
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)

GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE SHARES

AND

RE-ELECTION OF DIRECTORS

AND

NOTICE OF SPECIAL GENERAL MEETING

A letter from the board of Directors of Herald Holdings Limited is set out on pages 3 to 5 of this circular.

A notice convening a special general meeting of Herald Holdings Limited to be held on Friday, 16 September, 2005 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 12 to 14 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.

27 July, 2005

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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 16 September, 2005 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
“Bye-laws”	the bye-laws of the Company
“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 (2) in the Notice of the SGM set out on pages 12 to 14 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
“Latest Practicable Date”	22 July, 2005 being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular

DEFINITIONS

“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 12 to 14 of this circular
“Repurchase Mandate”	the general and unconditional mandate proposed under ordinary resolution numbered (1) in the Notice of the SGM set out on pages 12 to 14 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 of the said ordinary resolution
“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 16 September, 2005 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 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
“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
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers and Share Repurchases
“US\$”	United States Dollars
“%”	per cent.



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, CPA

Independent non-executive directors:

Tang King-Hung ACA, FCCA, ACIS, CPA

David Tai-Chong Lie-A-Cheong

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

27 July, 2005

To the shareholders

**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, 16 September, 2005 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) for granting of the Issue Mandate and Repurchase Mandate. In addition, the Company will propose a resolution at the AGM for the re-election of Directors. The notice convening the AGM is included in the Company's Annual Report for the year ended 31 March, 2005 and was advertised in the Hong Kong Economic Times and The Standard on 18 July, 2005. The purpose of this circular is to provide you with information on the proposed resolutions.

LETTER FROM THE BOARD

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 DIRECTORS

In accordance with Bye-law 87 of the Bye-laws, Mr. Thong Yeung-Sum, Michael, will retire from the Board by rotation at the AGM and, being eligible, will offer himself for re-election.

In addition, according to Bye-law 86(2) of the Bye-laws, Messrs. David Tai-Chong Lie-A-Cheong and Tang King-Hung, who were appointed as Directors to fill a casual vacancy on the Board on 16 June, 2005 and as an addition to the existing Board on 28 September, 2004 respectively by Directors, will hold office until the AGM and, being eligible, will offer themselves for re-election.

Information of the Directors proposed to be re-elected at the AGM as required to be disclosed by the Listing Rules is set out in the Appendix II to this circular.

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

LETTER FROM THE BOARD

- (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 Issue Mandate and Repurchase Mandate and the re-election of 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 two resolutions in relation to the Issue Mandate and Repurchase Mandate to be proposed at the SGM and the resolutions in relation to the re-election of Directors 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 Repurchase Mandate to be granted to the Directors as set out in resolution 1 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 repurchase 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, 2005) 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 TAKEOVERS CODE

If as a result of share repurchases 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 purposes of Rule 32 of the Takeovers 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 Takeovers 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 Takeovers 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 held	Notes	Percentage of total issued shares
Cheung Tsang-Kay, Stan	Beneficial owner, interest of spouse, interest of controlled corporation and beneficiary of a trust	112,751,164	(a)	18.36%
Ng Yiu-Chi, Eleanor	Beneficial owner, interest of spouse and interest of controlled corporation	112,751,164	(b)	18.36%
Chang Dong-Song	Beneficial owner, interest of spouse and founder of a trust	107,193,235	(a)	17.46%
Chan Him-Wee	Beneficial owner and interest of spouse	107,193,235	(b)	17.46%
HSBC International Trustee Ltd ("HIT")	Trustee	75,698,356	(d)	12.33%
Goldfinch Investments Ltd ("GIL")	Beneficial owner	69,728,356	(c)	11.36%
Robert Dorfman	Beneficial owner	46,470,000		7.57%
Sheri Tilman Dorfman	Interest of spouse	46,470,000	(b)	7.57%
Gershon Dorfman	Beneficial owner	37,605,799		6.13%
Lydia Dorfman	Interest of spouse	37,605,799	(b)	6.13%

Notes:

