
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, you should at once hand this circular with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



HERALD HOLDINGS LIMITED

興利集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 114)

**PROPOSED ADOPTION OF NEW SHARE OPTION SCHEME
AND
NOTICE OF SPECIAL GENERAL MEETING**

A notice convening the special general meeting (“SGM”) of the Company to be held at Queensway & Victoria, JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 16 September 2013 at 3:30 p.m. (or so soon thereafter as the annual general meeting of the Company convened on the same date and at the same place at 3:15 p.m. shall have been concluded) is set out on pages 19 to 21 of this circular. A proxy form for use at the SGM is enclosed with this circular.

If you do not intend to attend the SGM, 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 proxy form in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time of the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

* *For identification purpose only*

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	3
Appendix	
Principal Terms of the New Share Option Scheme	7
Notice of SGM	19

DEFINITIONS

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

“associates”	have the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Bye-laws”	the bye-laws of the Company;
“Company”	Herald Holdings Limited, a company incorporated in Bermuda with limited liability, whose Shares are listed on the Main Board of the Stock Exchange;
“Companies Ordinance”	Companies Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time);
“Director(s)”	director(s) of the Company;
“Eligible Participants(s)”	any person(s) who satisfies the eligibility criteria in paragraph 2 of the Appendix to this circular;
“Existing Share Option Scheme”	the existing share option scheme adopted by the Company on 18 September 2003;
“Grantees”	Eligible Participants who accept the offer of Options in accordance with the terms of the New Share Option Scheme or their personal representatives;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Latest Practicable Date”	16 July 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
“Listing Committee”	the Listing Committee of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time);

DEFINITIONS

“Invested Entity”	any entity in which the Company or any subsidiary holds any equity interest;
“New Share Option Scheme”	the new share option scheme proposed to be approved by the Shareholders at the SGM, a summary of the principal terms of which is set out in the Appendix to this circular;
“Option(s)”	share options(s) granted or to be granted under the Existing Share Option Scheme, and following its adoption, under the New Share Option Scheme;
“SGM”	the special general meeting of the Company to be held at Queensway & Victoria, JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 16 September 2013 at 3:30 p.m. (or so soon thereafter as the annual general meeting of the Company convened on the same date and at the same place at 3:15 p.m. shall have been concluded);
“Share(s)”	share(s) of US\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholders”	have the meaning ascribed to it under the Listing Rules;
“Supplementary Guidance”	the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 and any guidance and interpretation issued from time to time by the Stock Exchange relating to share option schemes; and
“%”	per cent.

LETTER FROM THE BOARD



HERALD HOLDINGS LIMITED

興利集團有限公司*

(incorporated in Bermuda with limited liability)
(Stock Code: 114)

Executive Directors:

Cheung Tsang-Kay, Stan PhD, Hon LLD, Hon DBA, JP
(Chairman)

Robert Dorfman (Vice Chairman)

Thong Yeung-Sum, Michael FCCA, CPA
(Managing Director)

Tang King-Hung ACA, FCCA, ACIS, CPA

Independent non-executive Directors:

David Tai-Chong Lie-A-Cheong SBS, OM, JP

Yeh Man-Chun, Kent

Ng Tze-Kin, David CA(AUST.), FCPA

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

23 July 2013

To the Shareholders

Dear Sirs or Madams,

PROPOSED ADOPTION OF NEW SHARE OPTION SCHEME AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

The purpose of this circular is to provide you with information in respect of the resolutions to be proposed at the SGM for the approval of the proposed adoption of the New Share Option Scheme and to give Shareholders the notice of the SGM.

PROPOSED ADOPTION OF THE NEW SHARE OPTION SCHEME

The Existing Share Option Scheme was adopted by the Company on 18 September 2003. Under the terms of the Existing Share Option Scheme, the Existing Share Option Scheme would remain in force for a period of 10 years from the date of its adoption and shall expire on 17 September 2013. No Option has been granted since the adoption of the Existing Share Option Scheme. Apart from the Existing Share Option Scheme, the Company had no other subsisting share option scheme as at the Latest Practicable Date.

