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If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **UDL HOLDINGS LIMITED**, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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UDL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

**NOTICE OF ANNUAL GENERAL MEETING TOGETHER WITH
PROPOSED GENERAL MANDATES TO REPURCHASE SHARES
AND ISSUE SHARES,
AND
PROPOSED ADOPTION OF A NEW SHARE OPTION SCHEME**

A notice convening an annual general meeting of UDL HOLDINGS LIMITED to be held at Room 306, 3rd Floor, Hong Kong International Trade & Exhibition Centre, No. 1 Trademart Drive, Kowloon Bay, Hong Kong on 31st December 2002 at 3:00 p.m. is set out on pages 21 to 23 of this circular. Whether or not shareholders propose to attend the meeting, they are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company's Registrar in Hong Kong, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude shareholders from attending and voting in person at the meeting should they so wish.

Hong Kong, 6th December 2002

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DEFINITIONS

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

“Annual General Meeting”	an annual general meeting of the Company to be held on 31st December 2002 at 3:00 p.m.
“Associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company or a duly authorised committee thereof
“Company”	UDL HOLDINGS LIMITED, an exempted company incorporated in Bermuda with limited liability and the Shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company for the time being
“Eligible Participant”	means (i) any full-time employees of the Company or of any of its Subsidiaries; (ii) any directors (including non-executive directors and independent non-executive directors) of the Company or of any of its Subsidiaries; (iii) any advisers, consultants, suppliers and agents to the Company or to any of its Subsidiaries; and (iv) such other persons who have contributed to the Group, the assessment criteria of which are: (a) contribution to the development and performance of the Group; (b) quality of work performed for the Group; (c) initiative and commitment in performing his/her duties; and (d) length of service or contribution to the Group
“Employees”	any employee or executive director of the Company or any of its Subsidiaries
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“Old Share Option Scheme”	the share option scheme for the full-time employees or executive director of the Company or its Subsidiaries adopted by the Company at its special general meeting on 6th September 1991 and expired on 6th September 2001
“Grantee”	any Eligible Participant who accepts an offer in accordance with the terms of the New Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee
“Group”	the Company and its Subsidiaries
“Latest Practicable Date”	3rd December 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Share Option Scheme”	the new share option scheme to be adopted by the Company at the Annual General Meeting under Ordinary Resolution No. 7
“Option(s)”	an option to subscribe for Shares granted pursuant to the New Share Option Scheme
“Option Period”	a period to be notified by the Board to each Grantee as being the period during which an Option may be exercised as the Board determines at its discretion, save that such period shall not be more than 10 years from the date of grant of the Option
“Ordinary Resolution(s)”	the proposed ordinary resolution(s) as referred to in the notice of Annual General Meeting
“Repurchase Mandate”	a general mandate to the Directors to exercise the powers of the Company to repurchase Shares during the period as set out in Ordinary Resolution No. 4 up to a maximum of 10 per cent of the issued share capital of the Company as at the date of passing of Ordinary Resolution No. 4
“Scheme”	the scheme of arrangement of the Company and the Scheme Participating Subsidiaries effective on 28th April 2000
“Scheme Participating Subsidiaries”	namely, Econo Plant Hire Company Limited, UDL Argos Engineering & Heavy Industries Company Limited, UDL Civil Contractors Limited, UDL Contracting Limited, UDL Marine Operation Limited, UDL Marine Pte Limited, UDL Ship Management Limited, East Coast Towing Limited, Everpoint Company Limited, Exact Profit Limited, Fairking Transportation Limited, Faith On International Limited, Full Keen Investment Limited, Graceful Ease Investment Limited, Keen Yield Investment Limited, S.K. Luk Construction Company Limited, UDL Dredging Limited, UDL E&M (BVI) Limited, UDL Investment Limited, UDL Management Limited, UDL Steel Fabricators & Shipbuilders Company Limited, UDL Employment Services Limited, Wellful Time Limited, all of which are wholly-owned subsidiaries of the Company, and Universal Dockyard Limited, a 98.75% owned subsidiary of the Company
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Share Issue Mandate”	a general mandate to the Directors to exercise the powers of the Company to issue during the period as set out in the Ordinary Resolution No. 5 representing up to 20 per cent of the issued share capital of the Company as at the date of passing of Ordinary Resolution No. 5

