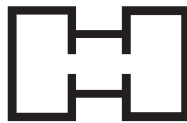

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, 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 together with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer 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 : 00114)****MAJOR AND CONNECTED TRANSACTIONS
IN RELATION TO THE PROPERTIES IN SHENZHEN
AND NOTICE OF SPECIAL GENERAL MEETING**

Capitalized terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 5 to 14 of this circular.

A notice convening the SGM to be held at Bowen Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 25 May 2016 at 3:30 p.m. is set out on pages 35 to 36 of this circular. A form of proxy for use at the SGM is also enclosed. Whether or not you are able to attend the SGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof (as the case may be) should you so wish.

* *for identification purpose only*

CONTENTS

	<i>Page</i>
Definitions	1-4
Letter from the Board	5-14
Appendix I – Financial information of the Group	15-16
Appendix II – Valuation report	17-29
Appendix III – General information	30-34
Notice of the SGM	35-36

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Herald Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Compensation”	the compensation payable by OCT Group to Shenzhen Herald under the Termination Agreement
“Consideration”	the aggregate consideration payable by OCT Group to Shenzhen Herald under Property A Transfer Agreement and Property B Transfer Agreement
“Directors”	the director(s) of the Company
“Disposals”	the disposal of Property A and Property B pursuant to the terms of the Framework Agreement (as supplemented by the Supplemental Letter) and Transfer Agreements
“DTZ”	DTZ Cushman & Wakefield Limited, an independent valuer
“Effective Date”	the date on which the Transfer Agreements and the Termination Agreement become effective respectively
“Framework Agreement”	the framework agreement entered into between Shenzhen Herald, OCT Group, Herald Investments (China) and Shanghai NIU dated 31 March 2016, in relation to the Transactions (as supplemented by the Supplemental Letter)
“Group”	the Company and its subsidiaries from time to time
“Herald Investments (China)”	興利投資(中國)有限公司 (Herald Investments (China) Company Limited), a wholly-owned subsidiary of the Company, whose principal activity is investment holding and holds 60% interest of Shenzhen Herald
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	26 April 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“OCT Group”	華僑城集團公司 (Overseas Chinese Town Group Limited), a central enterprise subordinate to SASAC and it is interested in 20% of the equity interests in Shenzhen Herald
“OCT Properties Company”	深圳特區華僑城房地產公司 (Shenzhen Special Zone OCT Properties Company), currently named as 深圳華僑城房地產有限公司 (Shenzhen OCT Properties Co., Ltd), a wholly owned subsidiary of OCT Group at the time of the Previous Transfer Agreements
“PRC”	the People’s Republic of China and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Previous Transfer Agreements”	the commercial property sale and purchase agreement dated 1 July 1989 in relation to Property C and the commercial property sale and purchase agreement dated 1 December 1989 in relation to Property D, both agreements entered into between Shenzhen Herald as buyer and OCT Properties Company as seller
“Properties”	collectively, Property A, Property B, Property C and Property D
“Property A”	the land use right to the land situated in Northeast Industrial Zone, Huaqiaocheng Road, Nanshan District, Shenzhen and has a site area of approximately 6,761.9 square metres and Building A-1, which is an industrial building with a construction area of 14,315 square meters erected on it (深圳市南山區華僑城路東北工業區工業大樓A-1棟)

DEFINITIONS

“Property A Transfer Agreement”	the agreement to be entered into between Shenzhen Herald as seller and OCT Group as buyer in respect of Property A
“Property B”	the land use right to the land situated in Qiao Cheng East Street, Huaqiaocheng Road, Nanshan District, Shenzhen and has a site area of approximately 1,139.3 square metres and Building 12, which is a residential building with a construction area of 1,230 square meters (as revised from 1,246.08 square meters to 1,230 square meters by the Supplemental Letter) erected on it (深圳市南山區華僑城路僑城東街12棟)
“Property B Transfer Agreement”	the agreement to be entered into between Shenzhen Herald as seller and OCT Group as buyer in respect of Property B
“Property C”	the 60 units of Building 17, Dong Zu Tuan, Huaqiaocheng, Shenzhen with a construction area of 1,858 square meters (深圳市華僑城東組團第17座單身樓60間單元)
“Property D”	the 42 units of Building 23, Dong Zu Tuan Residential Area, Huaqiaocheng, Shenzhen with a construction area of 1,223.16 square meters (深圳市華僑城東組團住宅區第23座單身樓共42個單元)
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
“SGM”	the special general meeting of the Company to be convened for seeking the Shareholder’s approval of the Framework Agreement (as supplemented by the Supplemental Letter) and the transactions contemplated thereunder
“Shanghai NIU”	上海新工聯(集團)有限公司 (Shanghai NIU (Group) Company Limited), a limited liability company incorporated in the PRC and it is interested in 20% of the equity interests in Shenzhen Herald

DEFINITIONS

“Share(s)”	share(s) of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Herald”	深圳興利五金塑膠有限公司 (Shenzhen Herald Metal and Plastic Company Limited), a company incorporated in the PRC and a non-wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Letter”	the supplemental letter entered into between Shenzhen Herald, OCT Group, Herald Investments (China) and Shanghai NIU dated 26 April 2016, in relation to the revision of the construction area of Property B. According to the record of Shenzhen Real Estate Registration Center (深圳市不動產登記中心), the construction area of Property B is 1,230 square meters, which is different from the 1,246.08 square meters on the title certificate of Property B. According to the response to an enquiry with Shenzhen Real Estate Registration Center in relation to the construction area of Property B conducted by the Company, the construction area of 1,230 square meters should be recognized and adopted, and after arm’s length negotiation, the construction area of Property B is revised to 1,230 square meters
“Termination”	the termination of the Previous Transfer Agreements pursuant to the Framework Agreement (as supplemented by the Supplemental Letter) and the Termination Agreement
“Termination Agreement”	the termination agreement to be entered into between Shenzhen Herald and OCT Group in respect of Property C and Property D
“Transactions”	the Disposals and the Termination
“Transfer Agreement(s)”	the Property A Transfer Agreement and/or the Property B Transfer Agreement

For illustration purposes and unless otherwise specified, amounts in RMB in this circular have been translated into HK\$ at RMB0.83=HK\$1.00.

LETTER FROM THE BOARD



HERALD HOLDINGS LIMITED

興利集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code : 00114)

Executive Directors:

Mr. Robert Dorfman

Mr. Shum Kam Hung ACIS, CPA

Dr. Cheung Tsang Kay Stan PhD, Hon LLD, Hon DBA, JP

Independent Non-executive Directors:

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

Mr. Yeh Man Chun Kent

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

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Principal office:

3110, 31/F

Tower Two, Lippo Centre

89 Queensway

Hong Kong

29 April 2016

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO THE PROPERTIES IN SHENZHEN

INTRODUCTION

Reference is made to the announcement of the Company dated 31 March 2016 in relation to, among others, the Transactions.

