

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



HERALD HOLDINGS LIMITED

興利集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00114)

CONNECTED TRANSACTION

LOAN TO A SUBSIDIARY'S DIRECTOR

On 26 March 2007, HGL, a direct wholly-owned subsidiary of the Company, entered into the Loan Agreement with Mr. Tibber pursuant to which HGL advanced the Loan to Mr. Tibber.

Mr. Tibber is a director of Zeon Limited, an indirect wholly-owned subsidiary of the Company. The Loan Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Based on the amount of the Loan, each of the applicable percentage ratios is less than 2.5%. Thus, the Loan Agreement is subject to the reporting and announcement requirements set out in Rules 14A.45 and 14A.47 of the Listing Rules. Details of the Loan Agreement will be included in the next published annual report and accounts of the Company.

INTRODUCTION

This is an announcement made by the board (the “**Board**”) of directors (the “**Directors**”) of Herald Holdings Limited (the “**Company**”).

The Board announces that, on 26 March 2007, Herald Group Limited (“**HGL**”), a direct wholly-owned subsidiary of the Company, entered into a loan agreement (the “**Loan Agreement**”) with Mr. Richard Tibber (“**Mr. Tibber**”) pursuant to which HGL advanced a sum of GBP500,000 (HK\$7,625,000) (the “**Loan**”) to Mr. Tibber on the terms and conditions as set out in the paragraph headed “The Loan Agreement” below in this announcement.

THE LOAN AGREEMENT

Date of the Loan Agreement: 26 March 2007

Lender : HGL

Borrower : Mr. Tibber

Amount of Loan : GBP500,000 (HK\$7,625,000) available in three drawings

Interest : Interest will be charged on each drawing and accrue daily starting on the date of each drawdown until it is repaid in full at the rate of 1.25 per cent per annum over the base rate of Bank of England as varied from time to time

Repayment Date : The aggregate principal amount of the Loan together with all interest accrued thereon shall be repaid by Mr. Tibber in full to HGL on the second anniversary of the date of the Loan Agreement

Default Interest : If any amount of principal or interest under the Loan is not paid when due, such amount shall bear interest (both before and after judgment) at the rate of five per cent (5%) per annum over the base rate of Bank of England as varied from time to time from its due date until its payment in full

Security : The Loan is an unsecured loan

INFORMATION ABOUT THE COMPANY AND HGL

The Company is an exempted company incorporated under the laws of Bermuda with limited liability and its principal subsidiaries are engaged in the manufacture, sale and distribution of toy and gift products, computer heads, houseware, clocks, watches and electronic products.

HGL is an investment holding company incorporated under the laws of the British Virgin Islands with limited liability. HGL and its subsidiaries are engaged in the manufacture, sale and distribution of toy and gift products, computer heads, houseware, clocks, watches and electronic products.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LOAN AGREEMENT

Mr. Tibber is a director of Zeon Limited, an indirect wholly-owned subsidiary of the Company. Mr. Tibber has been playing a pivotal role in the development of the business and the operation of Zeon Limited. The Board takes the view that by offering a timely assistance to Mr. Tibber through the provision of the Loan, the Company is able to further motivate Mr. Tibber to utilise his performance and efficiency for the benefit of Zeon Limited and to attract and retain Mr. Tibber whose contributions will be beneficial to the long term growth of Company and its subsidiaries (the “**Group**”).

The terms of the Loan Agreement were arrived at on normal commercial terms and the Directors, including the independent non-executive Directors, believe that the terms of the Loan Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole.

FUNDING

The funding for the Loan is sourced from the internal resources of the Group. The entering into of the Loan Agreement is not expected to have any immediate material effect on the earnings, assets and liabilities of the Group.

IMPLICATIONS UNDER THE LISTING RULES

Mr. Tibber is a director of Zeon Limited, an indirect wholly-owned subsidiary of the Company. Accordingly, the Loan Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Based on the amount of the Loan, each of the applicable percentage ratios is less than 2.5%. Thus, the Loan Agreement is subject to the reporting and announcement requirements set out in Rules 14A.45 and 14A.47 of the Listing Rules. Details of the Loan Agreement will be included in the next published annual report and accounts of the Company.

Note: In this announcement, for reference only and unless otherwise specified, the conversion of GBP into HK\$ is calculated at the exchange rate of GBP1.00 to HK\$15.25.

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

As at the date of this announcement, the Board comprises Messrs. George Bloch, Cheung Tsang-Kay, Stan, Chang Dong-Song, Robert Dorfman and Thong Yeung-Sum, Michael as executive Directors, and Messrs. Tang King-Hung, David Tai-Chong Lie-A-Cheong and Yeh Man-Chun, Kent as independent non-executive Directors.

Hong Kong, 26 March 2007

** For identification only*

*Please also refer to the published version of this announcement in
The Standard and Hong Kong Economic Times.*