DEFINITIONS

“Share Repurchase Rules”	the relevant rules set out in the Listing Rules to regulate the repurchase by companies with primary listings on the Stock Exchange of their own securities on the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance of Hong Kong or The Companies Act 1981 of Bermuda (as amended)) of the Company
“Takeover Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of The People’s Republic of China

LETTER FROM THE CHAIRMAN



UDL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Executive Directors:

Mrs. Leung Yu Oi Ling, Irene (*Chairman*)

Miss. Leung Chi Yin, Gillian

Independent Non-executive Directors/Audit Committee:

Mr. Pao Ping Wing, JP

Prof. Yuen Ming Fai, Matthew

Registered Office:

Cedar House

41 Cedar Avenue

Hamilton HM 12

Bermuda

Head Office and Principal

Place of Business:

Room 704, 7th Floor

Aitken Vanson Centre

61 Hoi Yuen Road

Kwun Tong

Hong Kong

6th December 2002

To the shareholders of the Company

Dear Sir or Madam,

NOTICE OF ANNUAL GENERAL MEETING TOGETHER WITH PROPOSED GENERAL MANDATES TO REPURCHASE SHARES AND ISSUE SHARES, AND PROPOSED ADOPTION OF A NEW SHARE OPTION SCHEME

1. INTRODUCTION

This circular contains an explanatory statement and summary of the principal terms of the New Share Option Scheme, to be sent to shareholders of the Company in compliance with the Listing Rules to give all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the Ordinary Resolutions to approve the Repurchase Mandate and Share Issue Mandate and the adoption of a New Share Option Scheme.

2. GENERAL MANDATES TO REPURCHASE AND ISSUE SHARES

At the Annual General Meeting of the Company to be held on 31st December 2002, an Ordinary Resolution will be proposed to renew a general mandate previously granted to the Directors, on the terms set out in the notice of the Annual General Meeting, allowing them to exercise all powers of the Company to repurchase its fully-paid Shares. Under such a mandate, the number of Shares that the Company may repurchase shall not exceed 10 per cent of the issued share capital of the Company at the date of passing the Ordinary Resolution. The Company's authority shall be restricted to repurchases made on the Stock Exchange.

LETTER FROM THE CHAIRMAN

The mandate allows the Company to make repurchases only during the period ending on the earliest of the date of the next annual general meeting, the date by which the next annual general meeting of the Company is required by any applicable law or the Company's Bye-Laws to be held or the date upon which such mandate is revoked or varied by an ordinary resolution of shareholders of the Company in general meeting.

It will also be proposed to grant a general mandate to the Directors, in the terms set out in the notice of the Annual General Meeting, allowing them to exercise all powers of the Company to allot, issue and deal with Shares not exceeding 20 per cent of the issued share capital of the Company at the date of passing the related Ordinary Resolution, to provide flexibility to the Directors if desirable.

An Ordinary Resolution will also be proposed at the Annual General Meeting to authorise the extension of the Share Issue Mandate by adding to the mandate the number of Shares to be repurchased by the Company under the Repurchase Mandate in the terms set out in the notice of Annual General Meeting.

An explanatory statement as required under the Share Repurchase Rules to provide the requisite information of the Repurchase Mandate is set out in Appendix I hereto.

3. ADOPTION OF A NEW SHARE OPTION SCHEME

The Old Share Option Scheme was adopted by the Company on 6th September 1991 and expired on 6th September 2001. The Directors consider that in order to enable the Group to attract and retain employees of appropriate qualifications and with the necessary experience to work for the Group, it is important that the Group should continue to provide such employees with an additional incentive by offering them an opportunity to obtain an ownership interest in the Company and to reward them for contributing to the long-term success of the business of the Group.

The Directors consider that in order to enable the Group to motivate Eligible Participants to optimise their performance and efficiency for the benefit of the Group and to attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group, it is important that the Group should be permitted to provide them, where appropriate, with an additional incentive by offering them an opportunity to obtain an ownership interest in the Company and to reward them for contributing to the long-term success of the business of the Group. By offering the Options to the Eligible Participants upon such terms as may be permitted under the New Share Option Scheme, such Eligible Participants may exercise their Options at any time within the Option Period to acquire a monetary gain or ownership interest in the Company which may in turn provide a further incentive to them for advancing their performance and strengthening the relationship with them.

