
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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Herald Holdings Limited (the “**Company**”), you should at once hand this circular with the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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HERALD HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code : 00114)

PROPOSED AMENDMENTS TO BYE-LAWS

AND

**GENERAL MANDATES TO REPURCHASE SHARES AND
TO ISSUE SHARES**

AND

RE-ELECTION OF DIRECTORS

A letter from the board of Directors of Herald Holdings Limited is set out on pages 4 to 7 of this circular.

A notice convening a special general meeting of Herald Holdings Limited to be held on Friday, 17 September, 2004 at the Chater Room I, Function Room Level (B1), The Ritz-Carlton Hotel Hong Kong, 3 Connaught Road Central, Hong Kong at 3:50 p.m. (or so soon thereafter as the annual general meeting of Herald Holdings Limited convened at the same place and date shall have been concluded or adjourned) is set out on pages 14 to 28 of this circular.

If you do not intend to attend the meeting, you are requested to complete and return to the principal place of business of the Company in Hong Kong at 3110, 31st Floor, Tower Two, Lippo Centre, 89 Queensway, Hong Kong the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than forty-eight hours before the time of the meeting or any adjournment thereof. Completion and return of the relevant forms of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you wish.

28 July, 2004

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DEFINITIONS

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

“AGM”	the annual general meeting of the Company to be held on 17 September, 2004 at the Chater Room I, Function Room Level (B1), The Ritz-Carlton Hotel Hong Kong, 3 Connaught Road Central, Hong Kong at 3:45 p.m.
“Associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day on which the Stock Exchange is open for the business of dealing in securities
“Bye-laws”	the bye-laws of the Company
“Code”	Hong Kong Code on Takeovers and Mergers and Share Repurchases
“Companies Act”	the Companies Act 1981 of Bermuda, as amended
“Companies Ordinance”	the Companies Ordinance, Chapter 32, Laws of Hong Kong, as amended
“Company”	Herald Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange
“Directors”	the director(s) of the Company
“Group”	the Company and its Subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Mandate”	the general and unconditional mandate proposed under ordinary resolution numbered (3) in the Notice of the SGM set out on pages 14 to 28 of this circular to be granted to the Directors to allot and issue securities of the Company up to an aggregate nominal amount not exceeding 20% of the aggregate nominal value of the issued share capital of the Company on the date of the passing of the said ordinary resolution

DEFINITIONS

“Latest Practicable Date”	26 July, 2004 being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Notice of SGM”	the notice convening the SGM as set out on pages 14 to 28 of this circular
“Repurchase Mandate”	the general and unconditional mandate proposed under ordinary resolution numbered (2) in the Notice of the SGM set out on pages 14 to 28 of this circular to be granted to the Directors to repurchase the Company’s securities up to an aggregate nominal amount not exceeding 10% of the aggregate nominal value of the issued share capital of the Company immediately after the passing the said ordinary resolution
“Retiring Directors”	the Directors who will retire and, being eligible, will offer themselves for re-election at the AGM pursuant to the Bye-Laws
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SGM”	the special general meeting of the Company to be held on 17 September, 2004 at the Chater Room I, Function Room Level (B1), The Ritz-Carlton Hotel Hong Kong, 3 Connaught Road Central, Hong Kong at 3:50 p.m. (or so soon thereafter as the annual general meeting of the Company convened at the same place and date shall have been concluded or adjourned) for the purpose of considering and, if thought fit, approving proposed amendments to the Bye-laws and the Issue Mandate and Repurchase Mandate
“Share(s)”	share(s) of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Subsidiary”	a company which is for the time being and from time to time a subsidiary (within the meaning of Section 2 of the Companies Ordinance or Section 86 of the Companies Act) of the Company
“US\$”	United States Dollars
“%”	per cent.

LETTER FROM THE BOARD



HERALD HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code : 00114)

Executive directors:

George Bloch (*Chairman*)

Cheung Tsang-Kay, Stan PhD, Hon LLD, Hon DBA, JP

(Managing Director)

Chang Dong-Song

Robert Dorfman

Thong Yeung-Sum, Michael FCCA, AHKSA

Independent non-executive directors:

Denis Campbell Bray CMG, CVO, JP

Tsao Kwang-Yung, Peter CBE, CPM

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Principal place of business
in Hong Kong:*

3110, 31st Floor

Tower Two, Lippo Centre

89 Queensway

Hong Kong

28 July, 2004

To the shareholders

**PROPOSED AMENDMENTS TO BYE-LAWS
AND
GENERAL MANDATES TO REPURCHASE SHARES AND
TO ISSUE SHARES
AND
RE-ELECTION OF DIRECTORS**

INTRODUCTION

The Directors wish to seek your approval of the resolutions to be proposed in the forthcoming SGM to be held on Friday, 17 September, 2004 at the Chater Room I, Function Room Level (B1), The Ritz-Carlton Hotel Hong Kong, 3 Connaught Road Central, Hong Kong at 3:50 p.m. (or so soon thereafter as the AGM of the Company convened at the same place and date shall have been concluded or adjourned) to amend the Bye-laws and to grant the Issue Mandate and Repurchase Mandate. In addition, the Company will propose a resolution at the AGM to re-elect the Retiring Directors. The notice convening the AGM is included in the Company's Annual Report for the year ended 31 March, 2004 and was advertised in the Hong Kong Economic Times and The Standard on 16 July, 2004. The purpose of this circular is to provide you with information on the proposed resolutions.

