, inclusive of bonus payment approximating HK\$253,000.

Mr. CHEN Hsing Shin, aged 62, is a founding member and vice chairman of the Group. On 1st June, 2005, Mr. Chen was appointed Chief Executive Officer, overseeing the Group's daily operations, with particular responsibility in production operations. Prior to the establishment of the Group, Mr. Chen worked in various manufacturing set-ups and was specialised in production site management.

Mr. Chen Hsing Shin does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company. In accordance with the meaning of Part XV of the SFO, Mr. Chen was interested personally in 100,305,800 shares and underlying shares in the Company, representing approximately 13.9% in the issued share capital of the Company as at the Latest Practicable Date.

The amount of director's remuneration specified in the service contract dated 2nd December, 1998 (for a term of 3 years and shall continue until terminated by either party by serving written notice of 3 months) between Mr. Chen and the Company includes a basic remuneration and a discretionary bonus, both to be determined by the Board. According to the service contract, the annual increment of basic remuneration shall not exceed ten per cent. of the then current annual basic remuneration. The discretionary bonus is determined by the Board in its absolute discretion provided that the total amount of discretionary bonuses payable to all the executive directors of the Company shall not exceed ten per cent. of the audited consolidated net profit after taxation and minority interests but before extraordinary items of the Group for that financial year. Mr. Chen received an annual emolument of approximately HK\$1,892,000 for the year ended 31st December, 2005, inclusive of bonus payment approximating HK\$253,000.

Mr. LEUNG Man Fai, aged 48, was appointed an executive director of the Company in November 1998. He is also the financial controller of the Group. Prior to joining the Group in July 1995, Mr. Leung worked in the accounting field for over 15 years. He graduated from Manchester Polytechnic in the UK with a bachelor's degree in accounting and finance and holds a master's degree from the University of New South Wales in Australia in professional accounting. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Australian Society of Certified Practising Accountants.

Mr. Leung Man Fai does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company. In accordance with the meaning of Part XV of the SFO, Mr. Leung was interested personally in 2,500,000 shares and underlying shares in the Company, representing approximately 0.3% in the issued share capital of the Company as at the Latest Practicable Date.

There is no service contract entered into between Mr. Leung and the Company and his remuneration is determined by the Board. Mr. Leung received an annual emolument of approximately HK\$1,110,000 for the year ended 31st December, 2005, inclusive of bonus payment approximating HK\$41,000.

Saved as mentioned above, the remuneration of the above directors is determined with reference to previous experience, duties and performance of each director, and the Company's profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

Each of the above director is subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Bye-laws.

The above Directors confirm that there are no information to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules nor are there other matters that need to be brought to the attention of the Shareholders.

AMENDMENTS TO THE BYE-LAWS

In order to align the Bye-laws with the amendments to the Listing Rules that came into effect on 1 March 2006, the Directors propose to seek approval from the Shareholders at the Annual General Meeting on the amendments to Bye-law 86 of the Bye-laws so that a Director may be removed by an ordinary resolution in general meeting instead of a special resolution and that any Director appointed to fill the vacancy arising from such removal will hold office until the next following general meeting of the Company and shall then be eligible for re-election at such meeting.

NOTICE OF ANNUAL GENERAL MEETING

A notice of AGM is set out in Appendix II to this circular. It is the intention of the Company to take poll on every resolution to be put to vote at the AGM. The procedure for demanding a poll is set out in Appendix III. A proxy form for use at the meeting is enclosed herewith. Whether or not you intend to attend the AGM, you are requested to complete the proxy form and return it to the branch share registrar and transfer office of the Company in Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or the adjourned meeting (as the case may be). Completion and return of a proxy form will not preclude shareholders from attending and voting at the meeting and at any adjournment thereof if they so wish.

RECOMMENDATION

The Directors consider that all the proposed resolutions to be put forward to the Shareholders at the AGM are in the best interests of the Company and the Shareholders as a whole and accordingly recommend the Shareholders to vote in favour of all the resolutions to be proposed at the AGM.

On behalf of the Board
Huang Ying Yuan
Chairman

The following is the explanatory statement required by the Listing Rules concerning the regulation of purchase by companies of their own securities on the Stock Exchange to provide Shareholders with all the information reasonably necessary for them to make an informed decision on whether to vote for or against the resolution to approve the proposed general mandate to repurchase shares by the Company.

SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised of 722,096,724 ordinary shares of HK\$0.10 each.