The purpose of this circular is to provide you with, (i) further information about the Transactions; (ii) financial information of the Group; (iii) the valuation report on the properties; and (iv) the notice of SGM.

LETTER FROM THE BOARD

THE FRAMEWORK AGREEMENT

Date: 31 March 2016 (after trading hours) (as supplemented by the Supplemental Letter dated 26 April 2016)

Parties:

- (1) OCT Group;
- (2) Herald Investments (China);
- (3) Shanghai NIU; and
- (4) Shenzhen Herald

Shenzhen Herald is a non-wholly owned subsidiary of the Company incorporated in the PRC with limited liability and was principally engaged in manufacturing of toys. Shenzhen Herald had ceased operation and become dormant since August 2008. Shenzhen Herald is jointly owned by Herald Investments (China), OCT Group and Shanghai NIU as to 60%, 20% and 20% respectively.

OCT Group is a central enterprise subordinate to SASAC and its principal businesses include tourism and cultural industry, real estate and hotel development and operations and manufacture of electronic and accessories packaging products.

Herald Investments (China) is a wholly owned subsidiary of the Company incorporated in the PRC with limited liability and is the investment holding company of Shenzhen Herald.

Shanghai NIU is a limited liability company incorporated in the PRC and it is principally engaged in industrial, trading, real estate and modernized services business.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, save as their shareholdings in Shenzhen Herald, OCT Group, Shanghai NIU and their respective ultimate beneficial owners are independent third parties not connected with the Company or connected persons of the Company.

The Transactions

Pursuant to the Framework Agreement (as supplemented by the Supplemental Letter):

- (1) Shenzhen Herald shall enter into the Property A Transfer Agreement pursuant to which Shenzhen Herald shall dispose of, and OCT Group shall acquire Property A at a consideration of RMB125,543,800 (equivalent to approximately HK\$151,257,600);
- (2) Shenzhen Herald shall enter into the Property B Transfer Agreement pursuant to which Shenzhen Herald shall dispose of, and OCT Group shall acquire Property B at a consideration of RMB34,704,600 (equivalent to approximately HK\$41,812,800); and

LETTER FROM THE BOARD

- (3) Shenzhen Herald and OCT Group shall enter into the Termination Agreement to terminate the Previous Transfer Agreements and Property C and Property D shall be transferred to OCT Group subject to OCT Group paying the Compensation of RMB74,721,300 (equivalent to approximately HK\$90,025,700) to Shenzhen Herald.

(1) Major terms of the Property A Transfer Agreement

Parties

- (i) OCT Group; and
- (ii) Shenzhen Herald

Asset to be disposed

Property A is a land situated in Northeast Industrial Zone, Huaqiaocheng Road, Nanshan District, Shenzhen and has a site area of approximately 6,761.9 square metres together with Building A-1, which is an industrial building with a construction area of 14,315 square meters erected on it. Property A is used for industrial purpose and the land use right of it has been granted for a term expiring in 2018. Property A was valued at approximately RMB118 million (equivalent to approximately HK\$142.17 million) as at 31 March 2016 by DTZ.

Consideration for Property A

The consideration of the Property A Transfer Agreement of RMB125,543,800 (equivalent to approximately HK\$151,257,600) was determined after arm's length negotiations between the parties of the Framework Agreement (as supplemented by the Supplemental Letter) after taking into account the valuation of the Property A as at 31 March 2016 of approximately RMB118 million (equivalent to approximately HK\$142.17 million) as valued by DTZ. The consideration for Property A will be settled in cash by OCT Group as follows:

- (i) RMB40,000,000 shall be paid within three (3) business days after the Effective Date; and
- (ii) the remaining RMB85,543,800 shall be paid within five (5) business days after completion of the title transfer and registration and OCT Group duly obtained the title certificate of Property A.

(2) Major terms of Property B Transfer Agreement

Parties

- (i) OCT Group; and
- (ii) Shenzhen Herald

LETTER FROM THE BOARD

Asset to be disposed

Property B is a land situated in Qiao Cheng East Street, Huaqiaocheng Road, Nanshan District, Shenzhen and has a site area of approximately 1,139.3 square metres together with Building 12, which is a residential building with a construction area of 1,230 square meters (as revised from 1,246.08 square meters to 1,230 square meters by the Supplemental Letter) erected on it. Property B is used for residential purpose and the land use right of it has been granted for a term expiring in 2038. Property B was valued at approximately RMB34 million (equivalent to approximately HK\$40.97 million) as at 31 March 2016 by DTZ.

Consideration for Property B

The consideration of the Property B Transfer Agreement of RMB34,704,600 (equivalent to approximately HK\$41,812,800) was determined after arm's length negotiations between the parties to the Framework Agreement (as supplemented by the Supplemental Letter) after taking into account the valuation of the Property B as at 31 March 2016 of approximately RMB34,000,000 (equivalent to approximately HK\$40,963,900) as valued by DTZ. The consideration for Property B will be settled in cash by OCT Group as follows:

- (i) RMB10,000,000 shall be paid within three (3) business days after the Effective Date; and
- (ii) the remaining RMB24,704,600 shall be paid within five (5) business days after completion of the title transfer and registration and OCT Group duly obtained the title certificate of Property B.

(3) Major terms of the Termination Agreement

Parties

- (i) OCT Group; and
- (ii) Shenzhen Herald

Assets to be transferred

Property C is the 60 units of Building 17, Dong Zu Tuan, Huaqiaocheng, Shenzhen with a construction area of 1,858 square meters. It was valued at approximately RMB45 million (equivalent to approximately HK\$54.22 million) as at 31 March 2016 by DTZ.

Property D is the 42 units of Building 23, Dong Zu Tuan Residential Area, Huaqiaocheng, Shenzhen with a construction area of 1,223.16 square meters. It was valued at approximately RMB29.5 million (equivalent to approximately HK\$35.54 million) as at 31 March 2016 by DTZ.