* For identification purpose only

LETTER FROM THE BOARD

The Board has no intention of granting any further Options under the Existing Share Option Scheme.

The Board proposes to approve and adopt the New Share Option Scheme, which will, subject to the fulfillment of the conditions as set out below, take effect on the date of expiry of the Existing Share Option Scheme and be valid for 10 years from the date of its adoption.

The purpose of the New Share Option Scheme is to replace the Existing Share Option Scheme and to enable the Company to grant Options to the Eligible Participants, as incentives and/or rewards for their contribution to the Group. A summary of the principal terms of the New Share Option Scheme is set out in the Appendix to this circular. A copy of the New Share Option Scheme is available for inspection at the Company's head office at 3110, 31st Floor, Tower Two, Lippo Centre, 89 Queensway, Hong Kong during normal business hours from the date hereof up to the date of the SGM.

The Board considers that the New Share Option Scheme will provide Eligible Participants with the opportunity to acquire proprietary interests in the Company and to encourage Eligible Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and the Shareholders as a whole.

The provisions of the New Share Option Scheme will comply with the requirements of Chapter 17 of the Listing Rules.

The New Share Option Scheme does not specify a minimum period for which an Option must be held nor a performance target which must be achieved before an Option can be exercised. However, the Board may, at its sole discretion, determine such terms(s) and impose such other restrictions on the grant of an Option. The New Share Option Scheme also sets out the basis of determining the exercise price of an Option. Subject to the Listing Rules, the Board has the discretion in determining the exercise price in respect of any Option. The Directors consider that the aforesaid criteria and rules will enable the Directors to properly operate and regulate the New Share Option Scheme and thus help serve the purpose of the New Share Option Scheme and to preserve the value of the Company.

The New Share Option Scheme is conditional upon the (i) expiry of the Existing Share Option Scheme; and (ii) the passing of an ordinary resolution by the Shareholders at the SGM approving the adoption of the New Share Option Scheme and authorising the Board to grant Options to subscribe for Shares thereunder and to allot and issue Shares pursuant to the exercise of any Options granted under the New Share Option Scheme. No Shareholders are required to abstain from voting in favour of the resolution to approve the New Share Option Scheme. The grant of Options under the New Share Option Scheme is conditional upon the Listing Committee granting the approval for the listing of, and permission to deal in, the Shares which may fall to be issued upon the exercise of subscription rights attaching to the Options to be granted under the New Share Option Scheme.

LETTER FROM THE BOARD

The Directors believe that any calculation of the fair value of the Options as at the Latest Practicable Date before the Options are actually granted would not be meaningful and would be misleading to Shareholders, because any valuation of the fair value of the Options would have to be based on the circumstances as at the Latest Practicable Date, but Options would not be granted until the New Share Option Scheme is approved, which will be after the Latest Practicable Date. Given also the fact that there are various factors relevant to each individual grant (including vesting periods), such valuation figure cannot be relied upon as being an accurate measure of the fair value of all Options that may, in the future, be granted.

Subject to the adoption of the New Share Option Scheme by the Shareholders at the SGM, the total number of Shares which may be issued upon the exercise of all the Options to be granted under the New Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the total issued Shares as at the date of adoption of the New Share Option Scheme. Based on 602,490,763 Shares in issue as at the Latest Practicable Date and assuming that there is no change in the issued share capital of the Company before the SGM, the maximum number of Shares to be issued upon the exercise of Options that may be granted under the New Share Option Scheme is 60,249,076 Shares (“**Scheme Mandate Limit**”). The Company may seek approval of the Shareholders in general meetings to refresh the Scheme Mandate Limit. Notwithstanding that the Scheme Mandate Limit may be refreshed, the Board shall not grant Options which would result in the maximum aggregate number of Shares which may be issued upon exercise of all the outstanding Options granted but yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company exceeding, in aggregate, 30% of the issued share capital of the Company from time to time.

