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UDL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 620)

HARBOUR FRONT LIMITED

(incorporated in the British Virgin Islands

with limited liability)

Mandatory conditional cash offers by



Access Capital Limited

on behalf of

Harbour Front Limited

to acquire all the issued shares and to cancel all the outstanding options of

UDL Holdings Limited

(other than those shares and options already owned by Harbour Front Limited and parties acting in concert with it)

Financial Adviser to Harbour Front Limited



AMS Corporate Finance Limited

Independent Financial Adviser to the Independent Board Committee of UDL Holdings Limited

Hercules

Hercules Capital Limited

MANDATORY CONDITIONAL CASH OFFERS

Background

On 7 September 2005, Mrs. Leung, a party acting in concert with Harbour Front, exercised the Relevant Options to subscribe for 10,355,000 new Shares. Immediately after the Exercise, the Harbour Front Concert Group in aggregate owns 487,179,999 Shares representing approximately 49.61% of the issued share capital of the Company as enlarged by the Shares issued pursuant to the Exercise.

During the 12-month period immediately prior to (and including) the Exercise, the lowest collective percentage holding of voting rights of the Company by the Harbour Front Concert Group was approximately 47.07%. Details of the acquisitions of voting rights by the Harbour Front Concert Group during the 12-month period immediately prior to (and including) the Exercise are set out in the paragraph headed "Background" below.

Offers

As a result of the Exercise, the Harbour Front Concert Group will be required under Rule 26.1 and Rule 13 of the Takeovers Code to make mandatory conditional cash offers for all the issued Shares, and for cancellation of all the Outstanding Options, not already owned by them. The principal terms of the Offers are set out in the paragraph headed "Mandatory conditional cash Offers" below. AMS, as the financial adviser to Harbour Front, and Access Capital, as the agent to make the Offers on behalf of Harbour Front, are satisfied that there are sufficient financial resources available to the Harbour Front Concert Group to meet its obligation in case of full acceptance of the Offers.

The Offers will be conditional upon Harbour Front having received acceptances of the Offers which, together with the Shares already owned by the Harbour Front Concert Group before or during the offer period of the Offers, will result in the Harbour Front Concert Group holding more than 50% of the voting rights of the Company. If Harbour Front does not receive acceptances of the Offers which, together with the Shares already owned by the Harbour Front Concert Group before or during the offer period of the Offers, will result in the Harbour Front Concert Group holding more than 50% of the voting rights of the Company, the Offers cannot become unconditional and will lapse.

Combined offer document

Under Rule 8.2 of the Takeovers Code, within 21 days of the date of this announcement or such later date as the Executive may approve, Harbour Front is required to despatch the offer document containing the terms of the Offers, the form of acceptance and transfer of the Shares to the Shareholders as well as the form of acceptance and cancellation to the Optionholders respectively.

In accordance with the Takeovers Code, the Company is required to send the offeree board document in relation to the Offers to the Shareholders and the Optionholders within 14 days of the posting of the offer document or such later date as the Executive may approve.

It is the intention of the Company that the offeree board document will be combined with the offer document and a composite offer document will be despatched to the Shareholders and the Optionholders in accordance with the time schedule as described above.

UPDATE ON THE SCHEMES**Proposed modifications to the Schemes**

The Scheme Administrator has advised the Company that he intends to propose certain modifications to the Schemes and the Trust Deed so as to achieve the following principal purposes:

- to permit a replacement of the Scheme Administrator/Trustee;
- to permit a sale or other disposal by the Scheme Administrator of the Unencumbered Assets and of the benefit of recoveries of Accounts Receivable and/or a release of the Company and the Scheme Participating Subsidiaries (as defined in the Schemes) from their obligations in respect of Unencumbered Assets and Accounts Receivable. Such Unencumbered Assets do not comprise any Shares;
- to permit the Scheme Administrator/Trustee to approve a compromise or settlement of the Shortfall Undertaking;
- to require the Scheme Administrator/Trustee to obtain the sanction of the Committee of Inspection established for the purposes of the Schemes or the approval of the High Court of Hong Kong before exercising a number of important powers to be granted by such modifications; and
- to establish procedures to facilitate an efficient termination of the Schemes, including the setting of a limit on the extent to which arbitration costs are to be paid out of Scheme Funds (as defined in the Schemes).

