

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



LITIGATION AGAINST THE COMPANY IN BERMUDA

On 16 May 2002, the Petitioners lodged the Petition with the Bermuda Court against the Company in respect of the Subscription. Up to the date of this announcement, the Company has not received in Hong Kong or Bermuda the affidavit required by the Bermuda Court rules verifying the Petition. The Directors consider that the Petition is an abuse of procedures and is unfounded for reasons as detailed in the announcement below.

On 16 May 2002, Charterbase Management Limited and United People Assets Limited (“Petitioners”) who are minority shareholders of the Company holding 20,000 shares (approximately 0.00330%) and 6,000 shares (approximately 0.00099%) respectively in the issued share capital of UDL Holdings Limited (the “Company”) since 10 May 2001 and 21 December 2001 respectively lodged a petition under section 111 of the Companies Act, which is an alternative remedy to winding up of a company, with the Supreme Court of Bermuda (“Bermuda Court”) against the Company as the first respondent in respect of the subscription of 100,922,478 shares in the Company by Harbour Front Limited (the “Subscription”), details of which were contained in the Company’s circular dated 23 April 2001. As detailed in the Company’s announcement dated 30 March 2001 and circular dated 23 April 2001, the net proceeds of the Subscription of approximately HK\$3.2 million has been advanced as an interim finance to the common administrator (“Scheme Administrator”) of the respective schemes of arrangement of the Company and its scheme participating subsidiaries which were all effective 28 April 2000 as disclosed in the section headed “Introduction” of the letter from the board contained in the Company’s prospectus dated 29 April 2000. Such interim finance represents the total amount advanced by the Company to the Scheme Administrator so far which are remain outstanding as at the date of this announcement.

According to the legal advisers to the Company on Bermuda laws, the Petition was only validly served on the Company on 23 May 2002 and that the Bermuda Court rules provide that an affidavit verifying the Petition must be filed by the Petitioners within 4 days after the presentation of the Petition. Up to the date of this announcement, the Company has not received in Hong Kong or Bermuda the affidavit verifying the Petition.

It is noted that most of the issues raised by the Petitioners in the Petition had been raised by Charterbase Management Limited in the Securities and Futures Committee Panel (“SFC Panel”) hearing held on 13 September 2001. A copy of the decision of the SFC Panel can be found in the Takeovers and Mergers Panel Decisions section of the SFC Website at <http://www.hksfc.org.hk> and an announcement has been made by the Company on 5 October 2001 in relation to the decision of the SFC Panel. As such, the directors of the Company (“Directors”) consider that the Petition is an abuse of procedures and is unfounded.

Subject to the valid filing of the required affidavit and ruling of the Bermuda Court on the Petition, the potential legal liability related to the Company as advised by the Company's legal advisers on Bermuda Laws among the relief sought in the Petition are set out as follows:–

1. The Bermuda Court could order a special general meeting of the shareholders of the Company as soon as possible to reconsider the Subscription. The Company would then be required to hold a special general meeting and incur all the costs associated with holding the meeting. The Directors consider that such costs, if incurred, are insignificant to the Company. Any reversal of previous shareholders resolution in the special general meeting will be subject to court order.
2. The Bermuda Court could order the Company to make an open offer of new shares of the Company to all shareholders of the Company (apart from Harbour Front Limited) who held shares of the Company at the date of the Subscription at the same price as that offered to Harbour Front Limited in the subscription agreement dated 30 March 2001. The Company would need to make an open offer and incur the costs for doing so including costs of professional parties, printing, etc. This may increase the issued share capital of the Company and change the shareholding percentages of the Company held by its shareholders.

Further announcement in respect of the aforesaid will be made by the Company as and when appropriate.

For the sake of clarification, the Directors hereby clarify that the suspension of trading of the Company's shares since 9:30 am, 30 May 2002 is not related to the aforesaid petition. An application has been made to the Stock Exchange for resumption of trading in the shares of the Company with effect from 9:30 am on 19 June 2002.

Holders of the shares and potential investors of the Company should exercise caution when dealing with the shares of the Company.

By Order of the Board
UDL HOLDINGS LIMITED
Leung Yu Oi Ling, Irene
Chairman

Hong Kong, 18 June 2002

* *For identification purpose only*

“Please also refer to the published version of this announcement in The Standard”.