Application will be made to the Listing Committee for the approval of the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the Options granted under the New Share Option Scheme.

None of the Directors is a trustee of the New Share Option Scheme or has any direct or indirect interest in such trustee.

SGM AND PROXY ARRANGEMENT

The notice of the SGM is set out on pages 19 to 21 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. 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 certified copy of that power or authority must be deposited at the Company’s principal place of business in Hong Kong at 3110, 31st Floor, Tower Two, Lippo Centre, 89 Queensway, Hong Kong, not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting. Completion and delivery of the form of proxy shall not preclude Shareholders from attending and voting in person at the SGM or any adjourned meeting should they so wish.

LETTER FROM THE BOARD

VOTING BY WAY OF POLL

Pursuant to Rule 13.39 of the Listing Rules, all votes of the Shareholders at a general meeting must be taken by poll except where the chairman of the SGM, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted upon by a show of hands. The chairman of the meeting will therefore demand a poll for every resolution put to the vote of the SGM pursuant to Article 66 of the Bye-laws.

The results of the poll will be published after the conclusion of the SGM on the websites of the Stock Exchange and of the Company.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

RECOMMENDATION

The Directors consider that the adoption of the New Share Option Scheme is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM.

GENERAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix (Principal Terms of the New Share Option Scheme) to this circular.

Yours faithfully,
For and on behalf
of the Board
Herald Holdings Limited
Cheung Tsang-Kay, Stan
Chairman

NEW SHARE OPTION SCHEME

The following is a summary of the principal terms of the New Share Option Scheme proposed to be approved at the SGM.

1. (a) The New Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions which the Eligible Participants have made or will make to the Group or Invested Entity.
- (b) The New Share Option Scheme will provide the Eligible Participants with an opportunity to have a personal stake in the Company with a view to motivating the Eligible Participants to utilise their performance and efficiency for the benefit of the Group or Invested Entity; and attracting and retaining or otherwise maintaining an ongoing relationship with the Eligible Participants whose contributions are or will be beneficial to the long term growth of the Group or Invested Entity.
2. The Board may at its discretion grant Options to:
 - (a) any director (whether executive, non-executive or independent non-executive director), employee (whether full time or part time employee), consultant, customer, supplier, agent, partner or advisers of or contractor to the Group or Invested Entity;
 - (b) any discretionary trust whose discretionary objects include any director (whether executive, non-executive or independent non-executive director), employee (whether full time or part time employee), consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or Invested Entity; and
 - (c) a company beneficially owned by any director (whether executive or independent non-executive director), employee (whether full time or part time employee), consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or Invested Entity.
3. The overall limit on the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes for the time being of the Company shall not, in aggregate, exceed such number of Shares as equals 30% of the Shares in issue from time to time, subject to the conditions set out below. As at the Latest Practicable Date, such 30% represented 180,747,228 Shares. No Option may be granted under the New Share Option Scheme or any other share option scheme of the Company if it will result in the above-mentioned 30% limit being exceeded.

Within the above-mentioned limit:

- (a) The total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other share option scheme of the Company must not, in aggregate, exceed 10% of the Shares in issue as at the date of approval of the New Share Option Scheme by the Shareholders (the “**Scheme Mandate Limit**”), unless Shareholders’ approval has been obtained pursuant to paragraphs 3(b) or 3(c). As at the Latest Practicable Date, such 10% represents 60,249,076 Shares. Options lapsed in accordance with the terms of the New Share Option Scheme or any other share option scheme of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.
- (b) The Scheme Mandate Limit referred to under paragraph 3(a) may be renewed at any time subject to prior Shareholders’ approval but in any event, the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other share option schemes of the Company under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of approval of the renewed limit. Options previously granted under the New Share Option Scheme or any other share option schemes of the Company (including those outstanding, cancelled, lapse in accordance with the terms of exercised Options) will not be counted for the purpose of the calculating the limit as renewed.
- (c) Notwithstanding the foregoing, the Company may grant Options beyond the Scheme Mandate Limit to Eligible Participants if (i) separate Shareholders’ approval has been obtained for granting Options beyond the Scheme Mandate Limit to Eligible Participants specifically identified by the Company before such Shareholders’ approval is sought; and (ii) the Company, in connection with the seeking of such separate Shareholders’ approval, has first sent a circular to Shareholders containing such information as may be required by the Listing Rules then prevailing to be included in such circular.