Global Solution

A proposed solution (i.e. the Global Solution) has emerged as a result of many discussions between the Company and the Scheme Administrator on whether an alternative, more rapid and positive solution could be achieved for the Scheme Creditors. In this respect, a non-binding memorandum of understanding dated 12 August 2005 has been executed by the Company, Harbour Front, and the Scheme Administrator. The goals intended to be achieved by the Global Solution are set out in the paragraph headed "Global Solution" in the section headed "Information on the Group" in this announcement.

CERTAIN OTHER INFORMATION ON THE COMPANY

A review and update of the Group's current operations is set out under the paragraph headed "Business review and outlook" in the section headed "Information on the Group" in this announcement.

CAUTION

Investors are advised to exercise caution in dealing in the Shares.

BACKGROUND**Exercise of the Relevant Options**

On 7 September 2005, Mrs. Leung, a party acting in concert with Harbour Front, exercised the Relevant Options to subscribe for 10,355,000 new Shares (the exercise prices of the Relevant Options are set out in the sub-paragraph headed "Comparison of value" under the paragraph headed "Mandatory conditional cash Offers" below). Immediately after the Exercise, the Harbour Front Concert Group in aggregate owns 487,179,999 Shares representing approximately 49.61% of the issued share capital of the Company as enlarged by the Shares issued pursuant to the Exercise.

Acquisitions of voting rights during the immediately preceding 12-month period

During the 12-month period immediately prior to (and including) the Exercise (the "Preceding 12 Months"), the lowest collective percentage holding of voting rights of the Company by the Harbour Front Concert Group was approximately 47.07% (being 440,376,999 Shares out of 935,551,302 Shares in issue as at the close of business on 27 December 2004). During the Preceding 12 Months, the Harbour Front Concert Group had acquired 36,448,000 Shares, of which 36,148,000 Shares were acquired through the exercise of Options on 28 December 2004 previously granted to them (out of these 36,148,000 Shares, 28,065,000 Shares were subscribed at a subscription price of HK\$0.040 per Share under Options granted on 2 December 2004 while the remaining 8,083,000 Shares were subscribed at a price of HK\$0.024 per Share under Options granted on 27 March 2003). The remaining 300,000 Shares were acquired on 14 June 2005 on the open stock market at the price of HK\$0.036 and HK\$0.040 per Share respectively.

The date of grant and the consideration paid for the grant of the Options that were exercised by the Harbour Front Concert Group during the Preceding 12 Months (including the Exercise) are as follows:

Name	Number of underlying Shares	Date of grant (dd/mm/yyyy)	Date of exercise (dd/mm/yyyy)	Consideration paid for the grant HK\$	Price paid per Share upon exercise HK\$
Leung Chi Yin, Gillian	9,355,000	02/12/2004	28/12/2004	1	0.040
Decorling Limited (Note 1)	9,355,000	02/12/2004	28/12/2004	1	0.040
YTL Strategic Corporate Consultancy Limited (Note 2)	9,355,000	02/12/2004	28/12/2004	1	0.040
Mrs. Leung Yu Oi Ling, Irene	8,083,000	27/03/2003	28/12/2004	1 (Note 3)	0.024
Mrs. Leung Yu Oi Ling, Irene	1,000,000	27/03/2003	07/09/2005	1 (Note 3)	0.024
Mrs. Leung Yu Oi Ling, Irene	9,355,000	02/12/2004	07/09/2005	1	0.040

Notes:

- Decorling Limited is 100% beneficially owned by Mrs. Leung.
- At the respective dates of grant and exercise of the Options concerned, YTL Strategic Corporate Consultancy Limited was beneficially owned by Harbour Front and Ms. Leung Chi Yin, Gillian as to 90% and 10%, respectively. As at the date of this announcement, YTL Strategic Corporate Consultancy Limited is beneficially owned by Harbour Front, Mrs. Leung, Ms. Leung Chi Yin, Gillian, Mr. Leung Chi Hong, Jerry and Mr. Leung Kai Hong as to 18%, 20%, 22%, 20% and 20% respectively.
- Options entitling the holder thereof to subscribe for a total of 9,083,000 Shares were granted to Mrs. Leung on 27 March 2003 in one lot and only HK\$1 was paid for such grant.