LETTER FROM THE BOARD

PROPOSED AMENDMENTS TO THE BYE-LAWS

The following is a summary of the more significant amendments to the Bye-laws to be proposed at the SGM:

1. Amendments required by new Listing Rules

The amended Appendix 3 of the Listing Rules requires that (1) a Director shall not vote on any Board resolution approving any contract, arrangement or other proposal in which he or his associates (as defined in the Listing Rules) has a material interest; (2) the minimum period of seven days during which a Shareholder may give notice to propose a person for election as a Director shall commence no earlier than the day after the despatch of the notice of the meeting appointed for such purpose and end no later than seven days prior to the date of such meeting; and (3) if any Shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against thereon, any votes cast by such Shareholder or on his behalf in contravention of such requirement or restriction shall not be counted. The amended Bye-laws reflect these provisions accordingly.

2. Provisions relating to clearing house

With the commencement of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) on 1 April, 2003, the Board proposes to amend the Bye-laws by:

- (a) simplifying the definition of “clearing house” by deleting the reference to Securities and Futures Ordinance therein; and
- (b) accepting the machine imprinted signature of a recognised clearing house or its nominee(s) to be used on the instrument of transfer.

3. Distribution of summary financial reports

Taking advantage of the flexibility now permitted under the Listing Rules, the Board further proposes that amendments be made to the Bye-laws to allow the Company, unless otherwise notified by Shareholders in writing:

- (a) to distribute summary financial reports to Shareholders in place of the full set of the annual reports and accounts; and
- (b) to distribute either the annual reports and accounts or summary financial reports to the Shareholders through the Company’s computer network or in any other permitted manner, so that the Company will be treated as having discharged its obligation to send to the Shareholders a copy of such documents.

LETTER FROM THE BOARD

These provisions provide Shareholders with a choice, so if the Company should choose to implement these provisions, Shareholders will be entitled to continue to receive a full set of the annual reports and accounts if they choose to do so. Shareholders will also be able to elect to receive an electronic version of either the annual reports and accounts or summary financial reports, as the case may be.

4. Corporate communications

Taking advantage of other recent changes to the Listing Rules, the Board also recommends that amendments be made to the Bye-laws to allow the Company to send any corporate communications (as defined in the Listing Rules) to the Shareholders by electronic means and in the English language, the Chinese language or in both languages.

The proposed amendments to the Bye-laws will continue to comply with the Listing Rules and will be subject to the passing of the special resolution at the SGM. The full text of the proposed amendments to the Company's Bye-laws is set out in the Notice of SGM. The Chinese version of the Bye-laws is for reference only and if there is any conflict between the English and Chinese versions, the English version shall prevail.

GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE SHARES

At the SGM, ordinary resolutions will be proposed that the Directors be given general and unconditional mandates to exercise all the powers of the Company to (i) repurchase issued shares of US\$0.01 each in the capital of the Company ("Issued Shares"), the aggregate nominal amount of which does not exceed 10% of the aggregate nominal amount of the issued share capital of the Company in issue on the date of passing of the resolution; and (ii) allot, issue and otherwise deal with Shares not exceeding the sum of 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of the resolution.

The Directors have no immediate plans to repurchase any Issued Shares or to issue any new Shares pursuant to the above mandates.

An explanatory statement required by the Listing Rules to be sent to shareholders in connection with the proposed Repurchase Mandate is set out in the Appendix I to this document and contains all information reasonably necessary to enable shareholders to make an informed decision on whether to vote for or against the resolutions.

RE-ELECTION OF RETIRING DIRECTORS

In accordance with Bye-law 87 of the Bye-laws, Messrs. Chang Dong-Song and Denis Campbell Bray retire from the Board by rotation at the AGM and, being eligible, offer themselves for re-election. Information of such Retiring Directors, as required to be disclosed by the Listing Rules as recently amended by the Stock Exchange, is set out in Appendix II to this circular.

LETTER FROM THE BOARD

PROCEDURES BY WHICH A POLL MAY BE DEMANDED

According to Bye-law 66, a resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of the meeting; or
- (b) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Shareholder or Shareholders present in person or in the case of a Shareholder 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 Shareholders having the right to vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person or in the case of a Shareholder 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 Shares conferring that right.

A demand by a person as proxy for a Shareholder or in the case of a Shareholder being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a Shareholder.

RECOMMENDATION

The Directors believe that the proposed amendments to the Bye-laws, the Issue Mandate and Repurchase Mandate and the re-election of the Retiring Directors are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend you to vote in favour of the first three resolutions to be proposed at the SGM and the last resolution to be proposed at the AGM.

By Order of the Board
Herald Holdings Limited
George Bloch
Chairman

The following is an explanatory statement as required by the Stock Exchange concerning the proposed Repurchase Mandate to be granted to the Directors as set out in resolution 2 of the notice of the SGM:

1. NUMBER OF SHARES FOR REPURCHASES

Based on 613,925,763 Issued Shares in issue as at the Latest Practicable Date, a total of 61,392,576 shares could be repurchased by the Company under this general mandate.

2. REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and its shareholders to have a general authority from shareholders to enable them to repurchases Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and its shareholders.

