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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 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, you should at once hand this circular 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.

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HERALD HOLDINGS LIMITED

興利集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code : 00114)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF PROPERTIES**

A letter from the board of Directors of Herald Holdings Limited giving the details of the transaction in issue is set out on pages 3 to 6 of this circular.

* *For identification purpose only*

28 December 2007

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DEFINITIONS

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

“Acquisition”	the acquisition of the Properties pursuant to the successful bid on 7 December 2007
“Associates”	has the meaning ascribed to it under the Listing Rules
“Auction Confirmation Agreement”	the agreement dated 7 December 2007 between HDL and YGJH
“Board”	the board of Directors
“Company”	Herald Holdings Limited, a company incorporated in Bermuda whose shares are listed on the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HDL”	Herald Datanetics Limited, an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“Latest Practicable Date”	21 December 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules
“PRC”	the People’s Republic of China

DEFINITIONS

“Properties”	the land use rights of a piece of land with an area of approximately 33,000 square metres, together with premises of a total floor area of approximately 11,858 square metres erected thereon and within which the undeveloped land area is approximately 21,142 square metres, located at No.1 Pingxi 6 Road, Zhuhai Nanpin Science and Technology Industrial Park, Zhuhai, Guangdong, PRC
“RMB”	Renminbi, the lawful currency of PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholders”	the holders of shares of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America
“YGJH”	珠海市越光拍賣有限公司 (Zhuhai Yuguang Auction Co. Ltd.*) and 珠海江匯拍賣有限公司 (Zhuhai Jianghui Auction Co. Ltd.*) appointed by the Zhuhai Intermediate People’s Court as the auctioneers for the Properties
“%”	per cent

Unless otherwise specified in this circular and for the purpose of illustration only, RMB is translated to HK\$ at the rate of HK\$1.00 = RMB0.95. No representation is made that any amount in RMB has been or could be converted at the above rate or at any other rates or at all.

* For identification purpose only

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:

George Bloch (*Chairman*)

Cheung Tsang Kay Stan PhD, Hon LLD,

Hon DBA, JP (*Managing Director*)

Chang Dong Song

Robert Dorfman

Thong Yeung Sum Michael FCCA, CPA

Independent non-executive directors:

Tang King Hung ACA, FCCA, ACIS, CPA

David Tai Chong Lie-A-Cheong JP

Yeh Man Chun Kent

Registered Office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Head Office in Hong Kong:

3110, 31st Floor

Tower Two

Lippo Centre

89 Queensway

Hong Kong

28 December 2007

To the shareholders

DISCLOSEABLE TRANSACTION ACQUISITION OF PROPERTIES

1. INTRODUCTION

Reference is made to the announcement of the Company dated 11 December 2007 in relation to the Acquisition which constituted a discloseable transaction for the Company under Rule 14.07 of the Listing Rules. The main purpose of this circular is to give you further information regarding the Acquisition.

2. ACQUISITION OF PROPERTIES

On 7 December 2007, HDL, an indirect wholly-owned subsidiary of the Company, by way of public auction, acquired the Properties for and on behalf of the Group at a price of RMB34,106,000 (approximately HK\$35,901,000). The principal terms and conditions of the Acquisition are set out below:

* For identification purpose only

LETTER FROM THE BOARD

Details of the Auction and the Acquisition

Auction date : 7 December 2007

Parties : YGJH appointed by the Zhuhai Intermediate People's Court as the auctioneers for the Properties. The Company confirmed that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, YGJH and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

HDL as the successful bidder.

Subject matter : the Properties

Auction Confirmation Agreement

On 7 December 2007, HDL entered into the Auction Confirmation Agreement with YGJH confirming HDL's successful bid for the Properties. Pursuant to the terms of the Auction Confirmation Agreement, the Acquisition is conditional upon the payment of the consideration for the Properties.

Consideration and payment terms

Under the Auction Confirmation Agreement, the total consideration for acquiring, through the successful bid, the Properties is RMB34,106,000 (approximately HK\$35,901,000), and was paid in cash as follows:

Date of payment	Amount paid
5 December 2007	HK\$3,200,000 (approximately RMB3,040,000, being deposit for the bidding)
12 December 2007	RMB31,066,000 (approximately HK\$32,701,000, being balance of the consideration)

LETTER FROM THE BOARD

The consideration comprised the amount of RMB33,300,000 bid by HDL under the public bidding held by YGJH on 7 December 2007 in accordance with the relevant PRC laws and regulations, and the commission of RMB806,000 paid to YGJH. The bidding amount was determined with reference to the market price of similar plots of properties in the proximity. There was no financial information in relation to the Properties available to the Group.

3. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group will use the Properties to expand the production area of its computer head division. The Directors believe that the acquisition of the Properties will strengthen the business of the division, and hence broaden the earning base of the Group.

The Directors consider that the terms of the Acquisition are fair and reasonable, and that the Acquisition is on normal commercial terms and in the best interests of the Company and the Shareholders as a whole.

4. FINANCIAL EFFECT ON THE GROUP

The Group funded the Acquisition by its internal resources. Save that there was a decrease in bank balance of the Group with a corresponding increase in its fixed assets, the Acquisition has no significant impact on the earnings of the Group.

5. INFORMATION ABOUT THE COMPANY, HDL AND YGJH

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

HDL is a company incorporated under the laws of Hong Kong with limited liability. HDL is engaged in the manufacture of computer heads.

YGJH are companies incorporated under the laws of PRC with limited liability. The principal activity of YGJH is the provision of auction services.

6. IMPLICATION OF THE LISTING RULES

On the basis that the applicable percentage ratios in respect of the Acquisition is greater than 5% but less than 25% for the purposes of Rule 14.07 of the Listing Rules, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules.