Save as disclosed above, none of the members of the Harbour Front Concert Group has dealt in any Shares or Options or other securities convertible into Shares during the period commencing on the date falling six months prior to the day on which the Relevant Options were exercised and up to the date of this announcement.

Information on the Harbour Front Concert Group

Harbour Front, the controlling shareholder of the Company, is directly interested in 412,382,499 Shares and hold through a wholly owned subsidiary 9,083,000 Shares, representing a total of approximately 42.92% of the issued share capital of the Company as at the date of this announcement (taking into account the Shares to be issued as a result of the Exercise). Harbour Front holds the Shares as trustee of a unit trust, all units in which are beneficially owned by a discretionary trust, the beneficiaries of which are Mrs. Leung and her children, namely Ms. Leung Chi Yin, Gillian, Mr. Leung Chi Hong, Jerry and Mr. Leung Kai Hong. Both Mrs. Leung and Ms. Leung Chi Yin, Gillian are executive Directors.

Apart from Harbour Front, other members of the Harbour Front Concert Group are interested in 65,714,500 Shares, representing 6.69% of the issued share capital of the Company as at the date of this announcement (taking into account the Shares to be issued as a result of the Exercise). The shareholding structure of the Company as at the date of this announcement (taking into account the Shares to be issued as a result of the Exercise) is set out in the paragraph headed "Mandatory conditional cash Offers" below.

MANDATORY CONDITIONAL CASH OFFERS

As a result of the Exercise, the Harbour Front Concert Group owns in aggregate 487,179,999 Shares, representing approximately 49.61% of the issued share capital of the Company (as enlarged by the Shares allotted and issued pursuant to the Exercise), resulting in an increase by more than 2% from the lowest collective percentage holding by the Harbour Front Concert Group in the Company in the 12-month period ending on the date of the Exercise (such lowest collective percentage holding being 47.0714%) and accordingly will be required under Rule 26.1 and Rule 13 of the Takeovers Code to make mandatory conditional cash offers for all the issued Shares and the Outstanding Options not already owned by the Harbour Front Concert Group.

As at the date of this announcement, the Company has 982,054,302 Shares in issue (as enlarged by the Shares allotted and issued pursuant to the Exercise). The shareholding structure of the Company is as follows:

Shareholders	Number of Shares	Approximate percentage
Harbour Front Concert Group*	487,179,999 Shares	49.61%
Public		
Scheme Administrator	252,306,195 Shares	25.69%
Other public shareholders	242,568,108 Shares	24.70%
Sub-total	494,874,303 Shares	50.39%
Total:	982,054,302 Shares	100.00%

* For the composition of the shareholding of the Harbour Front Concert Group in the Company, please refer to the paragraph headed "Information on the Harbour Front Concert Group" above.

Save as disclosed above, none of the members of the Harbour Front Concert Group has any interests in the issued or unissued shares of the Company as at the date of this announcement.

As at the date of this announcement, the Company has Outstanding Options entitling the holders thereof to subscribe for up to 9,076,000 Shares at an exercise price of HK\$0.024 per Share. These Outstanding Options are held by certain employees of the Group not being members of the Harbour Front Concert Group.

Apart from the Outstanding Options, there are no other outstanding warrants, options or securities convertible into Shares as at the date of this announcement.

Principal terms of the Offers

Access Capital, on behalf of Harbour Front will make the mandatory conditional cash offers for all the issued Shares and for cancellation of all the Outstanding Options (other than those already owned by the Harbour Front Concert Group) on the following basis:

The Share Offer

For each Share HK\$0.040 in cash

The Option Offer

For cancellation of each Outstanding Option HK\$0.016 in cash

Harbour Front is required under the Takeovers Code to make a comparable offer for all the Outstanding Options as part of the Offers.