3. SOURCE OF FUNDS

Repurchases must be financed out of the funds legally available for the purpose in accordance with the provisions of the Bye-laws and the laws of Bermuda. Under Bermuda law, the amount of capital repaid in connection with a share repurchase may only be paid out of the capital paid up on the relevant purchased Shares, or out of the funds of the Company otherwise available for dividend or distribution or the proceeds of a fresh issue of shares made for the purpose. The amount of premium payable on repurchase may only be paid out of funds of the Company otherwise available for dividend or distribution or out of the share premium account of the Company.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the annual report of the Company for the year ended 31 March, 2004) in the event that the proposed repurchases were to be carried out in full as permitted by the general mandate to repurchase shares at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital or the gearing level of the Company which in the opinion of the Directors are from time to time appropriate for the Company.

4. DIRECTORS' DEALINGS

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective associates have a present intention to sell Shares to the Company, in the event that the Repurchase Mandate is approved.

5. EFFECT OF THE CODE

If as a result of shares repurchase by the Company, a shareholder's proportionate interest in the voting rights of the Company increase, such increase will be treated as an acquisition for the purpose of the Code. Accordingly, a shareholder, or group of shareholders acting in concert, could obtain or consolidate control of the Company or become obliged to make a mandatory offer in accordance with Rule 26 of the Code. However, the Directors have no present intention of exercising the Repurchase Mandate to such an extent as to trigger the mandatory offer requirement under the Code.

At the Latest Practicable Date, the following parties were directly or indirectly interested in 5% or more of the issued share capital of the Company:

Long Positions in Shares of the Company

(Shares of US\$0.01 each of the Company)

Shareholders	Capacity	Number of shares				Total	Percentage of total issued shares
		Personal Interests	Family Interests	Corporate Interests	Other Interests		
S.T.K. Cheung	Beneficial owner and beneficiary of a trust	35,542,808	950,000	50,000	75,498,356 (Note a)	112,041,164	18.25%
D.S. Chang	Beneficial owner, interest of spouse and founder of a trust	10,040,000	21,654,879	–	75,498,356 (Note a)	107,193,235	17.46%
HSBC International Trustee Ltd (“HIT”)	Trustee	–	–	75,698,356 (Note c)	–	75,698,356	12.33%
Goldfinch Investments Ltd (“GIL”)	Beneficial owner	–	–	69,728,356 (Note b)	–	69,728,356	11.36%
R. Dorfman	Beneficial owner	46,470,000	–	–	–	46,470,000	7.57%
G. Dorfman	Beneficial owner	37,605,799	–	–	–	37,605,799	6.13%

Notes:

- (a) Dr. S.T.K. Cheung is the beneficiary of a family trust which owned 75,498,356 shares in the Company at 31 March, 2004. Mr. D.S. Chang, being the founder of the trust, is also deemed to be interested in these shares.
- (b) GIL is a company owned by a family trust which owned 75,498,356 shares in the Company at 31 March, 2004 as mentioned in note (a), comprising 69,728,356 shares held by GIL and 5,770,000 shares held by the trust itself.
- (c) HIT, the trustee of the trust, was deemed to be interested in the 75,498,356 shares held by the trust. In addition, HIT had a further interest of 200,000 shares in the Company at 31 March, 2004.

In the event that the Directors exercise in full the power to repurchase shares under the Repurchase Mandate, the attributable shareholdings in the Company of Dr. S.T.K. Cheung, Mr. D.S. Chang, HIT, GIL, Mr. R. Dorfman and Mr. G. Dorfman, being not persons acting in concert under the Code, would be increased to approximately 20.28%, 19.40%, 13.70%, 12.62%, 8.41% and 6.81% respectively of the issued share capital of the Company. The Directors are not aware of any consequences which may arise under the Code as a result of any repurchases made under the Repurchase Mandate.

6. GENERAL

The Directors have undertaken to the Stock Exchange that they will exercise the power of the Company to make repurchases pursuant to the Repurchase Mandate in accordance with the Listing Rules and the laws of the Bermuda so far as the same may be applicable.

No connected person of the Company (as defined in the Listing Rules) has notified the Company that he has a present intention to sell any Shares to the Company nor has he undertaken not to do so, in the event the Repurchase Mandate is approved.

7. REPURCHASES AND SHARE PRICES

Purchases of 1,300,000 Shares have been made by the Company on the Stock Exchange in the six months prior to the Latest Practicable Date. Save as disclosed above, no other repurchases of Shares have been made by the Company in the six months prior to the Latest Practicable Date.

Details of the shares purchased are as follows:

Date of repurchase	Number of Shares	Price per share HK\$	Aggregate price HK\$
22 December, 2003	1,000,000	0.490	490,000
23 December, 2003	<u>300,000</u>	0.490	<u>147,000</u>
	<u>1,300,000</u>		<u>637,000</u>

The highest and lowest prices at which Shares were traded on the Stock Exchange during each of the 12 months from 1 July, 2003 to 30 June, 2004 are set out below:

Share Price

Month	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2003		
July	0.500	0.355
August	0.520	0.450
September	0.530	0.425
October	0.480	0.420
November	0.465	0.405
December	0.540	0.430
2004		
January	0.600	0.500
February	0.690	0.580
March	0.680	0.560
April	0.580	0.500
May	0.550	0.475
June	0.560	0.480

The following is the information required to be disclosed by the Listing Rules as recently amended by the Stock Exchange of Retiring Directors proposed to be re-elected at the AGM.

1. Mr. Chang Dong-Song, aged 83, an Executive Director

Mr. Chang Dong-Song has been an Executive Director of the Company since 1992. Mr. Chang was a co-founder of Herald Metal and Plastic Works Limited, a subsidiary of the Company and since 1969 has played a principal role in the development of the Group's manufacturing activities. He is now a director of some of the Group's companies. He was a member of the Toys Advisory Council of the Hong Kong Trade Development Council. Mr. Chang is also a member of The Chinese People's Political Consultative Conference, Jiangsu Changshu Committee.