According to the Previous Transfer Agreements, Shenzhen Herald agreed to acquire Property C at a consideration of HK\$2,300,000 and Property D at a consideration of RMB1,223,160 (equivalent to approximately HK\$1,867,000 at the historical exchange rate of

LETTER FROM THE BOARD

approximately RMB0.66 = HK\$1) from OCT Properties Company. Shenzhen Herald had fulfilled its obligations under the Previous Transfer Agreements and according to the terms of the Previous Transfer Agreements, Shenzhen Herald should be entitled to the rights and obligations as the owner of Property C and Property D. However, with reference to a legal opinion obtained by the Company in relation to PRC laws, Shenzhen Herald has not been duly registered as the registered owner of Property C and Property D and the legal title of Property C and Property D was not duly passed from OCT Properties Company to Shenzhen Herald at the time of the Previous Transfer Agreements. In this regard, Shenzhen Herald does not have the legal position to sell Property C and Property D to OCT Group. Considering the above, the parties to the Framework Agreement (as supplemented by the Supplemental Letter) agree to terminate the Previous Transfer Agreements and Property C and Property D shall be transferred to OCT Group subject to OCT Group paying the Compensation to Shenzhen Herald.

Compensation for Property C and Property D

OCT Group, assumed the rights and obligations of OCT Properties Company in relation to Property C and Property D, agrees to pay Shenzhen Herald a sum equivalent to the market value of Property C and Property D as the compensation for Shenzhen Herald assuming Shenzhen Herald is legally entitled to dispose of the properties in the open market. The Compensation of RMB74,721,300 (equivalent to approximately HK\$90,025,700) under the Termination Agreement was determined after arm's length negotiations between the parties to the Framework Agreement (as supplemented by the Supplemental Letter) after taking into account the valuation of the Property C and the Property D as at 31 March 2016 of approximately RMB74,500,000 (equivalent to approximately HK\$89.76 million) as valued by DTZ. The Compensation will be settled in cash by OCT Group within ten (10) business days after the Effective Date.

CONDITIONS PRECEDENTS

(1) The Transfer Agreements

OCT Group and Shenzhen Herald shall enter into the Transfer Agreements and the Transfer Agreements shall become effective upon the following conditions fulfilled:

- (i) the approval by the Shareholders of the Disposals having been obtained in accordance with the Listing Rules, and
- (ii) Shenzhen Herald having obtained a valuation report issued by an independent professional valuer in such form and substance reasonably satisfactory to Shenzhen Herald and the amount of Consideration shall not be less than the total valuation of Property A and Property B.

The Transfer Agreements shall become effective on the Effective Date which shall be the date on which the last of the above conditions is fulfilled.

LETTER FROM THE BOARD

(2) The Termination Agreement

OCT Group and Shenzhen Herald shall enter into the Termination Agreement and the Termination Agreement shall become effective upon the following conditions fulfilled:

- (i) the approval by the Shareholders of the Termination having been obtained in accordance with the Listing Rules,
- (ii) Shenzhen Herald having obtained a valuation report issued by an independent professional valuer in such form and substance reasonably satisfactory to Shenzhen Herald and the amount of Compensation shall not be less than the total valuation of Property C and Property D.

The Termination Agreement shall become effective on the Effective Date which shall be the date on which the last of the above conditions is fulfilled.

None of the above conditions in respect to the Transfer Agreements and the Termination Agreement can be waived by the parties to the Framework Agreement (as supplemented by the Supplemental Letter). If the above conditions in respect to the Transfer Agreements and the Termination Agreement are not fulfilled on or before 30 September 2016 (or such other date as the parties to the Framework Agreement (as supplemented by the Supplemental Letter) may agree), the Framework Agreement (as supplemented by the Supplemental Letter) will be terminated and the Transfer Agreements and the Termination Agreement shall not become effective.

COMPLETION

(1) The Transfer Agreements

After the Transfer Agreements have become effective, OCT Group and Shenzhen Herald shall apply to the relevant registry to transfer the ownership title of Property A and Property B to OCT Group. Each of Property A and Property B shall be delivered to OCT Group within three (3) business days after OCT Group has duly settled the respective payment of the consideration of Property A and Property B.

(2) The Termination Agreement

After the Termination Agreement has become effective, OCT Group and Shenzhen Herald shall attend all necessary procedures and execute such documents (if any) to make good the title of OCT Group of Property C and D. Property C and Property D shall be delivered to OCT Group within three (3) business days upon the receipt of the Compensation.

TERMINATION OF THE TRANSFER AGREEMENTS AND THE TERMINATION AGREEMENT

If OCT Group fails to obtain the title certificates for Property A and/or Property B within one year from the Effective Date (or such other date as the parties to the Framework Agreement (as supplemented by the Supplemental Letter) may agree) or OCT Group fails to pay Shenzhen

LETTER FROM THE BOARD

Herald in accordance with the respective terms of the Transfer Agreements, the relevant Transfer Agreement shall be terminated and the provisions in the Framework Agreement (as supplemented by the Supplemental Letter) in respect of the transfer of Property A and/or Property B shall cease to have effect.

If any of the Transfer Agreements is terminated as a result of the failure of OCT Group to comply with its obligations as specified under the Transfer Agreements, Shenzhen Herald shall be entitled to retain 50% of the amount of payment Shenzhen Herald has received under the respective agreement as penalty.

If OCT Group fails to pay Shenzhen Herald in accordance with the terms of the Termination Agreement in relation to Property C and Property D, the Termination Agreement shall be terminated and the provisions in the Framework Agreement (as supplemented by the Supplemental Letter) in relation to the Termination shall cease to have effect. Shenzhen Herald shall have the right to continue to use Property C and Property D.

FINANCIAL EFFECTS OF THE TRANSACTIONS

The net book value of the Properties as at the date of the latest audited consolidated financial statements, i.e. 31 March 2015, amounted to HK\$2,210,000. Based on the total of the Consideration and the Compensation of RMB234,969,700 (equivalent to HK\$283,096,000), there would be an excess of the Consideration and Compensation to the aggregate net book value of the Properties of HK\$280,886,000 and the Group is expected to recognize a gain after tax (net of estimated tax payable of approximately RMB151 million, related costs and expenses such as legal costs and professional advisers fees) of approximately HK\$91,373,000 from the Transactions. The Group would like to emphasize that the aforesaid expected gain will be varied subject to the exact amount of tax payable in relation to the Transactions. After completion of the Transactions, non-current assets of the Group are expected to decrease by HK\$2,210,000 and current assets of the Group are expected to increase by HK\$93,583,000, while the current and non-current liabilities of the Group are expected to remain unchanged.

PROPOSED USE OF PROCEEDS

Shenzhen Herald has been dormant since 2008 and the Company has resolved to wind up the company and its operation. The Company intends to use the net proceeds as the expenses for winding up Shenzhen Herald. The remaining amount (if any) will be distributed to Herald Investments (China), OCT Group and Shanghai NIU upon the successful liquidation of Shenzhen Herald. The Company intends to use the distributed amount (if any) as general working capital and for future investment of the Group.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Company is an investment holding company incorporated in Bermuda with limited liability. The Group is principally engaged in manufacturing and trading of toys, houseware, computer products and timepieces.