Exercise in full of the Buyback Mandate, on the basis that no further shares are issued or repurchased prior to 15th June, 2006, being the date of the AGM, could accordingly result in up to 72,209,672 shares (the “Maximum Number of Shares”) being repurchased by the Company during the course of the period from 15th June, 2006 to the earliest of (i) the date of the 2007 annual general meeting, (ii) the date by which the next annual general meeting of the Company is required to be held by law and (iii) the date upon which such authority is revoked or varied.

Concerning Ordinary Resolution numbered 5, the Directors wish to state that they have no immediate plans to repurchase shares of the Company. Approval is being sought from the Shareholders as a general mandate pursuant to the requirement under the applicable laws of Bermuda and the Listing Rules only.

REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and its Shareholders to seek a general authority from Shareholders to enable the Directors to purchase shares of the Company in the market. Such purchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per share and will only be made when the Directors believe that such a purchase will benefit the Company and its Shareholders.

FUNDING OF REPURCHASES

Pursuant to the Buyback Mandate, repurchases would be funded entirely from the Company’s available cash flow or working capital facilities derived from the distributable profits of the Company which would otherwise be available for dividend or other distributions which will be funds legally available for the purpose in accordance with the Company’s Bye-laws and the applicable laws of Bermuda.

On the basis of the consolidated financial position of the Company as at 31st December, 2005 (being the date to which the latest published financial statements of the Company have been made up), the Directors consider that the exercise in full of the Buyback Mandate to repurchase shares might have a material adverse impact on the working capital position or gearing position of the Company as compared with its position as at 31st December, 2005. No purchase would be made in circumstances that might have a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the latest published audited financial statements) unless the Directors considered that such purchase will benefit the Company and its Shareholders in the sense of enhanced net asset value and improved earnings per share.

DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

None of the Directors nor, to the best of the knowledge and belief of the Directors having made all reasonable enquires, any of the associates (as defined in the Listing Rules) of any of the Directors has any present intention, in the event that the proposed Buyback Mandate is approved by the Company's shareholders, to sell Shares to the Company or its subsidiaries.

No connected person of the Company (as defined in the Listing Rules) has notified the Company that he/she has a present intention to sell Shares to the Company nor has he/she undertaken not to sell any of the Shares held by him/her to the Company in the event that the Company is authorised to make repurchases of Shares.

UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchase pursuant to the Buyback Mandate and in accordance with the Listing Rules, the Bye-laws of the Company and the applicable laws of Hong Kong and Bermuda respectively.

SHARE PRICES

The highest and lowest traded prices for the Shares on the Stock Exchange during the previous twelve months preceding the Latest Practicable Date are as follows:

Month	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2005		
May	1.010	0.950
June	1.080	0.790
July	0.830	0.690
August	0.800	0.670
September	0.750	0.610
October	0.620	0.500
November	0.510	0.410
December	0.480	0.410
2006		
January	0.630	0.450
February	0.670	0.560
March	0.600	0.490
April (up to the Latest Practicable Date)	0.530	0.485

REPURCHASES MADE BY THE COMPANY

No purchase was made by the Company of Shares on the Stock Exchange during the six months preceding the Latest Practicable Date.

EFFECT OF TAKEOVERS CODE

A repurchase of Shares by the Company may result in an increase in the proportionate interests of a substantial shareholder of the Company in the voting rights of the Company, which could give rise to an obligation to make a mandatory offer in accordance with Rule 26 of the Hong Kong Code on Takeovers and Mergers (“the Takeovers Code”).

In the case where the Maximum Number of Shares are repurchased, the percentage of shareholdings of the substantial shareholders (as defined in the Listing Rules) in the Company will be as follows:

Substantial shareholders	Percentage of shareholdings as at the Latest Practicable Date	Percentage of shareholdings as if the Maximum Number of Shares are repurchased
Huang Ying Yuan (<i>Note 1</i>)	14.4%	16.0%
Chen Hsing Shin (<i>Note 2</i>)	13.4%	14.9%
Huang Chen Li Chu (<i>Note 1</i>)	6.0%	6.7%

Notes:

1. Ms. Huang Chen Li Chu is the wife of Mr. Huang Ying Yuan. The percentages above indicate their respective shareholdings individually. In the event that Ms. Huang Chen Li Chu and Mr. Huang Ying Yuan are deemed to be parties acting in concert under the Takeovers Code, they would hold 20.4% in aggregate as at the Latest Practicable Date and 22.7% in aggregate if the Maximum Number of Shares are repurchased.
2. Mr. Chen Hsing Shin does not have any relationship with Mr. Huang Ying Yuan and Ms. Huang Chen Li Chu.

The Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any purchases made pursuant to the Buyback Mandate.

**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 OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Lerado Group (Holding) Company Limited (“the Company”) will be held at Kennedy Room, 7/F., Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 15th June, 2006 at 2:30 p.m. for the following purposes:

1. To receive and consider the audited consolidated financial statements of the Company and its subsidiaries and the reports of the directors and auditors for the year ended 31st December, 2005.
2. To declare a final dividend for the year ended 31st December, 2005.
3. To re-elect the retiring directors and to authorise the Board of Directors to fix the directors’ remuneration for the year ending 31st December, 2006.
4. To re-appoint auditors and to authorise the Board of Directors to fix their remuneration.
5. As special business, to consider and if thought fit, pass the following resolutions as Ordinary Resolutions:

A. **“THAT:**

- (a) subject to sub-paragraph (c) of this Resolution, the exercise by the directors of the Company during the relevant period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options, including bonds, warrants and debentures convertible into shares of the Company, which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in sub-paragraph (a) above shall authorise the directors of the Company during the relevant period to make or grant offers, agreements and options, including bonds, warrants and debentures convertible into shares of the Company, which might require the exercise of such powers after the end of the relevant period;
- (c) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors pursuant to the approval in sub-paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as defined

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below), (ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company, (iii) the exercise of options under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees, etc. of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company or (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of the cash payment for a dividend on shares of the Company in accordance with the Bye-laws of the Company, shall not exceed twenty per cent of the aggregate nominal amount of the issued share capital of the Company, and this approval shall be limited accordingly; and

(d) for the purpose of this Resolution:

“relevant period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
- (iii) the date on which the authority set out in this Resolution is revoked or varied by way of ordinary resolution in general meeting; and

“rights issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of or the requirements of any recognised regulatory body or any stock exchange).”

B. “THAT:

- (a) subject to sub-paragraph (b) below, the exercise by the directors of the Company during the relevant period of all the powers of the Company to purchase its own securities, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the shares to be repurchased by the Company pursuant to sub-paragraph (a) of this resolution during the relevant period shall not exceed 10 per cent of the shares of the Company in issue at the date of this Resolution; and
- (c) for the purpose of this Resolution, “relevant period” means the period from the passing of this Resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company;

- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
 - (iii) the date on which the authority set out in this Resolution is revoked or varied by way of ordinary resolution in general meeting.”
- C. “**THAT**, conditional upon Resolutions 5A and 5B in the notice convening this meeting being passed, the aggregate nominal amount of number of shares which are repurchased by the Company after this resolution becoming effective (up to maximum of 10 per cent of the issued share capital of the Company in issue at the date of this resolution) shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to Resolution 5A in the said notice referred to above.”
6. As special business, to consider and if thought fit, pass the following resolutions as Special Resolution:

“**THAT** the Bye-laws of the Company be and are hereby amended in the following manner:

- (a) by replacing the word “Special” with “Ordinary” in the existing Bye-law 86(4); and
- (b) by substituting the existing Bye-law 86(5) with the following new Bye-law 86(5):

“86(5)A vacancy on the Board created by the removal of a Director under the provisions of subparagraph (4) above may be filled by the election or appointment by the Members at the meeting at which such Director is removed to hold office until the next following general meeting of the Company and shall then be eligible for re-election at such meeting.”;

and **THAT** any Director of the Company be and is hereby authorised to take such further action as he/she may, at his/her sole discretion, think fit for and on behalf of the Company to implement the aforesaid amendment to the existing Bye-laws.”

By order of the Board
Kwok Wai Lok
Company Secretary

Hong Kong, 27th April, 2006

Notes:

- (1) Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (2) To be effective, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a Member of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (3) The register of members of the Company will be closed from Tuesday, 13th June, 2006 to Thursday, 15th June, 2006 (both days inclusive) during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to the proposed final dividend for the year ended 31st December, 2005 and for attending and voting at the above meeting, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on 12th June, 2006.
- (4) Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

Pursuant to Bye-law 66 of the Bye-laws of the Company, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded:

- (i) by the Chairman; or
- (ii) by at least three Members present in person (or in the case of a Member being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any Member or Members present in person (or in the case of a Member being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Members having the right to vote at the meeting; or
- (iv) by any Member or Members present in person (or in the case of a Member being a corporation by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.