Pursuant to Note 1 to Rule 17.03(3) of the Listing Rules, the Company must send a circular to the Shareholders containing a generic description of the specified Eligible Participants who may be granted such Options, the number and terms of the Options to be granted, the purpose of granting Options to the specified Eligible Participants with an explanation as to how the terms of the Options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4).

4. (a) Unless approved by Shareholders in a general meeting, no Option may be granted to any Eligible Participant which, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of all Options already granted or to be granted to such Eligible Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such new grant exceeding 1% of the Shares in issue as at the date of such new grant.

Pursuant to the Note to Rule 17.03(4) of the Listing Rules, such further grant must be separately approved by Shareholders in general meeting with such Eligible Participant and his associates abstaining from voting. The Company must send a circular to the Shareholders and the circular must disclose the identity of the Eligible Participant, the number and terms of the Options to be granted (and Options previously granted to such Eligible Participant), the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4).

- (b) Any grant of Options to a director, chief executive or substantial Shareholder of the Company or its subsidiaries or any of their respective associates under the New Share Option Scheme must be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is a Grantee of the relevant Options).
- (c) Where any grant of Options to a substantial shareholder or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
- (i) representing in aggregate over 0.1% of the Shares in issue, and
 - (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000.

then such further grant must be subject to the approval by Shareholders at a general meeting taken on a poll. All connected persons of the Company must abstain from voting in favour of such resolution in such general meeting. The Company shall issue a circular to the Shareholders containing such information from time to time required by the Stock Exchange, including a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a Grantee of the relevant Options) on whether or not to vote in favour of the proposed grant.

The circular mentioned above must contain:

- (i) details of the number and terms (including the exercise price) of the Options to be granted to such Eligible Participant, which must be fixed before the Shareholders' meeting, and the date of board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the exercise price;
 - (ii) a recommendation from the independent non-executive Directors (excluding independent non-executive Director who is the Grantee of the Options) to the independent Shareholders as to voting;
 - (iii) the information required under Rules 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4); and the information required under Rule 2.17.
5. (a) The period within which the Options must be exercised will be specified by the Company at the time of grant, but shall expire no later than 10 years from the relevant date of grant.
- (b) In the event of the Grantee (being an individual) ceasing to be an Eligible Participant by reason of ill-health, injury, disability or death (in each case evidenced to the satisfaction of the Directors), then he or (as the case may be) his personal representatives may exercise all or any of his Options in whole or in part at any time within a period ending on the earlier of (i) 6 months after the date he ceases to be so eligible and (ii) the date on which the relevant Option would but for the operation of paragraph 5 have ceased to be exercisable, and any Option or Options not so exercised shall lapse and determine at the end of such period.
- (c) In the event of the employing company of a Grantee who is a director, an executive or an employee (whether full time or part time employee) ceasing to be a member of the Group or an Invested Entity or in the event of the Grantee who is a director of the Company or any subsidiary or Invested Entity, or an executive or an employee of the Company or any subsidiary or Invested Entity ceasing to be such a director or employee by reason of his resignation, whether or not in accordance with the provisions of his contract of employment, then the Grantee may exercise his Option in whole or in part at any time within a period of 3 months (or such other period as the Board may determine) commencing on the date of the cessation and any Options not so exercised shall lapse and determine at the end of such period.