LETTER FROM THE BOARD

The Disposals

Property A and Property B were acquired by the Group in 1988 and 1989 respectively. Since Shenzhen Herald had ceased its operation in 2008, Property A is no longer used for the manufacturing operations of the Group while Property B is used by a limited number of staff. The Company has no immediate plan to re-develop Property A and Property B. The Board considers that the Disposals represent a good opportunity for the Company to realize its previous investment in the Property A and Property B.

The Termination

The Group has been occupying Property C and Property D since 1989 after the signing of the Previous Transfer Agreements. As the dormitory of Shenzhen Herald, Property C and Property D have been no longer in use after it ceases operation and the Company has no immediate plan to re-develop the Property C and Property D. The Board considers that the Termination allow the Company to exit the previous investment in the Property C and Property D at a fair price and without much discount due to title deficiency.

Upon the completion of the Transactions, the net proceeds generated therefrom shall strengthen the cash flow of the Company. It may allow a more efficient allocation of internal resources of the Company which in turn facilitates a stronger liquidity of the Company for prospective future development.

The Board is of the view that the terms in the Framework Agreement (as supplemented by the Supplemental Letter), the Transfer Agreements and the Termination Agreement including the Consideration and the Compensation are in normal commercial terms, which are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

IMPLICATIONS OF THE LISTING RULES

Shenzhen Herald is a non-wholly owned subsidiary of the Company of which 60% of its equity interests is owned by the Group, and the remaining equity interests is held by OCT Group as to 20% and Shanghai NIU as to 20%. As OCT Group is a substantial shareholder of Shenzhen Herald and hence a connected person of the Company, the Transactions constitute connected transactions of the Company under the requirement of Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.101 of the Listing Rules, a connected transaction between the listed issuer's group and a connected person at the subsidiary level on normal commercial terms or better is exempt from the circular, independent financial advice and Shareholders' approval requirements if: (1) the listed issuer's board of directors have approved the transaction; and (2) the independent non-executive directors have confirmed that the terms of the transaction are fair and reasonable, the transaction is on normal commercial terms or better and in the interests of the listed issuer and its Shareholders as a whole.

The Company has obtained the approval from the Board (including the independent non-executive Directors) regarding the Framework Agreement (as supplemented by the Supplemental Letter) and the Transactions and the Directors (including the independent

LETTER FROM THE BOARD

non-executive Directors) have confirmed that the terms of the Framework Agreement (as supplemented by the Supplemental Letter) and the Transactions are fair and reasonable, and that the Transactions are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole. As such, pursuant to Rule 14A.101 of the Listing Rules, the Framework Agreement (as supplemented by the Supplemental Letter) and Transactions are exempted from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

However, as one or more of the applicable percentage ratios in respect of the Framework Agreement (as supplemented by the Supplemental Letter) and the Transactions exceed 25% but are all less than 75%, the Transactions constitute major transactions of the Company and are subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

None of the Directors has a material interest in the Framework Agreement (as supplemented by the Supplemental Letter) and the Transactions and was required to abstain from voting on the board resolution approving the same.

Shareholders and potential investors should note that the Framework Agreement (as supplemented by the Supplemental Letter) and the Transactions are subject to various conditions which may or may not be fulfilled. There is therefore no assurance that the Transactions will proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares of the Company.

SGM

A notice convening the SGM to be held at Bowen Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 25 May 2016 at 3:30 p.m. is set out on pages 35 to 36 of this circular to consider and, if thought fit, to approve the Framework Agreement (as supplemented by the Supplemental Letter) and the Transactions. To the best of the knowledge, information and belief of the Directors have made all reasonable enquiries, no Shareholder has material interest in the Transactions and none of them is required to abstain from voting on the resolution(s) to be proposed at the SGM to approve the Framework Agreement (as supplemented by the Supplemental Letter) and Transactions.

A form of proxy for use at the SGM is enclosed with the circular. Whether or not you are able to attend the SGM, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned thereof should you so wish. Voting on the proposed resolutions at the SGM will be taken by poll.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Framework Agreement (as supplemented by the Supplemental Letter) and the Transactions contemplated thereunder, are on normal commercial terms or better, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

By Order of the Board
Herald Holdings Limited
Robert Dorfman
Chairman

1. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE THREE YEARS ENDED 31 MARCH 2015

The audited consolidated financial statements of the Group for the three years ended 31 March 2015 together with the relevant notes thereto can be found from pages 24 to 103 of the annual report of the Company for the year ended 31 March 2013, pages 24 to 111 of the annual report of the Company for the year ended 31 March 2014 and pages 24 to 111 of the annual report of the Company for the year ended 31 March 2015.

The said annual reports of the Company are available on the Company's website at www.heraldgroup.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

2. UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION OF THE GROUP FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

The unaudited consolidated interim financial statements of the Group for the six months ended 30 September 2015 together with the relevant notes thereto can be found from pages 2 to 25 of the interim report of the Company for the six months ended 30 September 2015.

The said interim report of the Company is available on the Company's website at www.heraldgroup.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

3. INDEBTEDNESS

At the close of business on 31 March 2016, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this circular, the Group had an outstanding secured bank loan of approximately HK\$5.0 million. The bank loan was secured by a property of the Group with a carrying amount of HK\$32.7 million and guaranteed by the Company.

Save as disclosed above and apart from intra-group liabilities and normal trade and other payables, the Group did not have any loan capital issued and outstanding or agreed to be issued, debt securities issued and outstanding, authorised or otherwise created but unissued, term loans, other borrowings or indebtedness including bank overdrafts, liabilities under acceptances, acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities outstanding at the close of business on 31 March 2016.

4. WORKING CAPITAL

The Directors are of the opinion that after taking into account the expected completion of the Transactions and the Group's financial resources including internally generated cash flows and cash on hand, the Group has sufficient working capital for its requirements, that is for at least 12 months from the date of this circular.

5. MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 March 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As indicated by the current order position, the business of the Toys Division will slow down in the first half of the financial year ending 31 March 2017. Nevertheless, the division will strive to achieve cost savings through improved operating efficiency. To increase production capacity, the division is constructing a factory building with a total floor area of approximately 150,000 square feet in Dongguan, China.

The outlook for the tape head business is not encouraging. However, it is anticipated that the slowdown will be offset by the increase in demand for both thermostats and smart connected devices.

