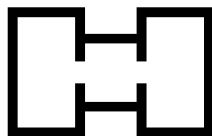


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## **HERALD HOLDINGS LIMITED**

**興利集團有限公司\***

(Incorporated in Bermuda with limited liability)

(Stock Code : 114)

## **DISCLOSEABLE TRANSACTION DISPOSAL OF PROPERTIES**

On 15 July 2011, the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Preliminary Agreement with the Purchasers pursuant to which the Vendor has agreed to sell, and the Purchasers have agreed to purchase, the Properties for a total consideration of HK\$51,483,500.

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Disposal are greater than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules and is subject to the notification and announcement requirements.

### **INTRODUCTION**

On 15 July 2011, the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Preliminary Agreement with the Purchasers pursuant to which the Vendor has agreed to sell, and the Purchasers have agreed to purchase, the Properties for a total consideration of HK\$51,483,500.

### **THE PRELIMINARY AGREEMENT**

#### **Date**

15 July 2011

#### **Parties**

Vendor : Jonell Limited, an indirect wholly-owned subsidiary of the Company

Purchasers : Hanart T Z Gallery Limited and Moonchu Foundation Limited, as tenants in common in equal shares

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchasers and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

## **Properties**

The Properties are located at Factory Unit on Ground Floor, Factory Units A & B on First Floor and Car Parking Space Nos. 16 and 17 on Ground Floor of Tai Tak Industrial Building, Nos. 2-12 Kwai Fat Road, Kwai Chung, New Territories, Hong Kong. The Properties are for non-residential use.

Factory Unit on Ground Floor and Factory Unit B on First Floor together with Car Parking Spaces Nos. 16 and 17 on Ground Floor of the Properties are subject to a tenancy agreement with a monthly rental of HK\$112,500 (exclusive of Government rent and rates and management fees which are to be paid by the tenant) which will expire on 20 October 2011. A deposit of HK\$241,882 being two months' rental and service maintenance and management charges has been paid under the aforesaid tenancy agreement.

A portion of Factory Unit A on First Floor of the Properties is subject to a tenancy agreement with a monthly rental of HK\$44,348 (inclusive of Government rent and rates and management fees) which will expire on 20 October 2011. A deposit of HK\$88,696 being two months' rental has been paid under the aforesaid tenancy agreement. The remaining portion of Factory Unit A on First Floor of the Properties is being used as a warehouse by the Group.

The Vendor and the Purchasers agreed that the above tenancy agreements together with the relevant deposits will be assigned and transferred by the Vendor to the Purchasers upon completion of the Disposal.

## **Consideration and payment terms**

The total consideration for the Disposal is HK\$51,483,500 to be settled in cash, which was agreed between the Vendor and the Purchasers based on arm's length negotiation after taking into account the prevailing property market in Hong Kong and the market price of the similar properties adjacent to the Properties.

The Purchasers have paid to the Vendor the Initial Deposit of HK\$2,600,000 upon entering into of the Preliminary Agreement and shall pay a further deposit of HK\$2,548,350 upon entering into of the Formal Agreement on or before 8 August 2011.

The balance of the consideration in the amount of HK\$46,335,150 shall be paid by the Purchasers to the Vendor upon completion of the Disposal on or before 20 September 2011.

## **Completion**

Completion of the Disposal will take place on or before 20 September 2011.

## **Agency fee**

In consideration of the services rendered by a property agency company to the Vendor, the Vendor shall pay to the property agency company an agency fee of HK\$514,835 (representing 1% of the total consideration for the Properties) on or before 8 August 2011. The property agency company and its beneficial owners, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The carrying value of the Properties was HK\$50,251,017 in the audited consolidated accounts of the Company as at 31 March 2011. Subject to audit, the Group will realize a profit of approximately HK\$582,483 from the Disposal which is calculated based on the consideration of HK\$51,483,500 minus the estimated transaction costs of HK\$650,000 and the carrying value of the Properties as at 31 March 2011.

The audited net profits before and after taxation and extraordinary items attributable to the Properties were approximately HK\$22,216,235 and HK\$21,930,348 respectively for the year ended 31 March 2011, and approximately HK\$4,246,005 and HK\$3,939,764 respectively for the year ended 31 March 2010.

Given the current rising property market in Hong Kong, the Directors consider that the Disposal presents a good opportunity for the Company to yield a reasonable return to its investment in the Properties. The Directors believe that the terms of the Disposal are on normal commercial terms, the terms of which are fair and reasonable and in the interests of the Shareholders as a whole.

The proceeds from the Disposal will be used as general working capital of the Group.

## **GENERAL**

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 toys, computer products, housewares, clocks, watches and electronic and gift products.

Hanart T Z Gallery Limited is a limited liability company incorporated in Hong Kong and is principally engaged in the gallery business.

Moonchu Foundation Limited is a limited liability company incorporated in Hong Kong and is a foundation for culture and education.

## **IMPLICATION OF THE LISTING RULES**

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Disposal are greater than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules and is subject to the notification and announcement requirements.

## DEFINITIONS

“Board”	the board of Directors;
“Company”	Herald Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“Disposal”	the disposal of the Properties by the Vendor to the Purchasers on the terms and conditions of the Preliminary Agreement;
“Formal Agreement”	the formal agreement for the sale and purchase of the Properties to be entered into between the Vendor and the Purchasers in respect of the Disposal;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“Initial Deposit”	a deposit of HK\$2,600,000 paid by the Purchasers to the Vendor upon entering into of the Preliminary Agreement for the purchase of the Properties;
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Preliminary Agreement”	the preliminary sale and purchase agreement dated 15 July 2011 and entered into between the Vendor and the Purchasers in relation to the sale and purchase of the Properties;
“Properties”	Factory Unit on Ground Floor, Factory Units A & B on First Floor and Car Parking Spaces Nos. 16 and 17 on Ground Floor of Tai Tak Industrial Building, Nos. 2-12 Kwai Fat Road, Kwai Chung, New Territories, Hong Kong;
“Purchasers”	Hanart T Z Gallery Limited and Moonchu Foundation Limited, being the purchasers of the Properties under the Preliminary Agreement;
“Shareholders”	holders of the ordinary shares of US\$0.01 each in the capital of the Company;

- “Vendor” Jonell Limited, a company incorporated in Hong Kong with limited liabilities and an indirect wholly-owned subsidiary of the Company, which is the vendor of the Properties under the Preliminary Agreement; and
- “US\$” United States dollar, the lawful currency of the United States of America.

By Order of the Board  
**Herald Holdings Limited**  
**Thong Yeung Sum Michael**  
Managing Director

Hong Kong, 15 July 2011

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

*\*For identification only*