- (d) In the event of the Grantee ceasing to be an Eligible Participant by reason of his dismissal without notice (or payment in lieu) for misconduct or other grounds entitling the Company, Subsidiary or Invested Entity to summarily terminate his employment, then all his Options (to the extent not already exercised) shall lapse and determine immediately without compensation at the time of notification by the Company, Subsidiary or Invested Entity of such termination.
- (e) In the event of the Grantee ceasing to be an Eligible Participant as and when determined by the Board by resolution for any reason other than as described in this paragraph 5, then all his Options shall lapse and determine on the date he so ceases (to the extent not already exercised).
- (f) If, in consequence of any general offer made to all the Shareholders (or all such Shareholders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) (including an offer made in the first instance on a condition such that, if it is satisfied, the offeror will have control of the Company) or otherwise, and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, then the Board shall as soon as practicable thereafter notify every Grantee accordingly and each Grantee (or his personal representative) shall be entitled at any time within the period of 21 days after such offer becomes or is declared unconditional, to exercise all or any of his outstanding Option (to the extent that such Options have been vested and have not lapsed or been cancelled), and such Option shall, to the extent not having been exercised, lapse and determine without compensation upon the expiry of such period.
- (g) In the event a notice is given by the Company to the Shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution for the voluntary winding up of the Company, the Company shall as soon as possible give notice thereof to every Grantee and the Grantee (or his personal representative) shall be entitled by notice in writing to the Company (such notice to be received by the Company not later than four business days prior to the proposed general meeting) to exercise all or any of his Option (to the extent that such Options have been vested and have not lapsed or been cancelled) and the Company shall as soon as possible and in any event not later than the day immediately prior to the date of the proposed general meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise and all Options shall, to the extent not having been exercised, lapse and determine without compensation on the date of commencement of the winding up of the Company.

- (h) In the event of a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to every Grantee on the same day as it despatches to each Shareholder or creditor of the Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each Grantee (or his personal representative) shall be entitled by notice in writing to the Company accompanied by the remittance for the subscription price in respect of his Option (such notice to be received by the Company not later than two business days prior to the proposed meeting) to exercise all or any of his Option (to the extent that such Options have not lapsed or been cancelled). With effect from the date of such meeting, the rights of all Grantees to exercise their respective Options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options shall, to the extent not having been exercised, thereupon lapse and determine without compensation. The Board shall endeavour to procure that the Shares issued as a result of the exercise of Options under this paragraph shall for the purposes of such compromise or arrangement form part of the issued share capital of the Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the relevant court having jurisdiction (the “**Court**”) (whether upon the terms presented to the Court or upon any other terms as may be approved by such Court), the rights of the Grantees to exercise their respective Options shall with effect from the date of the making of the order by the Court be restored in full and shall thereupon become exercisable (but subject to the other terms of the New Share Option Scheme) as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension.
- (i) Upon the occurrence of any of the events referred to in paragraphs 5(f) to 5(h), the Company may at its discretion and notwithstanding the terms of the relevant Option, also give notice to the Grantee that his Option may be exercised at any time within such period as shall be notified by the Company and/or to the extent (not being less than the extent to which it could then be exercised in accordance with its terms) notified by the Company.
- (j) In any case where Options lapse pursuant to paragraphs 5(b) to 5(e), the Board may in its absolute discretion determine that all or any of such Options shall not so lapse (or shall lapse on a later date) subject to such conditions or limitations as the Board may decide.
6. At the time of grant of the Options, the Company may specify any minimum period(s) for which an Option must be held before it can be exercised. The New Share Option Scheme does not contain any such minimum period.