Comparison of value

The offer price under the Share Offer of HK\$0.040 per Share is the same as the highest price that members of the Harbour Front Concert Group have paid for the Shares within the six months prior to the commencement of the Share Offer, taken into account the following transactions which took place in the six-month period immediately prior to (and including) the Exercise:

- (a) 100,000 Shares were acquired by Mrs. Leung on market on 14 June 2005 at a price of HK\$0.036 per Share;
- (b) 200,000 Shares were acquired by Mrs. Leung on market on 14 June 2005 at a price of HK\$0.040 per Share;
- (c) 1,000,000 Shares were acquired by Mrs. Leung through the exercise of Options on 7 September 2005 at a subscription price of HK\$0.024 per Share; and
- (d) 9,355,000 Shares were acquired by Mrs. Leung through the exercise of Options on 7 September 2005 at a subscription price of HK\$0.040 per Share.

The exercise price of the Outstanding Options is HK\$0.024 (subject to adjustments) per Share. Harbour Front is offering the Optionholders the opportunity, in respect of each Outstanding Option, to receive a payment of HK\$0.016 which is equal to the net cash payment the Optionholders will receive if they exercise their Outstanding Options and accept the Share Offer in respect of those Shares they receive as a result of such exercise. The offer price under the Option Offer for each Outstanding Option represents a “see-through” price of HK\$0.016 per Outstanding Option.

The offer price under the Share Offer of HK\$0.04 per Share represents:

- (a) a premium of approximately 73.91% over the closing price of HK\$0.023 per Share as quoted on the Main Board of the Stock Exchange on 7 September 2005, being the trading day on which the Relevant Options were exercised;
- (b) a premium of approximately 73.91% over the average closing price of HK\$0.023 per Share as quoted on the Main Board of the Stock Exchange for the last 10 consecutive complete trading days prior to (and including) 7 September 2005.

Total consideration

As at the date of this announcement, the Company has 982,054,302 Shares in issue (as enlarged by the Shares allotted and issued pursuant to the Exercise) and 9,076,000 Outstanding Options.

Assuming that there is no change in the issued share capital of the Company prior to the close of the Share Offer and the offer price under the Share Offer is HK\$0.040 per Share, the entire issued share capital of the Company is valued at approximately HK\$39.3 million under the Share Offer. On the basis that 494,874,303 Shares are held by Shareholders not being members of the Harbour Front Concert Group, the consideration payable by Harbour Front upon full acceptance of the Share Offer will be approximately HK\$19.8 million. Based on the offer price of HK\$0.016 under the Option Offer for each Outstanding Option, all the Outstanding Options are valued at HK\$145,216.

Assuming full acceptance of the Share Offer as well as the Option Offer, the total consideration payable by Harbour Front would be approximately HK\$19.94 million. In the event the Optionholders exercise the Outstanding Options in full prior to the close of the Offers and participate in the Share Offer and upon full acceptance of the Share Offer (including the new Shares falling to be issued pursuant to the exercise of the Outstanding Options), the consideration payable by Harbour Front under the Share Offer would be HK\$20.16 million.

The Company has consulted the Scheme Administrator, currently Mr. Matthew Finbarr O’Driscoll, on his intention regarding the 252,306,195 Shares held on trust for the Scheme Creditors (as defined in the Schemes) and has been advised that the Scheme Administrator currently has no power to accept the Share Offer and does not intend to seek such power, but intends to distribute a significant portion of such Shares to non-preferential Scheme Creditors as soon as the proposed modifications to the Schemes and the Trust Deed, referred to below, are adopted and subject to the completion of the Global Solution (as defined below). As the process for the adoption of such modifications involves meetings of the Scheme Creditors and sanction by the Court, it is not possible to predict accurately when the Scheme Administrator would be in a position to make such distribution of Shares, but it is understood that such distribution could not take place earlier than the date on which the Offers will close.

Charming Leader Group Limited, an associate of AMS, has provided Harbour Front with a loan facility to satisfy its payment obligations under the Offers. AMS, as the financial adviser to Harbour Front, and Access Capital, as the agent to make the Offers on behalf of Harbour Front, are satisfied that there are sufficient financial resources available to Harbour Front to meet its obligation in case of full acceptance of the Offers.

Effect of accepting the Offers

By accepting the Share Offer, the Shareholders will sell their Shares to Harbour Front or its nominee free from all liens, claims and encumbrances and with all rights attached to them, including the rights to receive all dividends and distribution declared, made or paid at or after the date on which the Share Offer is made, i.e. the date of posting of the composite offer document to be issued jointly by Harbour Front and the Company in connection with the Offers.