- (a) Dr. Cheung Tsang-Kay, Stan is the beneficiary of a family trust which owned 75,498,356 Shares in the Company at 31 March, 2005. Mr. Chang Dong-Song, being the founder of the trust, is also deemed to be interested in these Shares.
- (b) Ms. Chan Him-Wee is the spouse of Mr. Chang Dong-Song, Ms. Ng Yiu-Chi, Eleanor is the spouse of Dr. Cheung Tsang-Kay, Stan, Mrs. Sheri Tilman Dorfman is the spouse of Mr. Robert Dorfman and Mrs. Lydia Dorfman is the spouse of Mr. Gershon Dorfman. Their interests disclosed are the same as those of their spouses disclosed.
- (c) GIL is a company owned by a family trust which owned 75,498,356 Shares in the Company at 31 March, 2005 as mentioned in note (a), comprising 69,728,356 Shares held by GIL and 5,770,000 Shares held by the trust itself.
- (d) 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, 2005.

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. Cheung Tsang-Kay, Stan and his spouse, Ms. Ng Yiu-Chi, Eleanor, Mr. Chang Dong-Song and his spouse, Ms. Chan Him-Wee, HIT, GIL, Mr. Robert Dorfman and his spouse, Mrs. Sheri Tilman Dorfman, and Mr. Gershon Dorfman and his spouse, Mrs. Lydia Dorfman, being not persons acting in concert under the Takeovers Code, would be increased to approximately 20.41%, 19.40%, 13.70%, 12.62%, 8.41% and 6.81% respectively of the issued share capital of the Company. Such increases would not give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code. The Directors have no present intention to exercise the power to repurchase Shares to the extent that the aggregate amount of the share capital of the Company in public hands would be reduced to less than 25%.

Save as disclosed above, the Directors are not aware of any consequences which may arise under the Takeovers 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. SHARE REPURCHASES

No repurchases of Shares have been made by the Company (whether on the Stock Exchange or otherwise) in the six months prior to the Latest Practicable Date.

The highest and lowest prices at which Shares were traded on the Stock Exchange during each of the previous twelve months and the period from 1 July 2005 to 22 July 2005 (the Latest Practicable Date) are set out below:

Share Price

Month	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2004		
July	0.61	0.53
August	0.59	0.54
September	0.60	0.52
October	0.55	0.52
November	0.58	0.53
December	0.65	0.55
2005		
January	0.85	0.58
February	0.90	0.78
March	0.97	0.77
April	0.84	0.77
May	0.87	0.77
June	0.87	0.77
1 July-22 July (the Latest Practicable Date)	0.92	0.78

1. Thong Yeung-Sum, Michael, FCCA, CPA, aged 55, an Executive Director

Mr. Thong Yeung-Sum, Michael has been an Executive Director of the Company since 1992 and now serves as finance director and company secretary of the principal companies of the Group. Mr. Thong obtained a degree in Social Science at the University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Before joining the Group in 1976, he worked for three years with the Hong Kong office of a leading international accounting firm. He has not held any directorship in other listed public companies in the past three years.

Mr. Thong does not have any relationships with any Directors, senior management or substantial shareholders or controlling 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. Thong was interested in 11,383,308 Shares of the Company. Save as aforesaid, Mr. Thong has no other interests in the Shares within the meaning of Part XV of the SFO.

There is neither any service contract between the Company and Mr. Thong nor any specified length of service with the Company in respect of his appointment (except the retirement by rotation of Directors under the Bye-laws of the Company). Mr. Thong is entitled to receive basic annual emoluments of HK\$3,617,000 which is to be reviewed annually by the Board with reference to the remuneration benchmark in the industry and the prevailing market conditions. In addition, Mr. Thong 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.

Save as disclosed above, the Board is not aware of any other matters in relation to the proposed re-election of the above Director that it considers necessary to be brought to the attention of the Shareholders of the Company.