7. At the time of the grant of the Options, the Company may specify any performance target(s) which must be achieved before the Options can be exercised. The New Share Option Scheme does not contain any performance targets.
8. An offer of Options (“Offer”) shall be deemed to have been accepted by an Eligible Participant in respect of all Shares which are offered to such Eligible Participant (save when acceptance of a lesser number of Shares is clearly stated in the duplicate letter comprising acceptance of the Offer) when the duplicate letter comprising acceptance of the Offer duly signed by the Eligible Participant together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the secretary of the Company at the principal place of business of the Company in Hong Kong within 21 days from the date of the Offer. Such remittance shall in no circumstances be refundable. To the extent that the Offer is not accepted within 21 days or any such shorter or longer period as the Board may specify, from the date on which the letter containing the Offer is delivered to that Eligible Participant in the manner indicated in this paragraph, it shall be deemed to have been irrevocably declined.
9. Subject to adjustments made in a situation contemplated under paragraph 13 below, the subscription price in respect of any Option shall be at the discretion of the Board, provided that it shall not be less than the highest of:
 - (a) the closing price of a Share as shown in the daily quotations sheet of the Stock Exchange on the date of grant (which must be a business day) in respect of such Option;
 - (b) the average of the closing prices of the Shares as shown in the daily quotations sheet of the Stock Exchange for the five business days immediately preceding the relevant date of grant in respect of such Option; and
 - (c) the nominal value of a Share.
10. The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Bye-laws for the time being in force and will rank *pari passu* in all respects with the existing fully paid Shares in issue on the date on which the Option is duly exercised or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (the “Exercise Date”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions (including distributions made upon the liquidation of the Company) paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an Option shall not carry voting rights until the name of the Grantee has been duly entered onto the register of members of the Company as the holder thereof.

11. The New Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on the adoption of the New Share Option Scheme. No further Options shall be offered or granted under the New Share Option Scheme on or after the date of the tenth anniversary of the adoption of the New Share Option Scheme.

12. The Option period referred in paragraph 5(a) in respect of any Option shall automatically terminate and that Option (to the extent not already exercised) shall lapse on the earliest of:
 - (a) the expiry of the Option period (subject to the provisions of the New Share Option Scheme);
 - (b) any expiry date or the expiry of any period (as the case may be) referred to in paragraphs 5(b) to 5(j);
 - (c) the date on which the Grantee ceases to be an Eligible Participant by reason of a termination of his employment or engagement or service agreement with the Group or Invested Entity on the grounds that:
 - (i) he has been guilty of persistent or serious misconduct;
 - (ii) he appears either to be unable to pay or to have no reasonable prospect of being able to pay debts;
 - (iii) he has committed any act of bankruptcy or has become bankrupt or insolvent or has made any arrangement or composition with his creditors generally;
 - (iv) he has been convicted of any criminal offence (other than an offence which in the opinion of the Board does not bring the Grantee or the Group or Invested Entity into disrepute); or
 - (v) he has been in breach of the terms of his engagement or service agreement with the Group or Invested Entity;
 - (d) the date of commencement of the winding up of the Company;
 - (e) the date on which the Grantee commits a breach of paragraph 16;
 - (f) unless otherwise waived by the Board, the date on which any of the following events happen:
 - (i) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the assets or undertaking of the Grantee (being a corporation);

- (ii) the Grantee (being a corporation) has ceased or suspended payment of its debts, become unable to pay its debts (within the meaning of Section 178 of the Companies Ordinance or any similar laws or regulations) or otherwise become insolvent;
 - (iii) there is unsatisfied judgement, order or award outstanding against the Grantee (being a corporation);
 - (iv) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in sub-paragraphs (i), (ii) and (iii) above;
 - (v) a bankruptcy order has been made against any director of the Grantee (being a corporation) in any jurisdiction; or
 - (vi) a petition for bankruptcy has been presented against any director of the Grantee (being a corporation) in any jurisdiction;
- (g) the date on which the Grantee commits a breach of any terms and conditions of the New Share Option Scheme or the grant of his Option, if the Board shall exercise the Company's right to cancel the Option without compensation;
- (h) the date on which the Board considers that the Grantee fails to meet the continuing eligibility criteria as provided in the New Share Option Scheme, if the Board shall exercise the Company's right to cancel the Option without compensation; or the date on which the Board resolves to cancel any Option pursuant to paragraph 14.