By accepting the Option Offer, the Optionholders will agree to tender their Outstanding Options to the Company for cancellation in accordance with the provisions of the Share Option Scheme.

Stamp duty

Seller's ad valorem duty arising in connection with acceptance of the Share Offer amounting to 0.1% of the amount payable in respect of the relevant acceptance or if higher, the value of the Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Cap. 117, Laws of Hong Kong) will be deducted from the amount payable to the Shareholders who accept the Share Offer. Harbour Front will bear its own portion of buyer's ad valorem stamp duty at the rate of 0.1% of the amount payable in respect of relevant acceptances under the Share Offer and will be responsible to account to the Stamp Office of Hong Kong the stamp duty payable for the sale and purchase of the relevant Shares pursuant to the acceptances of the Share Offer.

Payment

Payment in cash in respect of acceptances of the Offers will be made within 10 days of the date on which the relevant documents of title are received by Harbour Front to render each such acceptance complete and valid.

Conditional Offers

The Offers will be conditional upon Harbour Front having received acceptances of the Offers which, together with the Shares already owned by the Harbour Front Concert Group before or during the offer period of the Offers, will result in the Harbour Front Concert Group holding more than 50% of the voting rights of the Company. If Harbour Front does not receive acceptances of the Offers which, together with the Shares already owned by the Harbour Front Concert Group before or during the offer period of the Offers, will result in the Harbour Front Concert Group holding more than 50% of the voting rights of the Company, the Offers cannot become unconditional and will lapse.

INFORMATION ON THE GROUP

Principal business activities

The Company is incorporated in Bermuda with limited liability and its Shares has been listed on the Stock Exchange since 1991. The principal activity of the Company is investment holding and the principal activities of its principal subsidiaries are marine engineering and provision of miscellaneous engineering and management services.

Financial position

For the year ended 31 July 2004, the Company reported an audited turnover of approximately HK\$19.55 million and audited loss attributable to Shareholders of approximately HK\$16.53 million. As at 31 July 2004, the Company had audited net liabilities of approximately HK\$44.65 million.

For the six months ended 31 January 2005, the Company's unaudited turnover was approximately HK\$1.80 million and unaudited loss attributable to Shareholders was approximately HK\$14.54 million. As at 31 January 2005, the Group had in aggregate unaudited secured bank and other borrowings of approximately HK\$97.4 million and unsecured current liabilities of approximately HK\$49.9 million. The secured loans were secured by legal charge on the Group's floating craft and vessels with net book value of approximately HK\$66.3 million.

The Company has undertaken to the Trustee, being the then Scheme Administrator of the Schemes, by a Trust Deed dated 11 February 2000, made between the Company and the Trustee for the benefit of the scheme creditors, that the aggregate disposal proceeds of the Unencumbered Assets (as defined in the Schemes) and the Accounts Receivable (as defined in the Schemes) realised under the Schemes shall not be less than HK\$176 million (details of the Unencumbered Assets and the Accounts Receivable will be set out in the offeree board document or, where applicable, the combined offer document). In the event of a shortfall (the "Shortfall"), the Company is required to make up the Shortfall beginning in the fourth financial year after the financial year in which the Schemes became effective. The amount of payment for the Shortfall by the Company in every financial year is limited to a maximum of 60% of the consolidated net profit of the Company and its subsidiaries for that financial year. There are no payment obligations on the Company in respect of the Shortfall in respect of any financial year in which the Company does not make an audited consolidated net profit. The Company's obligation to make up the Shortfall shall not be discharged unless and until the Company has paid the Shortfall in full (the "Shortfall Undertaking").

Shares issued in connection with the Schemes

252,306,195 Shares are held by the Scheme Administrator as trustee for the non-preferential Scheme Creditors (as defined in the Schemes) pending their distribution under the Schemes. As stated in the paragraph headed "Total consideration" under the section headed "Mandatory conditional cash Offers" above, it is understood that such distribution could not take place earlier than the date on which the Offers will close.