Mr. Chang Dong-Song is a father of Dr. Cheung Tsang-Kay, Stan, Managing Director of the Company. Mr. Chang is a founder of a family trust. Goldfinch Investments Ltd. and HSBC International Trustee Ltd., being a company owned by the trust and the trustee of the trust respectively, are both substantial shareholders of the Company. Save as disclosed above, Mr. Chang Dong-Song does not have any relationships with any other Directors, senior management and substantial shareholders (as defined in the Listing Rules) of the Company.

In accordance with the meaning of Part XV of the SFO, as at the Latest Practicable Date, Mr. Chang Dong-Song was interested and deemed to be interested in a total of 107,193,235 Shares in the Company.

There is no service contract between the Company and Mr. Chang Dong-Song. The term of office for Mr. Chang Dong-Song is the period up to his retirement by rotation in accordance with the Company's Bye-laws. Mr. Chang Dong-Song is entitled to receive basic annual emoluments of HK\$3,936,000 which is to be reviewed annually by the Board by reference to the remuneration benchmark in the industry and the prevailing market conditions. In addition, Mr. Chang is also entitled to receive a discretionary bonus to be decided upon by the Board at its absolute discretion having regard to his performance and the result of the Group.

There is no other matters in relation to the above director proposed to be re-elected that need to be brought to the attention of the Shareholders of the Company.

2. Mr. Denis Campbell Bray, CMG, CVO, JP, aged 78, an Independent Non-executive Director

Mr. Denis Campbell Bray has served as an Independent Non-executive Director of the Company since 1992. Mr. Bray joined the Hong Kong Government in 1950. In 1971, he was appointed District Commissioner, New Territories. He also served as Hong Kong Commissioner in London From 1977 to 1980 and as Secretary of Home Affairs and an ex-officio member of the Executive and Legislative Councils. From 1985 to 1992, Mr. Bray was Executive Director of The Community Chest of Hong Kong. He is Chairman of the charity Christian Action.

Mr. Denis Campbell Bray does not have any relationships with any other Directors, senior management and substantial shareholders (as defined in the Listing Rules) of the Company.

In accordance with the meaning of Part XV of the SFO, as at the Latest Practicable date, Mr. Denis Campbell Bray was not interested or deemed to be interested in any Shares or underlying Shares.

There is no service contract between the Company and Mr. Denis Campbell Bray. The term of office for Mr. Denis Campbell Bray is the period up to his retirement by rotation in accordance with the Company's Bye-laws. Mr. Denis Campbell Bray is entitled to receive an annual remuneration of HK\$180,000 which is determined by the Board annually by reference to the remuneration benchmark in the industry and the prevailing market conditions.

There is no other matters in relation to the above director proposed to be re-elected that need to be brought to the attention of the Shareholders of the Company.

NOTICE OF SGM



HERALD HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code : 00114)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of HERALD HOLDINGS LIMITED (the “**Company**”) will be held at the Chater Room I, Function Room Level (B1), The Ritz-Carlton Hotel Hong Kong, 3 Connaught Road Central, Hong Kong on Friday, 17th September, 2004 at 3:50 p.m. (or so soon thereafter as the annual general meeting of the Company convened at the same place and date shall have concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolutions of which Resolution No. 1 will be proposed as a Special Resolution and Resolution Nos. 2 to 3 will be proposed as Ordinary Resolutions:

SPECIAL RESOLUTION

- (1) “**THAT** the bye-laws of the Company (the “**Bye-laws**”) be and are hereby amended in the following respects:

- (a) by inserting the following new definition in Bye-law 1:

““associate” the meaning attributed to it in the rules of the Designated Stock Exchange.”;

- (b) by substituting the existing definition of “clearing house” in Bye-law 1 with the following new definition:

““clearing house” a clearing house recognized by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction.”;

- (c) by substituting the existing Bye-law 2(e) with the following new Bye-law 2(e):

“expressions referring to writing shall, unless the contrary intention appears, be construed as including printing, lithography, photography and other modes of representing words or figures in a visible form, and including where the representation takes the form of electronic display, provided that both the mode of service of the relevant document or notice and the Member’s election comply with all applicable Statutes, rules and regulations;”;

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- (d) by replacing the full stop “.” appearing at the end of Bye-law 2(j) with a semi-colon “;”, by inserting the word “and” immediately after the semi-colon and by inserting the following new Bye-law 2(k):

“(k) references to a document being executed include references to it being executed under hand or under seal or by electronic signature or by any other method and references to a notice or document include a notice or document recorded or stored in any digital, electronic, electrical, magnetic or other retrievable form or medium and information in visible form whether having physical substance or not.”;

- (e) by substituting the existing Bye-law 6 with the following new Bye-law 6:

“6. The Company may from time to time by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or, save for the use of share premium as expressly permitted by the Act, any share premium account or other undistributable reserve.”;

- (f) (i) by inserting after the words “Subject to Sections 42 and 43 of the Act,” appearing in the beginning of Bye-law 9, the words “these Bye-laws, and any special rights conferred on the holders of any shares or attaching to any class of shares,”; and

- (ii) by inserting the following new sentences at the end of Bye-law 9:

“Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price as may from time to time be determined by the Company in general meeting, either generally or with regard to specific purchases. If purchases are by tender, tenders shall be available to all Members alike.”;

- (g) by substituting in Bye-law 12(1), the words “Subject to the Act, and these Bye-laws” with the following words:

“Subject to the Act, these Bye-laws, any direction that may be given by the Company in general meeting”;

- (h) by inserting the words “, in respect of any shares that are not fully paid,” after the words “held by him and” in the existing Bye-law 43 (1) (a);

- (i) by inserting the words “or by any means in such manner as may be accepted by the Designated Stock Exchange” after the words “in accordance with the requirements of any Designated Stock Exchange” in the existing Bye-law 44;

NOTICE OF SGM

- (j) by substituting the existing Bye-law 46 with the following new Bye-law 46:

“46. Subject to these Bye-laws, any Member may transfer all or any of his shares by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in any other form approved by the Board and may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.”;

- (k) by inserting in Bye-law 51 after the words “the requirements of any Designated Stock Exchange” the following words:

“or by any means in such manner as may be accepted by the Designated Stock Exchange”;

- (l) by inserting the following words in Bye-law 55(2)(c) after the words “in accordance with the requirements of,”:

“or by any means in such manner as may be accepted by,”;

- (m) by substituting the existing Bye-law 66 with the following new Bye-law 66:

“66. Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Bye-laws, at any general meeting on a show of hands every Member present in person (or being a corporation, is present by a representative duly authorised under Section 78 of the Act), or by proxy shall have one vote and on a poll every Member present in person or by proxy or, in the case of a Member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. Notwithstanding anything contained in these Bye-laws, where more than one proxy is appointed by a Member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. A resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) 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

NOTICE OF SGM

- (c) by a 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 Members having the right to vote at the meeting; or
- (d) by a 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 shares conferring that right.

A demand by a person as proxy for a Member or in the case of a Member being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a Member.”;

- (n) by substituting the existing Bye-law 76 with the following new Bye-law 76:

“76. (1) No Member shall, unless the Board otherwise determines, be entitled to attend and vote and to be reckoned in a quorum at any general meeting unless he is duly registered and all calls or other sums presently payable by him in respect of shares in the Company have been paid.

(2) Where the Company has knowledge that any Member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.”;

- (o) by inserting the following words at the end of the existing Bye-law 78:

“In addition, proxy or proxies representing either a Member who is an individual or a Member which is a corporation shall be entitled to exercise the same powers on behalf of the Member which he or they represent as such Member could exercise.”;

- (p) by substituting the existing Bye-law 84A with the following new Bye-law 84A:

“84A. Where a Member is a clearing house (or its nominee(s) and, in each case, being a corporation), it may authorise such persons as it thinks fit to act as its representative or representatives at any meeting of the Company or at any meeting of any class of Members provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and

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powers on behalf of the clearing house (or its nominee(s)) which he represents as that clearing house (or its nominee(s)) could exercise if it were an individual Member and as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation including the right to vote individually on a show of hands, and shall be deemed to have been duly authorised without further evidence of the facts.”;

- (q) by renumbering the existing Bye-law 85 as Bye-law 85(1) and by inserting the following new Bye-law 85(2):

“85. (2) Notwithstanding any provisions contained in these Bye-laws, a resolution in writing shall not be passed for the purpose of removing a Director before the expiration of his term of office under Bye-law 86(4) or for the purposes set out in Bye-law 154(3) relating to the removal and appointment of the Auditor.”;

- (r) by substituting the existing Bye-law 86(1) with the following new Bye-laws 86(1):

“86. (1) Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two (2). There shall be no maximum number of Directors unless otherwise determined from time to time by the Members in general meeting. The Directors shall be elected or appointed in the first place at the statutory meeting of Members and thereafter at the annual general meeting in accordance with Bye-law 87 or at any special general meeting and shall hold office until the next appointment of Directors or until their successors are elected or appointed. Any general meeting may authorise the Board to fill any vacancy in their number left unfilled at a general meeting.”;

- (s) by substituting the existing Bye-law 86(4) with the following new Bye-laws 86(4):

“86. (4) The Member may, at any general meeting convened and held in accordance with these Bye-laws, by special resolution remove a Director at any time before the expiration of his period of office notwithstanding anything to the contrary in these Bye-laws or in any agreement between the Company and such Director (but without prejudice to any claim for damages under any such agreement) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention so to do and be served on such Director fourteen (14) days before the meeting and at such meeting such Director shall be entitled to be heard on the motion for his removal.”;

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- (t) by substituting the existing Bye-law 88 with the following new Bye-law 88:

“88. No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless there shall be lodged at the Office or at the head office notice in writing signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.”;

- (u) by deleting the words “whereupon the Board resolves to accept such resignation” appearing at the end of Bye-law 89(1);

- (v) by substituting the existing Bye-law 101 with the following new Bye-law 101:

“101. Subject to the Act and to these Bye-laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure, or the tenure of any of his associates, of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director or any of his associates is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the Members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director or any of his associates holding that office or of the fiduciary relationship thereby established provided that such Director shall disclose the nature of his interest or that of any of his associates in any contract or arrangement in which he or any of his associates is interested in accordance with Bye-law 102 herein.”;

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- (w) by substituting the existing Bye-law 102 with the following new Bye-law 102:

“102. If to a Director’s knowledge he or any of his associates is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company, the Director shall declare the nature of his interest or the interest of any of his associates at the meeting of the Board at which the question of entering into the contract or arrangement is first considered, if he knows his interest or the interest of any of his associates then exists, or in any other case at the first meeting of the Board after he knows that he or any of his associates is or has become so interested. For the purposes of this Bye-law, a general notice to the Board by a Director to the effect that:

- (a) he or any of his associates is a member or officer of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with that company or firm; or
- (b) he or any of his associates is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with a specified person who is connected with him;

shall be deemed to be a sufficient declaration of his interest or that of his associates under this Bye-law in relation to any such contract or arrangement, provided that no such notice shall be effective unless either it is given at a meeting of the Board or the Director takes reasonable steps to secure that it is brought up and read at the next Board meeting after it is given.”;

- (x) by substituting the existing Bye-law 103 with the following new Bye-law 103:

“103. (1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters namely:

- (i) any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

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- (iii) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (v) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in five (5) per cent or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (vi) any proposal or arrangement concerning the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his associate(s) may benefit or of a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(2) A company shall be deemed to be a company in which a Director and/or his associate(s) owns five (5) per cent. or more if and so long as (but only if and so long as) he and/or his associates, (either directly or indirectly) are the holders of or beneficially interested in five (5) per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his/their interest or that of any of his associates is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director is interested only as a unit holder.

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(3) Where a company in which a Director and/or his associate(s) holds five (5) per cent. or more is/are materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transaction.

(4) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director or of any of his associates (other than the chairman of the meeting) or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned or of any of his associates as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman or of any of his associates as known to such chairman has not been fairly disclosed to the Board.”;

- (y) by inserting the word “, electronic” after the words “Directors may participate in any meeting of the Board by means of a conference telephone” appearing in Bye-law 116(2);
- (z) by renumbering the existing Bye-law 136 as a new Bye-law 136(1) and by inserting the following new Bye-law 136(2):

“136. (2) Notwithstanding any provision contained in these Bye-laws, the Directors may, if permitted by applicable law, authorise the destruction of documents set out in sub-paragraphs (a) to (e) of paragraph (1) of this Bye-law and any other documents in relation to share registration which have been microfilmed or electronically stored by the Company or by the share registrar on its behalf provided always that this Bye-law shall apply only to the destruction of a document in good faith and without express notice to the Company and its share registrar that the preservation of such document was relevant to a claim.”;

- (aa) by inserting, in Bye-law 153, after the words “Subject to Section 88 of the Act”, the words “and Bye-law 153A”;

- (bb) by inserting, in Bye-law 153, after the words “at least twenty-one (21) days before the date of the annual general meeting”, the following words:

“and at the same time as the notice of the annual general meeting”;

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(cc) by inserting the following new Bye-law 153A:

“153A. To the extent permitted by and subject to due compliance with all applicable Statutes, rules and regulations, including, without limitation, the rules of the Designated Stock Exchange, and to obtaining all necessary consents, if any, required thereunder, the requirements of Bye-law 153 shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Statutes, a summary financial statement derived from the Company’s annual accounts and the Directors’ report which shall be in the form and containing the information required by applicable laws and regulations, provided that any person who is otherwise entitled to the annual financial statements of the Company and the Directors’ report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company’s annual financial statement and the Directors’ report thereon.”;

(dd) by inserting the following new Bye-law 153B:

“153B. The requirement to send to a person referred to in Bye-law 153 the documents referred to in that provision or a summary financial report in accordance with Bye-law 153A shall be deemed satisfied where, in accordance with all applicable Statutes, rules and regulations, including, without limitation, the rules of the Designated Stock Exchange, the Company publishes copies of the documents referred to in Bye-law 153 and, if applicable, a summary financial report complying with Bye-law 153A, on the Company’s computer network or in any other permitted manner (including by sending any form of electronic communication), and that person has agreed or is deemed to have agreed to treat the publication or receipt of such documents in such manner as discharging the Company’s obligation to send to him a copy of such documents.”;

(ee) by renumbering the existing Bye-law 154 as Bye-law 154(1) and by inserting the following new Bye-laws 154(2) and 154(3):

“154. (2) Subject to Section 89 of the Act, a person, other than an incumbent Auditor, shall not be capable of being appointed Auditor at an annual general meeting unless notice in writing of an intention to nominate that person to the office of Auditor has been given not less than twenty-one (21) days before the annual general meeting and furthermore, the Company shall send a copy of any such notice to the incumbent Auditor.

154. (3) The Members may, at any general meeting convened and held in accordance with these Bye-laws, by special resolution remove the Auditor at any time before the expiration of his term of office and shall by ordinary resolution at that meeting appoint another Auditor in his stead for the remainder of his term.”;

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(ff) by substituting the existing Bye-law 160 with the following new Bye-law 160:

“160. Any notice or document (including any “**corporate communication**” within the meaning ascribed thereto under the rules of the Designated Stock Exchange), whether or not, to be given or issued under these Bye-laws from the Company to a Member shall be in writing or by cable, telex or facsimile transmission message or other form of electronic transmission or communication and any such notice and document may be served or delivered by the Company on or to any Member either personally or by sending it through the post in a prepaid envelope addressed to such Member at his registered address as appearing in the Register or at any other address supplied by him to the Company for the purpose or, as the case may be, by transmitting it to any such address or transmitting it to any telex or facsimile transmission number or electronic number or address or website supplied by him to the Company for the giving of notice to him or which the person transmitting the notice reasonably and bona fide believes at the relevant time will result in the notice being duly received by the Member or may also be served by advertisement in appointed newspapers (as defined in the Act) or in newspapers published daily and circulating generally in the territory of and in accordance with the requirements of the Designated Stock Exchange or, to the extent permitted by the applicable laws, by placing it on the Company’s website or the website of the Designated Stock Exchange, and giving to the Member a notice stating that the notice or other document is available there (a “**notice of availability**”). The notice of availability may be given to the Member by any of the means set out above other than by placing it on the Company’s website or the website of the Designated Stock Exchange. In the case of joint holders of a share all notices shall be given to that one of the joint holders whose name stands first in the Register and notice so given shall be deemed a sufficient service on or delivery to all the joint holders.”;