It is proposed that subject to the approval of the shareholders of the Company of the adoption of the New Share Option Scheme at the Annual General Meeting, the New Share Option Scheme will take effect, subject to the approval of the Stock Exchange, on the date of its adoption at the Annual General Meeting. Operation of the New Share Option Scheme will commence after all of its conditions precedent have been fulfilled.

LETTER FROM THE CHAIRMAN

Accordingly, the Directors propose to recommend the shareholders at the Annual General Meeting to approve the adoption of the New Share Option Scheme. As at the Latest Practicable Date, the Company has not adopted any share option scheme other than the Old Share Option Scheme.

It is therefore proposed that the New Share Option Scheme be adopted at the Annual General Meeting for the benefit of Eligible Participants. A summary of the principal terms of the New Share Option Scheme is set out in Appendix II hereto.

There are no outstanding options granted pursuant to the Old Share Option Scheme as at the Latest Practicable Date.

As at the Latest Practicable Date, the Company had 908,302,302 Shares in issue. Assuming that there is no change in the issued share capital between the period from the Latest Practicable Date and the date of the adoption of the New Share Option Scheme, the number of Shares issuable pursuant to the New Share Option Scheme on the date of its adoption will be 90,830,230 Shares that is 10 per cent of the issued share capital of the Company as at the date of Annual General Meeting.

In respect of the operation of the New Share Option Scheme, the Company will, where applicable, comply with the relevant requirements under chapter 17 of the Listing Rules. No Directors will be trustees of the New Share Option Scheme nor have a direct or indirect interest in the trustees.

4. VALUE OF THE OPTION

The Directors consider that it is not appropriate to state the value of all the Options as if they had been granted at the Latest Practicable Date prior to the approval of the New Share Option Scheme given that the crucial variables for the calculation of the value of such Options cannot be determined. Such variables include the subscription price for the Share upon the exercise of the subscription rights attaching to the Options and the period during which the subscription rights may be exercised. The subscription price payable for the Shares depends on the price of the Shares as quoted on the Stock Exchange, which in turn depends on when the Board is to grant Options. It is also difficult to ascertain with accuracy the subscription price of the Shares given the volatility to which the Share price may be subject during the 10-year life span of the New Share Option Scheme. With a scheme life of 10 years, the Board is of the view that it is too premature to state when Options may be granted and the number of Options that may be granted. Moreover the value of such Options is affected by the factors such as the discretion of the Board to impose any performance target that has to be achieved before the subscription right attaching to the Options can be exercised and any other conditions that the Board may impose on the Options.

Taking into account the aforesaid, the Directors are of the view that the value of the Options depends on a number of variables which are either too difficult to ascertain or can only be ascertained subject to a number of theoretical basis and speculative assumptions. Accordingly, the Directors consider that any calculation of the value of the Options will not be meaningful and may be misleading to the shareholders of the Company in the circumstances.

LETTER FROM THE CHAIRMAN

5. CONDITIONS PRECEDENT OF THE NEW SHARE OPTION SCHEME

The adoption of the New Share Option Scheme is subject to the following conditions:

- (i) the approval of the shareholders of the Company for the adoption of the New Share Option Scheme; and
- (ii) the Stock Exchange granting approval for the New Share Option Scheme and the subsequent granting of Options thereunder, the listing of and permission to deal in the Shares in the Company or any part thereof to be issued and allotted pursuant to the exercise of the Options granted under the New Share Option Scheme.

Subject to the approval of the shareholders of the Company of the adoption of the New Share Option Scheme and conditional upon the Stock Exchange granting approval of the New Share Option Scheme and the subsequent granting of Options thereunder and the listing of and permission to deal in the Shares in the Company or any part thereof to be issued and allotted pursuant to the exercise of the Options granted under the New Share Option Scheme, the Directors will have the right to grant to Eligible Participants Options to subscribe for Shares in the Company under the New Share Option Scheme that, when aggregated with any Share which may be issued upon exercise of Options to be granted under any other share option schemes, represent up to 10 per cent of the Shares in issue as at the date of approval of the New Share Option Scheme unless the Company obtains a fresh approval from its shareholders to renew the 10 per cent limit. In any event, the maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes shall not exceed 30 per cent of the issued share capital of the Company from time to time.

An application will be made to the Stock Exchange for the approval of the New Share Option Scheme and the subsequent granting of Options thereunder and the listing of and permission to deal in the Shares in the Company to be issued pursuant to the exercise of the Options granted under the New Share Option Scheme.