Summary of proposed modifications to the Schemes

The Scheme Administrator has advised the Company that he intends to propose certain modifications to the Schemes and the Trust Deed so as to achieve the following principal purposes:

- to permit a replacement of the Scheme Administrator/Trustee;
- to permit a sale or other disposal by the Scheme Administrator of the Unencumbered Assets and of the benefit of recoveries of Accounts Receivable and/or a release of the Company and the Scheme Participating Subsidiaries (as defined in the Schemes) from their obligations in respect of Unencumbered Assets and Accounts Receivable. Such Unencumbered Assets do not comprise any Shares;

- to permit the Scheme Administrator/Trustee to approve a compromise or settlement of the Shortfall Undertaking;
- to require the Scheme Administrator/Trustee to obtain the sanction of the Committee of Inspection established for the purposes of the Schemes or the approval of the High Court of Hong Kong before exercising a number of important powers to be granted by such modifications; and
- to establish procedures to facilitate an efficient termination of the Schemes, including the setting of a limit on the extent to which arbitration costs are to be paid out of Scheme Funds (as defined in the Schemes).

Global Solution

The Company and the Scheme Administrator have had many discussions whether an alternative, more rapid and positive solution could be achieved for the Scheme Creditors (as defined in the Schemes). From this, a proposed solution (the “**Global Solution**”) has emerged, recorded in a non-binding Memorandum of Understanding (the “**MOU**”) dated 12 August 2005 and executed by the Company, Harbour Front, and the Scheme Administrator. The goals under the Global Solution which are targeted to be achieved in 2005 are:

- The disposal of the Unencumbered Assets and Accounts Receivable to Harbour Front for HK\$20 million in cash.
- The settlement of the Shortfall Undertaking for HK\$30 million in convertible notes issued by the Company and convertible (into the Company’s shares)/redeemable in four tranches of HK\$7.5 million over two years. The initial conversion price (subject to adjustments) is at 9% discount to the average share trading prices in the 20-day period immediately prior to the expiry of the respective periods set for the different tranches.
- An undertaking by Harbour Front to purchase from the Scheme Administrator/Trustee all or such proportion as the Scheme Administrator/Trustee may determine of such convertible notes at a price equal to 18/30ths of their nominal value, payable in cash, immediately.

The proposed issue of the convertible notes and other related matters (where necessary) under the Global Solution will be subject to the approval by the Shareholders in accordance with the requirements of the Listing Rules. The Company will convene a special general meeting as and when appropriate to approve the issue of the convertible notes.

If the relevant Scheme and Trust Deed modifications are approved by the Scheme Creditors (as defined in the Schemes) and the Scheme Administrator proceeds with the Global Solution, then Harbour Front will, subject to compliance with all applicable legal and regulatory requirements make available the convertible notes so purchased for an open offer to the Shareholders at a price equal to 18/30ths of their nominal value plus the transaction costs.

The estimated value of assets to be realised under the Schemes was stated to be HK\$183.5 million in the original scheme document. The Scheme Administrator has advised the Company that his estimate of the realisation proceeds of the remaining Scheme Assets (as defined in the Schemes) (net of realisations/recoveries already made) in a liquidation scenario is about HK\$20.8 million. The consideration for the disposal of the Unencumbered Assets and Accounts Receivable of HK\$20 million was determined by negotiation between Harbour Front and the Scheme Administrator. The disposal of Scheme Assets is for the benefit of the Scheme Creditors in their capacity as creditors. It should be noted that the amount already realised together with the amount expected to be realised by the disposal of such Scheme Assets falls far short of the indicative amount of the Scheme Assets as stated in the original scheme document.

Whether the Global Solution will complete as scheduled or will complete at all will have an effect on the Shareholders’ and the Optionholders’ assessment of the future prospects of the Company. Shareholders are therefore advised to take into consideration the uncertainties relating to the eventual success of the Global Solution and also to the eventual timing of the success or failure of the Global Solution.

Harbour Front is independent of the Scheme Administrator save that it is one of the Scheme Creditors (as defined in the Schemes). A total of nearly 800 claims have been submitted under the Schemes, totaling approximately HK\$5.15 billion. Admitted scheme debts to which Harbour Front is entitled amount to approximately HK\$230 million, representing less than 13% of the aggregate amount of all admitted scheme debts and held over claims under the Schemes. The Offers by Harbour Front are independent of, and not conditional upon any approval by the Scheme Creditors (as defined in the Schemes). The Offers are also not contingent on whether the proposed modifications to the Schemes as outlined above can or cannot be implemented.