Amid a weak retail environment, the businesses of the Housewares and Timepieces Divisions continue to be challenging. As the United Kingdom is the major market of these divisions, our gross margins might be negatively affected by the depreciation of the pound sterling. Nonetheless, the divisions are exploring opportunities to increase revenue and implementing measures to cut costs.

Despite the uncertain economic environment, the management remains optimistic about the Group's business prospects in the financial year ending 31 March 2017.

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from DTZ Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of market values of the Properties held by Shenzhen Herald Metal and Plastic Company Limited (深圳興利五金塑膠有限公司) (“Shenzhen Herald”) in the PRC as at 31 March 2016.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

29 April 2016

The Directors
Herald Holdings Limited
3110, 31/F
Tower Two, Lippo Centre
89 Queensway
Hong Kong

Dear Sirs,

Instructions, Purpose & Valuation Date

In accordance with the instructions from Herald Holdings Limited (the “Company”) for us to carry out the valuation of the market value of the properties (“Properties”) held by Shenzhen Herald in the People’s Republic of China (the “PRC”), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of the market values of the Properties in existing state as at 31 March 2016 (the “valuation date”).

Definition of Market Value

Our valuations of each of the Properties represents its Market Value. The definition of Market Value adopted in The HKIS Valuation Standards 2012 Edition follows the International Valuation Standards published by the International Valuation Standards Council (“IVSC”). Market Value is defined by the IVSC as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion”.

Valuation Basis & Assumptions

Our valuations of the Properties exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuations of the Properties held by Shenzhen Herald in the PRC, with reference to the PRC legal opinion of the legal adviser, Fangda Partners, we have prepared our valuation on the basis that transferable land use rights in respect of the Properties for their specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Company and the PRC legal opinion of the Company's legal adviser, dated 26 April 2016, regarding the titles to the Properties and the interests in the Properties. In valuing the Properties, we have prepared our valuation on the basis that the owners have enforceable title to the Properties and have free and uninterrupted rights to use, occupy or assign the Properties for the whole of the unexpired terms as granted.

No allowance has been made in our valuation for any charges, pledges or amounts owing on the Properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is valued on the basis that the Properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

We have valued the whole interest in the Properties.

Method of Valuation

In valuing the Property A, which is held by Shenzhen Herald for owner occupation in PRC, we have adopted the Depreciated Replacement Costs ("DRC") approach. Due to the specific nature and use of the buildings and structures, we have valued the Properties by reference to the DRC. DRC is based on an estimate of the market value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization. The value is subject to adequate potential profitability of the business.

In valuing the Property B to D, which is held by Shenzhen Herald for owner occupation in PRC, we have adopted Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market.

In valuing the Properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institutes of Surveyors.

Source of Information

We have relied to a very considerable extent on the information given by the Company and the opinion of the PRC legal adviser as to PRC laws. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of Properties, completion dates of building, particulars of occupancy, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in this valuation report are based on the information provided to us and are therefore only approximation. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

Title Investigation

We have been provided by the Company with copies or extracts of documents. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

Site Inspection

Our DTZ PRC Office valuers, Ms. Ashley Wang (2 years' experience in the valuation of properties in the PRC) of Shenzhen office has inspected the exterior and, wherever possible, the interior of the Properties in January 2016. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not be able to report that the Properties are free of rot, infestation or any other structural defects; no tests were carried out to any of the services. We will not be able to carry out detailed on-site measurements to verify the site and floor areas of the Properties and we will assume in our valuation that the site and floor areas shown on the copies of documents handed to us are correct.

Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor area of the Properties and we have assumed that the areas shown on the copies of documents handed to us are correct.

Currency

Unless otherwise stated, all sums stated in our valuation are in Renminbi, the official currency of the PRC.

We attach herewith a summary of valuations and valuation certificates.

Yours faithfully,
For and on behalf of
DTZ Cushman & Wakefield Limited
Philip C Y Tsang
Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc, MHKIS
Director

Note: Mr. Philip C Y Tsang is Registered Professional Surveyor who has over 23 years' experience in the valuation of properties in the PRC.

SUMMARY OF VALUATIONS

Property	Market value in existing state as at 31 March 2016 RMB
Properties held by Shenzhen Herald for owner occupation in the PRC	
1. Building A-1, Northeast Industrial Zone, Huaqiaocheng Road, Nanshan District, Shenzhen, Guangdong Province, the PRC ("Property A")	118,000,000
2. Building 12, Qiao Cheng East Street, Huaqiaocheng Road, Nanshan District, Shenzhen, Guangdong Province, the PRC ("Property B")	34,000,000
3. 60 units of Building 17, Dong Zu Tuan, Huaqiaocheng, Nanshan District, Shenzhen, Guangdong Province, the PRC ("Property C")	45,000,000
4. 42 units of Building 23, Dong Zu Tuan Residential Area, Huaqiaocheng, Nanshan District, Shenzhen, Guangdong Province, the PRC ("Property D")	29,500,000
Grand Total:	226,500,000

VALUATION CERTIFICATE

Properties held by Shenzhen Herald for owner occupation in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2016
1. Building A-1, Northeast Industrial Zone, Huaqiao Cheng Road, Nanshan District, Shenzhen, Guangdong Province, the PRC ("Property A")	<p>The Property A comprises a 6-storey industrial buildings completed in 1988.</p> <p>According to Real Estate Title Certificate, the construction area (建築面積) of the Property A is 14,315 sq m.</p> <p>The Property A is located at Northeast Industrial Zone, Huaqiao Cheng Road, Nanshan District in Shenzhen. Developments nearby are mainly industrial development. According to the Company, there is no environmental issues and litigation dispute; there is no plan for renovation or change the use of the Property A.</p> <p>The land use rights of the Property A have been allocated for a term of 30 years from 3 January 1988 to 2 January 2018 for industrial use.</p>	According to the information provided by the Company, the Property A is no longer used for manufacturing operations.	RMB118,000,000 <i>Please see Note (1)</i>

Notes:

- (1) As advised, the land use rights of the Property A are in allocation nature which are subject to approval from the government and extra land premium upon disposal. However, our valuation is prepared on the assumption that approval from the government has been obtained, extra land premium has been settled and the Property A could be freely transferred and be a granted land. In the course of our valuations of the Property A, with reference to the PRC legal opinion, we have prepared our valuation on the basis that the term of the land use rights of the Property A can be extended for a term for twenty years.
- (2) According to Real Estate Title Certificate No. 0009384 dated 8 April 1991, the land use rights and building ownership of the Property A, comprising an apportioned site area of 6,761.9 sq m and construction area (建築面積) of 14,315 sq m, have been vested in Shenzhen Herald for a term of 30 years from 3 January 1988 to 2 January 2018 for industrial use.
- (3) According to Business Licence No. 100251 dated 10 September 2002, Shenzhen Herald was established as a joint venture company on 19 August 1988 with a registered capital of RMB11,040,000 (with a paid-up capital of RMB11,040,000) for a valid operation period from 19 August 1988 to 19 August 2008.
- (4) According to the PRC legal opinion:
 - (i) Shenzhen Herald is the legitimate owner of the Property A;
 - (ii) The land use rights of the Property A is obtained through administration allocation by the government. Under such circumstance, subject to the approval by competent governmental authority and the fully payment of land grant related fees which might be requested by the competent governmental authority (if requested, the amount of which is to be determined by the competent governmental authority in accordance with applicable laws and regulations), Shenzhen Herald shall have the right to transfer, lease, mortgage and assign the Property A within the respective residual term of the land use rights as granted;

- (iii) The Property A is free of mortgage; and
- (iv) According to the Several Rules regarding the Extension of Expires Real Properties of Shenzhen City (深圳市到期房地產續期若干規定) promulgated by Shenzhen Municipal People's Government on 23 April 2004, subject to approval by the competent governmental authority and the fully payment of land grant related fees to be determined by the competent governmental authority by the time of approval (the amount of which is to be determined by the competent governmental authority taking into account of the term to be extended and applicable benchmark land price then effective), the term of the usage of the land of the Property A can be extended for a term in principle no more than twenty years.
- (5) The status of title and grant of major certificates, approvals and licences in accordance with the information provided by the Company and the opinion of the PRC legal adviser:

Real Estate Title Certificate	Yes
Business License	Yes

VALUATION CERTIFICATE

Properties held by Shenzhen Herald for owner occupation in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2016
2. Building 12, Qiao Cheng East Street, Huaqiaocheng Road, Nanshan District, Shenzhen, Guangdong Province, the PRC (“Property B”)	<p>The Property B comprises a 6-storey residential buildings completed in 1989.</p> <p>According to real property records of Shenzhen Real Estate Registration Center (深圳市不動產登記中心) dated 26 April 2016, the construction area (建築面積) of the Property B is 1,230 sq m. <i>Please see Note (4)(i)</i></p> <p>The Property B is located at Qiao Cheng East Street, Huaqiaocheng Road, Nanshan District in Shenzhen. Developments nearby are mainly industrial development. According to the Company, there is no environmental issues and litigation dispute; there is no plan for renovation or change the use of the Property B.</p> <p>The land use rights of the Property B have been allocated for a term of 50 years from 3 January 1988 to 2 January 2038 for residential use.</p>	According to the information provided by the Company, the Property B is used by a limited number of staff.	RMB34,000,000 <i>Please see Note (1)</i>

Notes:

- (1) As advised, the land use rights of the Property B are in allocation nature which are subject to approval from the government and extra land premium upon disposal. However, our valuation is prepared on the assumption that approval from the government has been obtained, extra land premium has been settled and the Property B could be freely transferred and be a granted land. In the course of our valuations of the Property B, with reference to the PRC legal opinion, we have prepared our valuation on the basis that the term of the land use rights of the Property B can be extended for a term for twenty years.
- (2) According to Real Estate Title Certificate No. 0008483 dated 3 September 1990, the land use rights and building ownership of the Property B, comprising an apportioned site area of 1,139.3 sq m and construction area (建築面積) of 1,246.08 sq m, have been vested in Shenzhen Herald for a term of 50 years from 3 January 1988 to 2 January 2038 for residential use.
- (3) According to Business Licence No. 100251 dated 10 September 2002, Shenzhen Herald was established as a joint venture company on 19 August 1988 with a registered capital of RMB11,040,000 (with a paid-up capital of RMB11,040,000) for a valid operation period from 19 August 1988 to 19 August 2008.

- (4) According to the PRC legal opinion:
- (i) As evidenced by Real Estate Title Certificate No. 0008483 dated 3 September 1990, the construction area (建築面積) of Property B is 1,246.08 sq m. However, according to the real property records obtained from the legal adviser's independent search at Shenzhen Real Estate Registration Center on 26 April 2016, the construction area (建築面積) of the Property B as indicated in Shenzhen Real Estate Registration Center's records is 1,230 sq m. According to the response to an enquiry with Shenzhen Real Estate Registration Center in relation to the construction area (建築面積) of Property B conducted by the Company, the construction area (建築面積) of Property B of 1,230 sq m should be recognized and adopted;
 - (ii) Shenzhen Herald is the legitimate owner of the Property B;
 - (iii) The land use rights of the Property B is obtained through administration allocation by the government. Under such circumstance, subject to the approval by competent governmental authority and the fully payment of land grant related fees which might be requested by the competent governmental authority (if requested, the amount of which is to be determined by the competent governmental authority in accordance with applicable laws and regulations), Shenzhen Herald shall have the right to transfer, lease, mortgage and assign the Property B within the respective residual term of the land use rights as granted;
 - (iv) The Property B is free of mortgage; and
 - (v) According to the Several Rules regarding the Extension of Expires Real Properties of Shenzhen City (深圳市到期房地產續期若干規定) promulgated by Shenzhen Municipal People's Government on 23 April 2004, subject to approval by the competent governmental authority and the fully payment of land grant related fees to be determined by the competent governmental authority by the time of approval (the amount of which is to be determined by the competent governmental authority taking into account of the term to be extended and applicable benchmark land price then effective), the term of the usage of the land of the Property B can be extended for a term in principle no more than twenty years.
- (5) The status of title and grant of major certificates, approvals and licences in accordance with the information provided by the Company and the opinion of PRC legal adviser:

Real Estate Title Certificate	Yes
Business License	Yes

VALUATION CERTIFICATE

Properties held by Shenzhen Herald for owner occupation in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2016
3. 60 units of Building 17, Dong Zu Tuan, Huaqiaocheng, Nanshan District, Shenzhen, Guangdong Province, the PRC (“Property C”)	<p>The Property C comprises a 6-storey residential buildings completed in 1988.</p> <p>According to Commercial House Sale and Purchase Agreement, the construction area (建築面積) of the Property C is 1,858 sq m.</p> <p>The Property C is located at Dong Zu Tuan, Huaqiaocheng, Nanshan District in Shenzhen. Developments nearby are mainly industrial development. According to the Company, there is no environmental issues and litigation dispute; there is no plan for renovation or change the use of the Property C.</p> <p>According to Commercial House Sale and Purchase Agreement, the land use rights of the Property C have been granted for a term of 50 years from 1 December 1988 to 1 December 2038, the Property C is for residential use.</p>	According to the information provided by the Company, the Property C is currently vacant.	RMB45,000,000 <i>Please see Note (1)</i>