The New Share Option Scheme may be altered in any respect by a resolution of the Board except that the provisions of the New Share Option Scheme relating to matters contained in rule 17.03 of the Listing Rules shall not be altered to the advantage of Grantees or prospective Grantees except with the prior approval of the shareholders of the Company in general meeting. Once the New Share Option Scheme is adopted, any alterations to the terms and conditions thereof, which are of a material nature, must be approved by the shareholders of the Company in general meeting, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme. The amended terms of the New Share Option Scheme and all Options must continue to comply with the relevant requirements of chapter 17 of the Listing Rules. Any change to the authority of the Board in relation to any alteration to the terms of the New Share Option Scheme must be approved by shareholders of the Company in general meeting. Company will publish an announcement on the outcome of Annual General Meeting regarding the adoption of New Share Option Scheme on the business day following the date of Annual General Meeting.

6. ANNUAL GENERAL MEETING

Notice of the Annual General Meeting is contained in this circular. A form of proxy for use at the Annual General Meeting is also enclosed therewith.

LETTER FROM THE CHAIRMAN

The following Ordinary Resolutions, as special business, will be respectively proposed at such meeting:

- to grant to the Directors a general mandate to authorise the Directors to issue, allot and deal with Shares with an aggregate nominal value not exceeding 20 per cent of the aggregate nominal amount of the issued share capital of the Company as at the date of passing Ordinary Resolution No. 5;
- to grant to the Directors a general mandate to exercise all powers of the Company to repurchase on the Stock Exchange Shares representing up to 10 per cent of the issued share capital of the Company as at the date of passing Ordinary Resolution No. 4;
- to extend the general mandate which will be granted to the Directors to issue, allot and deal with additional Shares by adding to it the number of Shares repurchased under the Repurchase Mandate after the granting of the Share Issue Mandate; and
- to approve the adoption of the New Share Option Scheme with effect from the conclusion of the Annual General Meeting.

7. ACTION TO BE TAKEN

Whether or not you intend to attend the Annual General Meeting, you are requested to complete the accompanying proxy form and return it to the company registrar of the Company in Hong Kong, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Hong Kong not later than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof. Completion and return of the proxy form will not preclude shareholders of the Company from attending and voting in person at the Annual General Meeting if they so wish.

8. RECOMMENDATION

The Directors believe that the granting of the Repurchase Mandate and Share Issue Mandate, and the adoption of New Share Option Scheme are all in the best interests of the Company and its shareholders and so recommend you to vote in favour of the related Ordinary Resolutions at the Annual General Meeting. The Directors will exercise their voting rights in respect of all of their shareholdings (if any) in favour of the Ordinary Resolutions. A copy of the New Share Option Scheme will be available for inspection during normal business hours at the company registrar of the Company, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong during the 14-day period immediately preceding the Annual General Meeting and at the Annual General Meeting itself.

Yours faithfully,
For and on behalf of the Board
Leung Yu Oi Ling, Irene
Chairman

This appendix serves as an explanatory statement, as required by the Share Repurchase Rules, to provide requisite information to you for your consideration of the proposal to permit the repurchase of Shares up to a maximum of 10 per cent of the issued share capital of the Company as at the date of approval for the Repurchase Mandate.

SHARE CAPITAL

As at the Latest Practicable Date, the number of Shares in issue was 908,302,302. On the basis of such figure, assuming that no Shares would be issued or repurchased thereafter and prior to the Annual General Meeting, the Directors would be authorized to repurchase Shares up to a limit of 90,830,230 Shares.

REASON FOR REPURCHASES

The Directors have no present intention to make any repurchase of the Company's own Shares but consider that the mandate will provide the Company the flexibility to make such repurchases when appropriate and beneficial to the Company and its shareholders. Such repurchases may enhance the net asset value of the Company and/or earnings per Share. Based on the financial position of the Company as at 31st July 2002 (being the date of its latest published audited accounts), there could be a material adverse impact on the working capital and on the gearing position of the Company in the event that the proposed repurchases were to be carried out in full during the proposed repurchase period. However, the Directors do not propose to make any repurchases in the circumstances that would have a material adverse impact on the working capital or gearing ratio of the Company.