2. TANG King-Hung, ACA, FCCA, ACIS, CPA, aged 54, an Independent Non-executive Director

Mr. Tang King-Hung was appointed as an Independent Non-Executive Director of the Company on 28 September 2004. Mr. Tang is a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and the Institute of Chartered Secretaries and Administrators. He has over 30 years of experience in auditing, accounting and financial management. Mr. Tang is now a consultant to a firm of certified public accountants. He has not held any directorship in other listed public companies in the past three years.

Mr. Tang does not have any relationships with any Directors, senior management or substantial shareholders or controlling shareholders (as defined in the Listing Rules) of the Company or any interests in the Shares within the meaning of Part XV of the SFO.

There is neither any service contract between the Company and Mr. Tang nor any specified length of service with the Company in respect of his appointment (except the retirement by rotation of Directors under the Bye-laws of the Company). Mr. Tang is entitled

to receive a director's fee of HK\$180,000 per annum, which is determined with reference to the prevailing range of fees for independent non-executive directors of listed companies in Hong Kong. Save as director's fee, he is not entitled to other emoluments.

The Company has received a confirmation of independence from Mr. Tang in accordance with Rule 3.13 of the Listing Rules. The Directors have assessed his independence and concluded that Mr. Tang is independent within the definition of the Listing Rules.

Save as disclosed above, the Board is not aware of any other matters in relation to the proposed re-election of the above Director that it considers necessary to be brought to the attention of the Shareholders of the Company.

3. David Tai-Chong Lie-A-Cheong, aged 45, an Independent Non-executive Director

Mr. David Tai-Chong Lie-A-Cheong was appointed as an Independent Non-Executive Director of the Company on 16 June 2005. Mr. Lie-A-Cheong is the executive chairman of Newpower International (Holdings) Co., Ltd. and China Concept Consulting Ltd. He is also the Honorary Consul of the Hashemite Kingdom of Jordan in Hong Kong, the chairman of the China Committee of The Hong Kong General Chamber of Commerce, the North Asia Area chair of The Young Presidents' Organisation, a member of the Hong Kong Committee for Pacific Economic Cooperation and a member of The National Committee of the 8th, 9th and 10th Chinese People's Political Consultative Conference since 1993. He also holds a number of other public offices. Mr. Lie-A-Cheong is an independent non-executive director of Wheelock Properties Limited, a company whose securities are listed on the Stock Exchange. Save as disclosed above, he has not held any directorship in other listed public companies in the past three years.

Mr. Lie-A-Cheong does not have any relationships with any Directors, senior management or substantial shareholders or controlling shareholders (as defined in the Listing Rules) of the Company or any interests in the Shares within the meaning of Part XV of the SFO.

There is neither any service contract between the Company and Mr. Lie-A-Cheong nor any specified length of service with the Company in respect of his appointment (except the retirement by rotation of Directors under the Bye-laws of the Company). Mr. Lie-A-Cheong is entitled to receive a director's fee of HK\$180,000 per annum, which is determined with reference to the prevailing range of fees for independent non-executive directors of listed companies in Hong Kong. Save as director's fee, he is not entitled to other emoluments.

The Company has received a confirmation of independence from Mr. Lie-A-Cheong in accordance with Rule 3.13 of the Listing Rules. The Directors have assessed his independence and concluded that Mr. Lie-A-Cheong is independent within the definition of the Listing Rules.

Save as disclosed above, the Board is not aware of any other matters in relation to the proposed re-election of the above Director that it considers necessary to be brought to the attention of the Shareholders of the Company.



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, 16th September, 2005 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 Ordinary Resolutions:

ORDINARY RESOLUTIONS

(1) “**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

NOTICE OF SGM

(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.”

(2) **“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

NOTICE OF SGM

- (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 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, 27 July, 2005

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 Mr. George Bloch, Dr. Cheung Tsang-Kay, Stan PhD, Hon LLD, Hon DBA, JP, Mr. Chang Dong-Song, Mr. Robert Dorfman and Mr. Thong Yeung-Sum, Michael FCCA, CPA as executive directors and Mr. Tang King-Hung ACA, FCCA, ACIS, CPA and Mr. David Tai-Chong Lie-A-Cheong as independent non-executive directors.