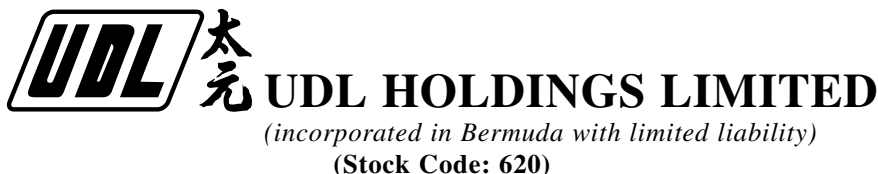


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## **UPDATED DEVELOPMENT ON LITIGATION AGAINST THE COMPANY IN BERMUDA**

The Directors wish to announce updated development in relation to litigation against the company in Bermuda.

Reference is made to the paragraph headed "Litigation against the Company in Bermuda" in note 2 (c) (ii) of the Notes to the Financial Statements in the Company 2003 Annual Report which fully sets out details on the Petition lodged on 16 May 2002 under Section 111 of the Companies Act with the Supreme Court of Bermuda against the Company as the first respondent and the Scheme Administrator as the second respondent and the Amended Petition filed on 3 April 2003. In its judgment dated 14 April 2004, the Court holds that the Joint Petitioners' prayer to wind up the Company and/or to appoint a liquidator are an abuse of the Court's process. The Court therefore considers it unreasonable to permit the Petitioners to pursue such prayers which will be struck out. This has been disclosed in the Company's Interim Results Announcement dated 19 April 2004 in order to clarify the going concern basis upon which the interim report had been prepared. In terms of the other prayers contained in the Petition and the Amended Petition, there is no progress save as disclosed herein.

With regards to the Company's application for security for costs in relation to the amended petition, the Company has not received any ruling on it as at the date of this announcement. The court had stayed the Company's obligation to respond to the other prayers of the Amended Petition which have yet to be determined by the Court until after judgment of the security for costs application. The Company will keep its shareholder informed on further development.

Delays have been caused by the litigations to the issuance of preference shares as announced in the Company's announcement dated 22 August 2003. As stated in the Company's circular dated 1st August 2003, the Directors are of the opinion that, as the exact timing and result of the placing of preference shares is not certain, the Group would not have sufficient working capital to meet its present requirement after taking into account of the debt servicing obligation. The Company is now considering various alternatives for securing adequate financial resources in fulfilling its business needs both in the short term and in the long-run which may or may not result in abandonment of the proposal for the issuance of preference shares.

By order of the Board  
**UDL Holdings Limited**  
**Leung Yu Oi Ling, Irene**  
*Chairman*

Hong Kong, 13 May 2004

*As at the date of this announcement, the Board of Directors of the Company comprises four directors, of which Mrs. Leung Yu Oi Ling, Irene and Ms. Leung Chi Yin, Gillian being the Executive Directors and Mr. Pao Ping Wing, JP and Prof. Yuen Ming Fai, Matthew being the Independent Non-Executive Directors.*

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