FUNDING FOR REPURCHASES

Repurchases must be funded out of funds legally available for the purpose in accordance with the laws of Bermuda, the Memorandum of Association and the Bye-Laws of the Company. It is envisaged that the Company will derive the funds for repurchase of its shares in accordance therewith.

The Company is empowered by its Memorandum of Association and Bye-Laws to repurchase its own Shares. Bermuda law provides that the amount of capital repaid in connection with a share repurchase may only be paid out of either the capital paid up on the relevant shares, or out of the funds of the company that would otherwise be available for distribution by way of dividend or the proceeds of a new issue of shares made for such purpose. The amount of premium payable on the repurchases, if any, may only be paid out of either the funds of the Company that would otherwise be available for distribution by way of dividend or out of the share premium of the Company. Further, the Company may not purchase its own Shares if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the Company is or, after the purchase would be, unable to pay its liabilities as they become due.

DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

None of the Directors nor, to the best of the knowledge and belief of the Directors having made all reasonable enquiries, any of their Associates has any present intention, in the event that the proposed general mandate is approved by shareholders, to sell Shares to the Company.

No connected person (as defined in the Listing Rules) of the Company has notified the Company that he/she has any present intention to sell Shares to the Company nor has he/she undertaken not to sell any of the Shares held by him/her to the Company in the event that the Company is authorized to make repurchases of its own Shares.

UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchases pursuant to the proposed Repurchase Mandate in accordance with the Listing Rules, all applicable laws of Bermuda and the regulations, and the Memorandum of Association and Bye-Laws of the Company.

EFFECT OF TAKEOVER CODE

As at the Latest Practicable Date, to the best of the knowledge and belief of Directors, Mrs. Leung Yu Oi Ling, Irene (“Mrs. Leung”), the Chairman of the Company and her children and Associates together hold approximately 45.47 per cent of the issued share capital of the Company, while Mr. Matthew O’ Driscoll, the administrator of the Scheme holds approximately 27.78 per cent of the issued share capital of the Company on trust for the creditors under the Scheme pending distribution pursuant to the terms of the Scheme. In the event that the Directors should exercise the power to repurchase Shares which is proposed to be granted pursuant to the relevant Ordinary Resolution and if there is no other change in issued share capital of the Company, Mrs. Leung and Mr. Matthew O’ Driscoll shall respectively consult the Executive as to the application of the provisions under Rule 26.1 of the Takeover Code on her/his and their concert parties (as defined in the Takeover Code).

REPURCHASES AND SHARE PRICES

During each of the six months preceding the date of this circular, the Company has not repurchased any of its Shares. During each of the previous twelve months from 1st December 2001 to 30th November 2002, the highest and lowest traded prices for Shares on the Stock Exchange were as follows:

Month	Shares	
	Highest HK\$	Lowest HK\$
2001		
December	0.054	0.047
2002		
January	0.058	0.048
February	N/A	N/A (<i>Note</i>)
March	0.048	0.048
April	0.057	0.042
May	0.058	0.045
June	0.064	0.055
July	0.060	0.055
August	N/A	N/A (<i>Note</i>)
September	N/A	N/A (<i>Note</i>)
October	0.047	0.021
November	0.032	0.021

Note: The highest and lowest traded prices for Shares on the Stock Exchange in February, August and September 2002 are not available as there were no trading of Share in those months.

RESPONSIBILITY STATEMENT

This document 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 document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are not other facts not contained herein the omission of which would make any statement contained in this document misleading.

SUMMARY OF THE NEW SHARE OPTION SCHEME

The following summary of the principal terms of the New Share Option Scheme to be adopted at the Annual General Meeting does not form, nor was it intended to be, part of the New Share Option Scheme nor should it be taken as effecting the interpretation of the rules of the New Share Option Scheme.

(a) Purpose

The New Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions Eligible Participants had or may have made to the Group.

The New Share Option Scheme will provide Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimise their performance and efficiency for the benefit of the Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(b) Who may join

The Board may, at its discretion, offer to grant an Option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (e) below to (i) any full-time employees of the Company or of any of its Subsidiaries; (ii) any directors (including non-executive directors and independent non-executive directors) of the Company or of any of its Subsidiaries; (iii) any advisers, consultants, suppliers and agents to the Company or to any of its Subsidiaries; and (iv) such other persons who have contributed to the Group, the assessment criteria of which are: (a) contribution to the development and performance of the Group; (b) quality of work performed for the Group; (c) initiative and commitment in performing his/her duties; and (d) length of service or contribution to the Group. Upon acceptance of the Option, the Grantee shall pay \$1.00 to the Company by way of consideration for the grant.