If any of the events set out in paragraph 12(f) happen or the Grantee commits a breach of any terms and conditions of the New Share Option Scheme or the grant of his Option, the Board shall have the right to cancel his Option without compensation. If an Option lapses under paragraph 12, the Grantee shall not be entitled to any compensation from the Company.

13. (a) In the event of any alteration in the capital structure of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party) whilst any Option remains exercisable or the New Share Option Scheme remains in effect as a result of any capitalisation of profits or reserves, bonus issue, rights issue, open offer, consolidation or sub-division of Shares or reduction of share capital of the Company in accordance with legal requirements and requirements of the Stock Exchange, then, in any such case the number or nominal amount of Shares to which the New Share Option Scheme or any Option(s) relates (insofar as it is/they are unexercised) and/or

the subscription price thereunder and/or the relevant maximum limits determined under paragraph 3 may be adjusted in such manner as the Board may deem appropriate provided always that:

- (i) any such adjustment shall be made to give a Grantee the same proportion of the equity capital of the Company as that to which that Grantee was previously entitled (as interpreted in accordance with the Supplementary Guidance);
 - (ii) any such adjustment shall be made on the basis that the aggregate subscription price payable by a Grantee on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event;
 - (iii) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and
 - (iv) any adjustments as a result of a rights issue, open offer or capitalization issue, shall be made in accordance with the acceptable adjustments set forth in the Supplementary Guidance and such other guidelines or supplementary guidance as may be issued by the Stock Exchange from time to time.
- (b) If any adjustments occur pursuant to paragraph 13(a) above (save where an adjustment arises by way of a capitalisation issue) the Board shall instruct the auditors or an independent financial adviser to certify in writing that in their fair and reasonable opinion the adjustments proposed comply with Rule 17.03(13) of the Listing Rules (as amended from time to time) and the note thereto and the Supplementary Guidance.
- (c) If there has been any alteration in the capital structure of the Company as referred to in paragraph 13(a), the Company shall, upon receipt of a notice from a Grantee, inform the Grantee of such alteration and shall either inform the Grantee of the adjustment to be made in accordance with the certificate of the auditors or the independent financial adviser obtained by the Company for such purpose or, if no such certificate has yet been obtained, inform the Grantee of such fact and instruct the auditors or the independent financial adviser as soon as practicable thereafter to issue a certificate in that regard in accordance with paragraph 13(b).
- (d) In giving any certificate under this paragraph 13, the auditors or the independent financial adviser shall be deemed to be acting as experts and not as arbitrators and their certificate shall, in the absence of manifest error, be final, conclusive and binding on the Company and all persons who may be affected thereby.

14. (a) Any Options granted but not exercised may not be cancelled except with the prior sanction of the Board or by an ordinary resolution of the Shareholders. Any Options granted but subsequently renounced by the Grantee may be cancelled by the Board.
 - (b) Cancelled Options may be re-issued after such cancellation has been approved, provided that re-issued Options shall only be granted in compliance with the terms of the New Share Option Scheme.
 - (c) If an Option is cancelled under paragraph 14(a), the Grantee shall not be entitled to any compensation from the Company.
 - (d) Where the Company cancels Options and issue new Options to the same Grantee, the issue of such new Options may only be made with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit.
15. The Company by an ordinary resolution by the Shareholders in a general meeting or the Board may at any time terminate the operation of the New Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the New Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the New Share Option Scheme and any Options granted prior to such termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme.
16. An Option shall be personal to the Grantee and shall not be assignable or transferable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest whatsoever in favour of any third party over or in relation to any Option or enter into any agreement so to do. Any breach of the foregoing by a Grantee shall entitle the Company to cancel any Option or part thereof granted to such Grantee without compensation to the extent not already exercised without incurring any liability on the part of the Company.
17. (a) The New Share Option Scheme may be altered in any respect by a resolution of the Board except that the provisions of the New Share Option Scheme relating to matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of any Grantees or prospective Grantees except with the prior sanction of a resolution of the Company in a general meeting with the Eligible Participants and their associates abstaining from voting. Any alteration to the terms and conditions of the New Share Option Scheme which are of a material nature or any change to the terms of the Options granted prior to such alteration shall be approved by the Shareholders in a general meeting, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme.