LETTER FROM THE BOARD

7. GENERAL INFORMATION

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

Yours faithfully
By Order of the Board
Herald Holdings Limited
Thong Yeung Sum Michael
Company Secretary

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the beneficial interests or short positions of the Directors and chief executives of the Company and their Associates in the shares, underlying shares and debentures of the Company, its subsidiaries and its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code were as follows:

Interests in issued shares

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

Directors	Number of shares				Total	Percentage of total issued shares
	Personal interests	Interests of spouse	Corporate interests	Other interests		
G Bloch	150,000	10,391,500	1,250,000 <i>(Note (i))</i>	–	11,791,500	1.94%
D S Chang	–	21,654,879	–	85,538,356 <i>(Note (ii))</i>	107,193,235	17.64%
S T K Cheung	1,507,500	950,000	–	120,993,664 <i>(Notes (ii) & (iii))</i>	123,451,164	20.32%
R Dorfman	46,470,000	–	–	–	46,470,000	7.65%
M Y S Thong	12,383,308	–	–	–	12,383,308	2.04%

Notes:

- (i) Mr G Bloch and his Associates are beneficial shareholders of 100% and 58% of the issued capital of Anglo Tex Limited and Herald International Limited respectively, which owned 1,000,000 shares and 250,000 shares respectively.
- (ii) Dr S T K Cheung and Mr D S Chang are the beneficiaries of a family trust which owned 85,538,356 shares.
- (iii) Dr S T K Cheung is the beneficiary of a separate family trust which owned 35,455,308 shares.

Apart from the foregoing, none of the Directors or chief executives of the Company or their Associates had, as at the Latest Practicable Date, interests or short positions in the shares, underlying shares or debentures of the Company, any of its subsidiaries or other associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, as far as was known to the Directors or chief executives of the Company and according to the register of interests and short positions maintained by the Company under Section 336 of the SFO, the following persons (not being a Director or chief executive of the Company) had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of the share capital that carry a right to vote in all circumstances at general meetings of any other member of the Group:

Interests in issued shares

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

	Note	Number of shares				Total	Percentage of total issued shares
		Personal interests	Interests of spouse	Corporate interests	Other interests		
Substantial shareholders							
Chan Him Wee	(i)	21,654,879	–	–	85,538,356	107,193,235	17.64%
Ng Yiu Chi Eleanor	(ii)	950,000	122,501,164	–	–	123,451,164	20.32%
Goldfinch Investments Ltd (“GIL”)	(iii)	69,728,356	–	–	–	69,728,356	11.48%
HSBC International Trustee Ltd (“HIT”)	(iii)	–	–	–	120,993,664	120,993,664	19.91%
Other persons							
Sheri Tillman Dorfman	(iv)	–	46,470,000	–	–	46,470,000	7.65%

	Note	Number of shares				Total	Percentage of total issued shares
		Personal interests	Interests of spouse	Corporate interests	Other interests		
Gershon Dorfman		37,740,799	–	–	–	37,740,799	6.21%
Lydia Dorfman	(v)	–	37,740,799	–	–	37,740,799	6.21%
Moral Excel Holdings Ltd (“MEH”)	(iii)	35,455,308	–	–	–	35,455,308	5.84%
Allianz SE (“ASE”)	(vi)	–	–	30,485,000	–	30,485,000	5.02%
Dresdner Bank Aktiengesellschaft (“DBA”)	(vi)	–	–	30,485,000	–	30,485,000	5.02%
Veer Palthe Voute NV (“VPV”)	(vi)	30,485,000	–	–	–	30,485,000	5.02%

Notes:

- (i) The entire interests in shares of 107,193,235 are duplicated by those disclosed under Mr D S Chang, the spouse of Ms Chan Him Wee, in the section “Directors’ and chief executives’ interests and short positions in shares, underlying shares and debentures”.
- (ii) The entire interests in shares of 123,451,164 are duplicated by those disclosed under Dr S T K Cheung, the spouse of Ms Ng Yiu Chi Eleanor, in the section “Directors’ and chief executives’ interests and short positions in shares, underlying shares and debentures”.
- (iii) GIL is a company owned by a family trust which owned an aggregate of 85,538,356 shares as noted in the section “Directors’ and chief executives’ interests and short positions in shares, underlying shares and debentures”, comprising 69,728,356 shares held by GIL and 15,810,000 shares held by the trust itself. MEH is another company owned by a separate family trust which owned 35,455,308 shares. HIT, the trustee of these trusts, was deemed to be interested in the 120,993,664 shares held by these trusts.
- (iv) These interests in shares are duplicated by those disclosed under Mr R Dorfman, the spouse of Mrs Sheri Tillman Dorfman, in the section “Directors’ and chief executives’ interests and short positions in shares, underlying shares and debentures”.
- (v) These interests in shares are duplicated by those beneficially owned by Mr Gershon Dorfman.
- (vi) These interests in shares were held by VPV, an investment manager. DBA, being the holding company of VPV, and ASE which in turn owned 81.01% of DBA were both deemed to be interested in these shares.

Save as disclosed above, the Directors are not aware of any other person, as at the Latest Practicable Date, who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were interested, directly or indirectly, in 10% or more of the nominal value of the share capital that carry a right to vote in all circumstances at general meetings of any member of the Group.

LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claims of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Company or any of its subsidiaries which was not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective Associates had any interests in a business which competes or is likely to complete, directly or indirectly, with the business of the Group.

MISCELLANEOUS

- i. Mr Thong Yeung Sum Michael, an executive director of the Company, is the qualified accountant and company secretary of the Company. Mr Thong is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
- ii. The share registrars and transfer office of the Company in Hong Kong is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- iii. The English text of this circular shall prevail over the Chinese text, in the case of any inconsistency.