Any offer to grant an Option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the Option in the manner as set out in the above paragraph. To the extent that the offer to grant an Option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the New Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the Shares in issue as at the date of approval of the New Share Option Scheme by the shareholders of the Company, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the New Share Option Scheme (or any other share option schemes of the Company). As at the Latest Practicable Date, the Company had 908,302,302 Shares in issue. Assuming that there is no change in the issued share capital between the period from the Latest Practicable Date and the date of the adoption of the New Share Option Scheme, the number of Shares issuable pursuant to the New Share Option Scheme on the date of its adoption will be 90,830,230 Shares that is 10 per cent of the issued share capital of the Company as at the date of Annual General Meeting.

Subject to the issue of a circular by the Company and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the shareholders of the Company in general meeting; and/or
- (ii) grant Options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by the Company to its shareholders shall contain a generic description of the specified Eligible Participants who may be granted such Options, the number and terms of the Options to be granted, the purpose of granting Options to the specified Eligible Participants with an explanation as to how the Options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company or any of its subsidiaries at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of the Company or any of its subsidiaries (including the New Share Option Scheme) if this will result in the 30% limit being exceeded.

The maximum number of Shares in respect of which Options may be granted shall be adjusted, in such manner as the auditors of the Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company in accordance with paragraph (q) below whether by way of consolidation, subdivision or reduction of the share capital of the Company but in no event shall exceed the limit prescribed in this paragraph.

(d) Maximum number of Options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the New Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

Any further grant of Options in excess of this 1% limited shall be subject to (i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the Options to be granted (and options previously granted to such participant), the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules and (ii) the approval of the shareholders of the Company in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his Associates abstaining from voting. The numbers and terms (including the exercise price) of Options to be granted to such Eligible Participant must be fixed before shareholders' approval and the date of the Board meeting at which the Board purposes to grant the Options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine.

(e) Price of Shares

The subscription price of a Share in respect of any particular Option granted under the New Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

(f) Granting options to connected persons

Any grant of Options to a director, chief executive or substantial shareholder of the Company or any of his, her or its Associates is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).

If the Company proposes to grant Options to a substantial shareholder or any independent non-executive Director or their respective Associates which will result in the

number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value in excess of \$5 million, based on the closing price of the Shares as stated in the daily of quotations sheets of the Stock Exchange at the date of each grant,

such further grant of Options will be subject to the issue of a circular by the Company and the approval of the shareholders of the Company in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of the Company shall abstain from voting, and/or such other requirements prescribed under the Listing Rules from time to time. A connected person (as defined in the Listing Rules) will be permitted to vote against the grant only if his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such Options shall be taken as a poll.

The circular to be issued by the Company to its shareholders pursuant to the above paragraph shall contain the following information: (i) the details of the number and terms (including the exercise price) of the Options to be granted to each selected Eligible Participant which must be fixed before the shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such Options; (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the Grantee) to the independent shareholders as to voting; and (iii) the information required under Rules 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(g) Restrictions on the times of grant of Options

A grant of Options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no Options may be granted during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting for the approval of the Company's annual or interim results; and (ii) the deadline for the Company to publish its interim or annual results announcement under the listing agreement and ending on the date of actual publication of the results announcement.

(h) Rights are personal to Grantee

An Option is personal to the Grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or attempt so to do.

(i) Time of exercise of Option and duration of the New Share Option Scheme

An Option may be exercised in accordance with the terms of the New Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of ten years from that date. The period during which an Option may be exercised will be determined by the Board in its absolute discretion, save that no Option may be exercised more than 10 years after it has been granted. No Option may be granted more than 10 years after the date of approval of the New Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the New Share Option Scheme shall be valid and effective for a period of 10 years after the date of adoption of the New Share Option Scheme by shareholders of the Company by resolution at a general meeting.

(j) Performance target and minimum holding period

A Grantee is not required to achieve any performance targets or to hold the Options for a minimum period before any Options granted under the New Share Option Scheme can be exercised.