- (b) The Board shall be entitled to amend the terms of the New Share Option Scheme so as to comply with the Listing Rules and any Supplementary Guidance or any future guidance or interpretation of the Listing Rules from time to time applicable to the New Share Option Scheme, provided that such amendments are allowed by the Listing Rules and any Supplementary Guidance. Any change to the authority of the Board in relation to any alteration to the terms of the New Share Option Scheme must be approved by the Shareholders in a general meeting.

NOTICE OF SGM



HERALD HOLDINGS LIMITED

興利集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 114)

NOTICE IS HEREBY GIVEN that the special general meeting (the “**SGM**”) of Herald Holdings Limited (the “**Company**”) will be held at Queensway & Victoria, JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 16 September 2013 at 3:30 p.m. (or so soon thereafter as the annual general meeting of the Company convened on the same date and at the same place at 3:15 p.m. shall have been concluded) or any adjournment thereof to consider and, if thought fit, pass with or without amendments, the following resolution as ordinary resolution of the Company:

“THAT:

the new share option scheme of the Company (“**New Share Option Scheme**”), the terms of which are contained in the document marked “A” and produced to this meeting and for the purposes of identification signed by the Chairman thereof, be and is hereby approved and adopted, and with effect from the date of the New Share Option Scheme becoming unconditional and coming into effect, the board of directors of the Company (or any committee thereof) be and is hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the New Share Option Scheme, including but without limitation:

- (a) to administer the New Share Option Scheme;
- (b) to modify and/or amend the New Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the New Share Option Scheme relating to modification and/or amendment;
- (c) to allot and issue from time to time such number of shares of US\$0.01 each in the share capital of the Company (the “**Shares**”) as may fall to be issued pursuant to the exercise of the options granted under the New Share Option Scheme, provided always that such acts are done in compliance with the bye-laws of the Company and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”);
- (d) to apply at the appropriate time or times to the Stock Exchange for listing of and permission to deal in any Shares which may from time to time fall to be issued pursuant to the exercise of the options granted under the New Share Option Scheme; and

* For identification purpose only

NOTICE OF SGM

- (e) to consent, if it so deems fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the New Share Option Scheme.”

By Order of the Board
Herald Holdings Limited
Shum Kam Hung
Company Secretary

Hong Kong, 23 July 2013

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

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. The special general meeting is scheduled on Monday, 16 September 2013. For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Friday, 13 September 2013 to Monday, 16 September 2013, both days inclusive, during which period no transfer of Shares will be effected. In order to be able to attend and vote at the SGM, shareholders of the Company should ensure that all transfers of Shares, accompanied by the relevant share certificates, are lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 12 September 2013.
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 48 hours before the time for holding the meeting or any adjournment thereof.
5. Members are recommended to read the circular of the Company containing information concerning the resolution proposed in this notice.
6. In the event that a black rainstorm warning or a tropical cyclone warning signal number 8 or above is hoisted or remains hoisted at 12:00 noon or any time after 12:00 noon on 16 September 2013, the SGM will be adjourned to the same time on the first business day after 16 September 2013 at Unit A, 6th Floor, Tai Tak Industrial Building, 2-12 Kwai Fat Road, Kwai Chung, New Territories, Hong Kong.

NOTICE OF SGM

As at the date of this notice, the board of directors of the Company comprises Messrs. Cheung Tsang-Kay, Stan, Robert Dorfman, Thong Yeung-Sum, Michael and Tang King-Hung as executive directors and Messrs. David Tai-Chong Lie-A-Cheong, Yeh Man-Chun, Kent and Ng Tze-Kin, David as independent non-executive directors.