(gg) by substituting the existing Bye-law 161 with the following new Bye-law 161:

“161. Any notice or other document:

- (a) if served or delivered by post, shall where appropriate be sent by airmail and shall be deemed to have been served or delivered on the day following that on which the envelope containing the same, properly prepaid and addressed, is put into the post; in proving such service or delivery it shall be sufficient to prove that the envelope or wrapper containing the notice or document was properly addressed and put into the post and a certificate in writing signed by the Secretary or other officer of the Company or other person appointed by the Board that the envelope or wrapper containing the notice or other document was so addressed and put into the post shall be conclusive evidence thereof;

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- (b) if sent by electronic communication, shall be deemed to be given on the day on which it is transmitted from the server of the Company or its agent. A notice placed on the Company's website or the website of the Designated Stock Exchange, is deemed given by the Company to a Member on the day following that on which a notice of availability is deemed served on the Member;
 - (c) if served or delivered in any other manner contemplated by these Bye-laws, shall be deemed to have been served or delivered at the time of personal service or delivery or, as the case may be, at the time of the relevant despatch, transmission or publication; and in proving such service or delivery a certificate in writing signed by the Secretary or other officer of the Company or other person appointed by the Board as to the fact and time of such service, delivery, despatch, transmission or publication shall be conclusive evidence thereof; and
 - (d) may be given to a Member either in the English language, the Chinese language or in both the English language and the Chinese language, subject to due compliance with all applicable Statutes, rules and regulations.”;
- (hh) by inserting, in Bye-law 163, after the words “a cable or telex or facsimile”, the words “or electronic”; and
- (ii) by substituting the word “respecting” with the words “in respect of” in Bye-law 168.”

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ORDINARY RESOLUTIONS

(2) **“THAT**

- (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to purchase shares of US\$0.01 each in the capital of the Company, and to make or grant offers, agreements and options which might require the exercise of such power, 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 the same is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall authorise the directors of the Company on behalf of the Company to purchase shares in the capital of the Company at such price and on such terms as the directors of the Company may in their absolute discretion determine;
- (c) the aggregate nominal amount of the share capital of the Company to be purchased or agreed conditionally or unconditionally to be purchased by the directors of the Company on The Stock Exchange of Hong Kong Limited or on any other stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited pursuant to the approval in paragraph (a) of this resolution shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution respectively, and such approval 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 the Bye-Laws of the Company or any applicable law to be held; and
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders in general meeting.”

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(3) **“THAT**

- (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot and issue or otherwise deal with shares in the capital of the Company or securities convertible into such shares, or options, warrants or similar rights to subscribe for any shares or such convertible securities, and to make or grant offers, agreements and options which might require the exercise of such powers either during or after the Relevant Period be and the same is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue, (ii) the exercise of the subscription rights under the warrants to subscribe for shares of the Company or any share option scheme as may be adopted by the Company or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on the shares of the Company in accordance with the Bye-laws of the Company from time to time, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution, and such approval be limited accordingly; 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 the Bye-Laws of the Company or any applicable law to be held; and
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusions or other arrangements as the directors of the

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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).”

By Order of the Board
Herald Holdings Limited
Michael Thong
Company Secretary

Hong Kong, 28th July, 2004

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Notes:

1. Every member entitled to attend and vote at the above meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not to be a member of the Company.
2. A form of proxy for use at the above meeting is enclosed herewith.
3. Where there are joint holders of any shares, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such shares as if he were solely entitled thereto, provided that if more than one of such joint holders be present at the meeting personally or by proxy, the person whose name stands first on the register of members in respect of such shares shall alone be entitled to vote in respect thereof.
4. To be valid, a form of proxy must be lodged with the Company's principal place of business in Hong Kong at 3110, 31st Floor, Tower Two, Lippo Centre, 89 Queensway, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney, not later than forty-eight hours before the time appointed for holding the meeting or any adjournment thereof.
5. Members are recommended to read the circular of the Company containing information concerning the resolutions proposed in this notice.

As at the date hereof, the Board of Directors of the Company comprises George Bloch, Cheung Tsang-Kay, Stan PhD, Hon LLD, Hon DBA, JP, Chang Dong-Song, Robert Dorfman and Thong Yeung-Sum, Michael FCCA, AHKSA as executive Directors and Denis Campbell Bray CMG, CVO, JP and Tsao Kwang-Yung, Peter CBE, CPM as independent non-executive Directors.



HERALD HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code : 00114)

Form of proxy for use at the Special General Meeting convened for Friday, 17 September, 2004

I/We⁽¹⁾ _____

of _____

being the registered holder(s) of⁽²⁾ _____ Shares of US\$0.01 each in the capital of the above-named Company, hereby appoint the Chairman of the Meeting⁽³⁾

or _____

of _____

as my/our proxy to vote and act for me/us at the Special General Meeting (and at any adjournment thereof) of the said Company to be held at the Chater Room I, Function Room Level (B1), The Ritz-Carlton Hotel Hong Kong, 3 Connaught Road Central, Hong Kong on Friday, 17 September, 2004 at 3:50 p.m. (or so soon thereafter as the Annual General Meeting of the Company convened for earlier that day shall have been concluded or adjourned).