(k) Rights on ceasing employment/death

If the Grantee of an Option ceases to be an employee of the Company or its Subsidiaries by any reason other than his own resignation (including his death) and none of the events which would be a ground for termination of his or her employment specified in the New Share Option Scheme arises or the termination does not occur during the 12-month period following the date on which his Option is deemed to be granted and accepted, the Grantee or his personal representative(s) may exercise the Option up to the entitlement of the Grantee as at the date of cessation (to the extent not already exercised) within a period of one month from such cessation, which date shall be the last actual working day with the Company or the relevant Subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(l) Rights on dismissal

If the Grantee of an Option ceased to be an employee of the Company or its Subsidiaries on the grounds that he has been guilty of serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty, his Option will lapse and not be exercisable after the date of termination of his employment.

(m) Rights on takeover

If a general offer is made to all the shareholders of the Company (or all such shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Hong Kong Code on Takeovers and Mergers)) and such offer becomes or is declared unconditional during the Option Period of the relevant Option, the Grantee of an Option shall be entitled to exercise the Option in full (to the extent not already exercised) at any time within 1 month after the date on which the offer becomes or is declared unconditional.

(n) Rights on winding-up

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to all Grantees and thereupon, each Grantee (or his legal personal representatives) shall be entitled to exercise all or any of his Options (to the extent not already exercised) at any time not later than four business days prior to the proposed general meeting of the Company referred to above by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the Grantee credited as fully paid.

(o) Rights on compromise or arrangement between the Company and its members or creditors

If a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of the Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which the Company was incorporated, the Company shall give notice to all the Grantees of the Options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any Grantee may by notice in writing to the Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by the Company not later than four business days prior to the proposed meeting), exercise the Option to its full extent or to the extent specified in the notice and the Company shall as soon as possible in and any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise of the Option credited as fully paid and register the Grantee as holder thereof.

With effect from the date of such meeting, the rights of all Grantees to exercise their respective Options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of Grantees to exercise their respective Options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(p) Ranking of Shares

The Shares to be allotted upon the exercise of an Option will not carry voting rights until completion of the registration of the Grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of Options will rank *pari passu* and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of exercise.

(q) Effect of alterations to capital

In the event of any alteration in the capital structure of the Company whilst any Option may become or remains exercisable, whether by way of capitalisation issue, rights issue, consolidation, reclassification, reconstruction, subdivision or reduction of share capital of the Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any Options so far as unexercised and/or the subscription price per Share of each outstanding Option and/or the method of exercise of the Option as the auditors of the Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto. Any such alterations will be made on the basis that a Grantee shall have the same proportion of the equity capital of the Company for which any Grantee of an Option is entitled to subscribe pursuant to the Options held by him before such alteration and the aggregate subscription price payable on the full exercise of any Option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(r) Expiry of Option

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the Option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraph (k), (m), (n) or (o) above;
- (iii) subject to paragraph (n) above, the date of commencement of the winding-up of the Company;
- (iv) the date on which the Grantee ceases to be an Eligible Participant by reason of such Grantee's resignation from the employment of the Company or of any of the Subsidiaries or the termination of his or her employment on the grounds that he or she has been guilty of serious misconduct, or has committed any act of bankruptcy or is unable to pay his or her debts or has become insolvent or has made any arrangement or has compromised with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty. A resolution of the Board to the effect that the employment of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive;
- (v) the date on which the Board shall exercise the Company's right to cancel the Option at any time after the Grantee commits a breach of paragraph (h) above or the Options are cancelled in accordance with paragraph (t) below; or

- (vi) the date on which the Eligible Participant ceases to be employed by the Company and/or any of its Subsidiaries if the Eligible Participant is an employee of the Company and/or any of its Subsidiaries and ceases to be so employed by the Company and/or any of its Subsidiaries during the 12-month period following the Commencement Date in respect of his or her particular Option.

(s) Alteration of New Share Option Scheme

The New Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the Grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; or
- (ii) any material alteration to the terms and conditions of the New Share Option Scheme or any change to the terms of Options granted,

shall first be approved by the shareholders of the Company in general meeting provided that if the proposed alteration shall adversely affect any Option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the Grantees' approval in accordance with the terms of the New Share Option Scheme. The amended terms of the New Share Option Scheme shall still comply with the Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the New Share Option Scheme must be approved by shareholders in general meeting.

(t) Cancellation of Options

Any cancellation of Options granted but not exercised must be approved by the Grantees of the relevant Options.