Notes:

- (1) In the course of our valuation of the Property C, with reference to the PRC legal opinion, we have prepared our valuation on the basis that Shenzhen Herald is entitled to the rights to sell, transfer or otherwise dispose of such rights and obligations to any other party, including OCT Properties Company or its successor(s) as provided in the terms of the Purchase Agreement I.
- (2) According to Commercial House Sale and Purchase Agreement dated 1 July 1989 (“Purchase Agreement I”) and entered into among Shenzhen Herald and OCT Properties Company, OCT Properties Company sold to Shenzhen Herald and Shenzhen Herald purchased from OCT Properties Company, the Property C with a construction area (建築面積) of 1,858 sq m.
- (3) According to Business Licence No. 100251 dated 10 September 2002, Shenzhen Herald was established as a joint venture company on 19 August 1988 with a registered capital of RMB11,040,000 (with a paid-up capital of RMB11,040,000) for a valid operation period from 19 August 1988 to 19 August 2008.
- (4) According to the PRC legal opinion:

According to a notarization certificate dated 29 July 1989 and referred as (89) Shen Zheng Fang Shai Zi No. 2974, Purchase Agreement I was notarized by Shenzhen Notary Public Office. As provided under Purchase Agreement I, Shenzhen Herald is entitled to the rights and subject to the obligations of and as the buyer of the Property C, and shall have the right to sell, transfer or otherwise dispose of such rights and obligations to any other party, including OCT Properties Company or its successor(s), subject to the consent of OCT Properties Company or its successor(s); however, Shenzhen Herald has not obtain any Title Certificate specifying that Shenzhen Herald is registered owner of the Property C, therefore the legal adviser cannot verify whether Shenzhen Herald is the legal owner of the Property C.

- (5) The status of title and grant of major certificates, approvals and licences in accordance with the information provided by the Company and the opinion of the PRC legal adviser:

Real Estate Title Certificate	No
Commercial House Sale and Purchase Agreement	Yes
Business License	Yes

VALUATION CERTIFICATE

Properties held by Shenzhen Herald for owner occupation in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2016
4. 42 units of Building 23, Dong Zu Tuan Residential Area, Huaqiaocheng, Nanshan District, Shenzhen, Guangdong Province, the PRC ("Property D")	<p>The Property D comprises a 6-storey residential buildings completed in 1989.</p> <p>According to Commercial House Sale and Purchase Agreement, the construction area (建築面積) of the Property D is 1,223.16 sq m.</p> <p>The Property D is located at Dong Zu Tuan Residential Area, Huaqiaocheng, Nanshan District in Shenzhen. Developments nearby are mainly industrial development. According to the Company, there is no environmental issues and litigation dispute; there is no plan for renovation or change the use of the Property D.</p> <p>According to Commercial House Sale and Purchase Agreement, the land use rights of the Property D have been granted for a term of 50 years from 20 November 1989 to 20 November 2039, the Property D is for residential use.</p>	According to the information provided by the Company, the Property D is currently vacant.	RMB29,500,000 <i>Please see Note (1)</i>

Notes:

- (1) In the course of our valuation of the Property D, with reference to the PRC legal opinion, we have prepared our valuation on the basis that Shenzhen Herald is entitled to the rights to sell, transfer or otherwise dispose of such rights and obligations to any other party, including OCT Properties Company or its successor(s) as provided in the terms of the Purchase Agreement II.
- (2) According to Commercial House Sale and Purchase Agreement dated 1 December 1989 ("Purchase Agreement II") and entered into among Shenzhen Herald and OCT Properties Company, OCT Properties Company sold to Shenzhen Herald and Shenzhen Herald purchased from OCT Properties Company, the Property D with a construction area (建築面積) of 1,223.16 sq m.
- (3) According to Business Licence No. 100251 dated 10 September 2002, Shenzhen Herald was established as a joint venture company on 19 August 1988 with a registered capital of RMB11,040,000 (with a paid-up capital of RMB11,040,000) for a valid operation period from 19 August 1988 to 19 August 2008.
- (4) According to the PRC legal opinion:

According to a notarization certificate dated 1 December 1989 and referred as No. (89) Shen Zheng Fang Shai Zi No. 4458, Purchase Agreement II was notarized by Shenzhen Notary Public Office. As provided under Purchase Agreement II, Shenzhen Herald is entitled to the rights and subject to the obligations of and as the buyer of the Property D, and shall have the right to sell, transfer or otherwise dispose of such rights and obligations to any other party, including OCT Properties Company or its successor(s), subject to the consent of OCT Properties Company or its successor(s); however, Shenzhen Herald has not obtain any Title Certificate specifying that Shenzhen Herald is the registered owner of the Property D, therefore the legal adviser cannot verify whether Shenzhen Herald is the legal owner of the Property D.

- (5) The status of title and grant of major certificates, approvals and licences in accordance with the information provided by the Company and the opinion of PRC legal adviser:

Real Estate Title Certificate	No
Commercial House Sale and Purchase Agreement	Yes
Business License	Yes

1. 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.

2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at the Latest Practicable Date, the interests and short positions of Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”), to be notified to the Company and the Stock Exchange, were as follows:

	Number of Shares			Total	Percentage of total issued Shares
	Personal interests	Interests of spouse	Other interests		
Directors					
Dr. Cheung Tsang Kay Stan	1,897,500	830,000	79,857,393 (Note (i) &(ii))	82,584,893	13.71%
Mr. Robert Dorfman	51,471,000	–	–	51,471,000	8.54%

Notes:

- (i) Dr. Cheung Tsang Kay Stan is the founder of a family trust which owned 59,634,760 Shares. His spouse and family members are the beneficiaries of this family trust.
- (ii) Dr. Cheung Tsang Kay Stan is interested in 20,222,633 Shares together with other family members.

All the interests stated above represent long positions.