I/We direct my/our proxy to vote in respect of the Resolutions to be proposed at such Special General Meeting in the following manner:

- | | For ⁽⁴⁾ | Against ⁽⁴⁾ | |
|----|--------------------------|--------------------------|----------------------------|
| 1. | <input type="checkbox"/> | <input type="checkbox"/> | the Resolution numbered 1. |
| 2. | <input type="checkbox"/> | <input type="checkbox"/> | the Resolution numbered 2. |
| 3. | <input type="checkbox"/> | <input type="checkbox"/> | the Resolution numbered 3. |

Notes:

1. Full name(s) and address(es) to be inserted in **BLOCK CAPITALS**.
2. Please insert the number of Shares registered in your name(s). If no number is inserted this form of proxy will be deemed to relate to all the Shares in the Company registered in your name(s).
3. If any proxy other than the Chairman is desired strike out the words "the Chairman of the Meeting" and insert the name and address of the proxy desired in the space provided. **Any alteration made to this form of proxy must be initialled by the person who signs it.**
4. Please indicate with a "✓" in the appropriate box beside each of the resolutions, how you wish the proxy to vote on your behalf. Failure to do so will entitle your proxy to cast his vote at his discretion. Your proxy will also be entitled to vote at his discretion on any resolution properly put to the Meeting in addition to those referred to in the notice convening the Meeting.
5. This form of proxy must be signed by you or your attorney or, in the case of a corporation, must be either under its common seal or under the hand of its attorney or authorised signatory.
6. If more than one of joint holders are present at the meeting personally or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the Register.
7. To be valid, this 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 deposited at the Company's principal office at 3110, 31st Floor, Tower Two, Lippo Centre, 89 Queensway, Hong Kong not less than 48 hours before the time for holding the Meeting or any adjournment thereof.
8. You are entitled to appoint a proxy of your own choice. A proxy need not be a member of the Company.
9. Completion and return of this form of proxy will not preclude you from attending and voting at the Meeting should you so wish.

Date: _____ 2004

Signed: _____



HERALD HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code : 00114)

Form of proxy for use at the Annual General Meeting convened for Friday, 17 September, 2004

I/We⁽¹⁾ _____

of _____

being the registered holder(s) of⁽²⁾ _____ Shares of US\$0.01 each in the capital of the above-named Company, hereby appoint the Chairman of the Meeting⁽³⁾

or _____

of _____

as my/our proxy to vote and act for me/us at the Annual General Meeting (and at any adjournment thereof) of the said Company to be held at the Chater Room I, Function Room Level (B1), The Ritz-Carlton Hotel Hong Kong, 3 Connaught Road Central, Hong Kong on Friday, 17 September, 2004 at 3:45 p.m..

I/We direct my/our proxy to vote in respect of the Resolutions to be proposed at such Annual General Meeting in the following manner:

- | | For ⁽⁴⁾ | Against ⁽⁴⁾ | |
|----|--------------------------|--------------------------|---|
| 1. | <input type="checkbox"/> | <input type="checkbox"/> | the Resolution to adopt the Audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31 March, 2004. |
| 2. | <input type="checkbox"/> | <input type="checkbox"/> | the Resolution to re-elect Mr. Chang Dong-Song as a Director. |
| 3. | <input type="checkbox"/> | <input type="checkbox"/> | the Resolution to re-elect Mr. Denis Campbell Bray as a Director. |
| 4. | <input type="checkbox"/> | <input type="checkbox"/> | the Resolution to appoint Auditors and to authorise the Directors to fix their remuneration. |
| 5. | <input type="checkbox"/> | <input type="checkbox"/> | the Resolution to declare a final dividend. |

Notes:

1. Full name(s) and address(es) to be inserted in **BLOCK CAPITALS**.
2. Please insert the number of Shares registered in your name(s). If no number is inserted this form of proxy will be deemed to relate to all the Shares in the Company registered in your name(s).
3. If any proxy other than the Chairman is desired strike out the words "the Chairman of the Meeting" and insert the name and address of the proxy desired in the space provided. **Any alteration made to this form of proxy must be initialled by the person who signs it.**
4. Please indicate with a "✓" in the appropriate box beside each of the resolutions, how you wish the proxy to vote on your behalf. Failure to do so will entitle your proxy to cast his vote at his discretion. Your proxy will also be entitled to vote at his discretion on any resolution properly put to the Meeting in addition to those referred to in the notice convening the Meeting.
5. This form of proxy must be signed by you or your attorney or, in the case of a corporation, must be either under its common seal or under the hand of its attorney or authorised signatory.
6. If more than one of joint holders are present at the meeting personally or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the Register.
7. To be valid, this 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 deposited at the Company's principal office at 3110, 31st Floor, Tower Two, Lippo Centre, 89 Queensway, Hong Kong not less than 48 hours before the time for holding the Meeting or any adjournment thereof.
8. You are entitled to appoint a proxy of your own choice. A proxy need not be a member of the Company.
9. Completion and return of this form of proxy will not preclude you from attending and voting at the Meeting should you so wish.

Date: _____ 2004

Signed: _____