(u) Termination of the New Share Option Scheme

The Company may by resolution in general meeting at any time terminate the New Share Option Scheme and in such event no further Option shall be offered but the provisions of the New Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Option granted prior thereto or otherwise as may be required in accordance with the provisions of the New Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme.

(v) Administration of the Board

The New Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the New Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(w) Condition of the New Share Option Scheme

The New Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting approval of the New Share Option Scheme and the grant of Options thereunder and granting of the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of Options granted pursuant thereto.

(x) Disclosure in annual and interim reports

The Company will disclose details of the New Share Option Scheme in its annual and interim reports in accordance with the Listing Rules in force from time to time.

(y) Present status of the New Share Option Scheme

As at the date Latest Practicable, no Option has been granted or agreed to be granted under the New Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the approval of the New Share Option Scheme and the subsequent granting of Options under the New Share Option Scheme and for the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the Options granted under the New Share Option Scheme.

NOTICE OF ANNUAL GENERAL MEETING



UDL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Room 306, 3rd Floor, Hong Kong International Trade & Exhibition Centre, No. 1 Trademart Drive, Kowloon Bay, Hong Kong on 31st December 2002, 3:00 p.m. for the following purposes:–

1. To receive and consider the audited consolidated financial statements and reports of the Directors and the auditors of the Company for the year ended 31st July 2002.
2. To re-elect Directors and authorise the Board to fix Directors' remuneration.
3. To re-appoint Grant Thornton as the Company's auditors and to authorise the Directors to fix their remuneration.
4. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:–

“THAT

- (a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period of all the powers of the Company to purchase shares of HK\$0.01 each in the capital of the Company be and is hereby generally and unconditionally approved;
- (b) the total nominal amount of the shares to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution, and the said approval shall be limited accordingly; and
- (c) for the purpose of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting; and
 - (iii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held.”

NOTICE OF ANNUAL GENERAL MEETING

5. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution :

“THAT

- (a) subject to paragraph (c) of this Resolution, the exercise by the Directors during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which may require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to (i) a rights issue; (ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company; or (iii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-Laws of the Company, shall not exceed 20% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution and the said approval shall be limited accordingly; and
- (d) for the purpose of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting; and
 - (iii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and

“rights issue” means an offer of shares open for a period fixed by the Directors of the Company to holders of shares on the register on a fixed record date in proportion to their holdings of such shares, subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or of the requirements of any recognised regulatory body or any stock exchange.”

NOTICE OF ANNUAL GENERAL MEETING

6. To consider as special business and, if thought, fit, pass with or without amendments, the following resolution as an Ordinary Resolution:–

“**THAT** conditional upon Resolutions 4 and 5 set out in the notice convening this meeting above being duly passed, the general mandate granted to the Directors of the Company to exercise the powers of the Company to issue, allot and dispose of shares pursuant to Resolution 5 above be and is hereby extended by the addition to the total nominal amount of share capital and any shares which may be issued, allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to such general mandate an amount representing the total nominal amount of shares in the capital of the Company which has been purchased by the Company since the granting of such general mandate pursuant to Resolution 4 above, provided that such amount shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution.”

7. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:–

“**THAT** conditional upon the Stock Exchange granting the approval for the New Share Option Scheme referred to in the circular despatched to the shareholders on the same day as this notice, the terms of which are set out in the printed document marked ‘A’ now produced to the meeting and for the purpose of identification signed by the Chairman hereof (the ‘Option Scheme’) and subject to such amendments to the Option Scheme as the Stock Exchange may request, the Option Scheme be approved and adopted to be the share option scheme of the Company and that the Directors of the Company be and are hereby authorised to do all such acts and to enter into all such transactions and arrangements as may be necessary or expedient in order to give effect to the Option Scheme, notwithstanding that they or any of them may be interested in the same.”

8. Any other business.

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

Hong Kong, 6th December 2002

Notes:

1. A shareholder of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and, in the event of poll, vote on his behalf. A proxy needs not to be a shareholder of the Company.
2. In order to be valid, the form of proxy must be deposited at the Company’s Registrar in Hong Kong, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong together with a power of attorney or other attorney, if any, under which it is signed or a notarially certified copy of that power of attorney, not less than 48 hours before the time for holding the Annual General Meeting.
3. An explanatory statement containing further details as regarding Resolutions 4 to 7 above will be sent to the shareholders of the Company.