Save as disclosed above, none of the Directors or chief executive of the Company had, as at the Latest Practicable Date, any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions

which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

Other than the interests disclosed in the section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS" in respect of Directors, as at the Latest Practicable Date, the persons or corporations (other than Director or chief executive of the Company) who had interest or short positions in the Shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

	Note	Number of Shares			Total	Percentage of total issued Shares
		Personal interests	Interests of spouse	Other interests		
Substantial Shareholders						
Ms. Ng Yiu Chi Eleanor	(i)	830,000	81,754,893	–	82,584,893	13.71%
HSBC International Trustee Ltd ("HIT")	(ii)	–	–	59,634,760	59,634,760	9.90%
Other Persons						
Moral Excel Holdings Ltd ("MEH")	(ii)	59,634,760	–	–	59,634,760	9.90%
Mrs. Sheri Tillman Dorfman	(iii)	–	51,471,000	–	51,471,000	8.54%
Ms. Cheung Yee Alice	(iv)	30,281,424	–	20,222,633	50,504,057	8.38%
Ms. Chang Kan Jane	(v)	24,781,424	–	20,322,633	45,104,057	7.49%
Mr. Tong Shek King Denny	(vi)	–	45,004,057	100,000	45,104,057	7.49%
Ms. Mirriam Bloch		38,572,500	–	–	38,572,500	6.40%
Mr. Gershon Dorfman		37,325,799	–	–	37,325,799	6.20%
Mrs. Lydia Dorfman	(vii)	–	37,325,799	–	37,325,799	6.20%

Notes:

- (i) The entire interests in Shares of 82,584,893 are duplicated by those disclosed under Dr. Cheung Tsang Kay Stan, the spouse of Ms. Ng Yiu Chi Eleanor, in the section "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS".
- (ii) MEH is a company owned by a family trust which was interested in 59,634,760 Shares held by MEH, as noted in the section "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS". HIT, the trustee of this trust, is deemed to be interested in the 59,634,760 Shares owned by this trust.

- (iii) These interests in Shares are duplicated by those disclosed under Mr. Robert Dorfman, the spouse of Mrs. Sheri Tillman Dorfman, in the section "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS".
- (iv) Ms. Cheung Yee Alice is interested in 20,222,633 Shares together with Dr. Cheung Tsang Kay Stan and Ms. Chang Kan Jane.
- (v) Ms. Chang Kan Jane is interested in 20,222,633 Shares together with Dr. Cheung Tsang Kay Stan and Ms. Cheung Yee Alice. Ms. Chang Kan Jane is interested in another 100,000 Shares with Mr. Tong Shek King Denny.
- (vi) These interests in Shares are duplicated by those beneficially owned by Ms. Chang Kan Jane.
- (vii) These interests in Shares are duplicated by those beneficially owned by Mr. Gershon Dorfman.

All the interests stated above represent long positions.

Save as disclosed above, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the Company.

4. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENT OF SIGNIFICANCE

None of the Directors is materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

5. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2015, the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associate(s) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

8. MATERIAL CONTRACTS

Save for the Framework Agreement (as supplemented by the Supplemental Letter), none of the members of the Group has entered into any contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this circular that are or may be material.

9. LITIGATION

As at the Latest Practicable Date, there is no litigation or claims of material importance pending or threatened against any member of the Group.

10. EXPERT'S CONSENT AND QUALIFICATIONS

DTZ, an independent qualified valuer, has given its opinion or advice as set out in Appendix II to this circular.

As at the Latest Practicable Date, DTZ did not have any shareholding in any member of the Group nor did it have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and it did not have any direct or indirect interest in any assets which had been, since 31 March 2015 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by, or leased to, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

DTZ has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and reports and references to its name in the form and context in which they respectively appear.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong during normal business hours from the date of this circular up to and including the 14th day following the date hereof:

- (a) the Memorandum of Association and the Bye-laws of the Company;
- (b) the Framework Agreement;
- (c) the annual reports of the Company for the two years ended 31 March 2014 and 31 March 2015 and the interim report of the Company for the six months ended 30 September 2015;
- (d) the property valuation report from DTZ, the text of which is set out in Appendix II to this circular;
- (e) the consent letter of DTZ referred to in the paragraph headed "10. EXPERT'S CONSENT AND QUALIFICATIONS" in this Appendix;
- (f) a copy of this circular; and
- (g) the Supplemental Letter.

12. MISCELLANEOUS

- (a) The secretary of the Company is Mr. Thong Yeung Sum Michael, who is a member of Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal office of the Company is located on the 3110, 31/F, Tower Two, Lippo Centre, 89 Queensway, Hong Kong.
- (c) The Hong Kong share registrar of the Company is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The auditor of the Company is KPMG of 8/F, Prince's Building, 10 Chater Road, Central, Hong Kong.

- (d) The English text of this circular shall prevail over the Chinese text.

NOTICE OF THE SGM



HERALD HOLDINGS LIMITED

興利集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code : 00114)

NOTICE IS HEREBY GIVEN that the special general meeting (the “Meeting”) of Herald Holdings Limited (興利集團有限公司*) (the “Company”) will be held at Bowen Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 25 May 2016 at 3:30 p.m. for the purpose of considering and, if thought fit, passing with or without modifications the following resolution as an ordinary resolution of the Company.

ORDINARY RESOLUTION

“THAT:

- (i) the framework agreement (the “Framework Agreement”) dated 31 March 2016 (as supplemented by the supplemental letter dated 26 April 2016 (the “Supplemental Letter”)) entered into between 深圳興利五金塑膠有限公司 (Shenzhen Herald Metal and Plastic Company Limited), 華僑城集團公司 (Overseas Chinese Town Group Limited), 興利投資(中國)有限公司 (Herald Investments (China) Company Limited) and 上海新工聯(集團)有限公司 (Shanghai NIU (Group) Company Limited) and the transactions contemplated thereunder, including the Disposals and Termination (as defined in the Company’s circular dated 29 April 2016) (“the Circular”) be and are hereby approved, confirmed and ratified; and
- (ii) any one director of the Company be and is hereby authorised to, on behalf of the Company, do all such acts and sign, seal, execute, deliver all such documents and take all such actions as he or she may consider necessary or desirable for the purpose of or in connection with or to give effect to the Framework Agreement (as supplemented by the Supplemental Letter), the Transfer Agreements (as defined in the Circular) and the Termination Agreement (as defined in the Circular) and the transactions contemplated thereunder.”

By Order of the Board
Herald Holdings Limited
Robert Dorfman
Chairman

Hong Kong, 29 April 2016

* *For identification only*

NOTICE OF THE SGM

Notes:

1. Any member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member of the Company.
2. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority must be deposited with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
3. In the event that a black rainstorm warning or a tropical cyclone warning signal number 8 or above is hoisted or remains hoisted in Hong Kong at 12:00 noon or any time after 12:00 noon on 25 May 2016, the Meeting will be adjourned to the same time on the first business day after 25 May 2016 at Unit A, 6th Floor, Tai Tak Industrial Building, 2-12 Kwai Fat Road, Kwai Chung, New Territories, Hong Kong.