Business review and outlook

Operations

The substantial decrease in revenue of the Group for the six months ended 31 January 2005 as mentioned above in the paragraph headed “Financial position” was mainly due to the fact that the management of the Group had diverted their efforts in (i) working with the Scheme Administrator for the formulation of the Global Solution; and (ii) resolving the financial difficulties of the Group as mentioned above. Other circumstantial reasons for the substantial decrease in revenue for the concerned six months period are particularly described below.

The principal business of the Group after the implementation of the Schemes is marine engineering. As the local marine construction market was sluggish in the past few years and had resulted in very keen competition, the Group was very cautious in negotiating for new orders and contracts. Although the Group’s marine construction engineering operations had reduced in the six months ended 31 January 2005 partly due to the unfavourable market conditions and partly as a measure of the Group to control its operation costs, the Group’s fleet of marine construction vessels which are in a ready condition could yield an annual production capacity of around 4.5 million cubic metres volume of dredging, reclamation and transportation of marine engineering construction materials. With the new infrastructure developments such as the Southeast Kowloon Development, the Old Kai Tak Airport Redevelopment, the North Lantau Development and the Hong Kong, Zhuhai and Macau Link expected to be implemented

in the coming years following the recent recovery of the local economy together with the increase in demand for marine construction engineering services in the adjacent areas like Macau and the Guangdong Province, the Group is actively pursuing marketing and tendering work in order to secure orders and contracts for marine construction works under these large scale developments and projects which will require marine construction plant of large output performance like those possessed by the Group. The Group's marine construction engineering operations are expected to be expanded accordingly and to make positive contribution to the Group's revenue for this current financial year (i.e. financial year ending 30 July 2006) ("FY2006") onwards.

In view of the Group's past experience and operations with extensive customers and vendors network, which was built up in the 90s' in the shipbuilding industry which closely relates to the marine construction engineering industry, the Group has already resumed its shipbuilding business and has received considerable orders for the supply of various kinds of reconditioned second hand marine engineering vessels. These confirmed orders and other orders which are close to be concluded are expected to contribute positively to the Group's revenue for the FY2006 onwards.

With the recovery of the local economy and the development in the adjacent areas, in FY2006, the Group has also picked up other business activities, such as structural steel engineering projects and provision of contracting and engineering services, which have since the implementation of the Schemes in 2000 been suspended. As regards the structural steel engineering projects, the Group is now co-operating with major structural steel engineering contractors in the PRC and has recently gained a new contract for the Stonecutters Bridge project and has also secured a pre-bid commitment from one of the few tenders for the main contract of the superstructure for Zhu Jiang Huang Bu Bridge. These contracts, if concluded, are expected to make positive contribution to the Group's revenue in the FY2006. On the provision of contracting and engineering services, the Group is now working on the re-admission to the List of Approved Contractors for Public Works of the Hong Kong Government ("List of Approved Contractors"). Certain members of the Group were approved contractors for over 10 years until 2000 and the Group now targets to gain the re-admission as soon as possible after completion of the Global Solution so that the Group will be qualified to participate in the Hong Kong Government's public works projects. Taking into account the recent announcement made by the Hong Kong Government as regards the various public works projects, including over a hundred municipal facilities and basic infrastructure projects having been postponed after the Asian financial turmoil, the Directors are of the view that the re-admission in the List of Approved Contractors will certainly bring business opportunities to the Group.

During the second half of the past financial year ended 31 July 2005, the Group received certain new confirmed orders, the completion dates of some of which fall behind 31 July 2005 and will therefore contribute to the Group's revenue for FY2006 and onwards. As at 31 August 2005, other than the outsourcing vendors but including contract workers, the Group had an aggregate of 65 technical and working staff.

Litigation proceedings as reported in the 2004 Annual Report

There has not been any progress in the legal proceedings commenced by the three petitioners in Bermuda further to the update made in the Financial Statements in the Company's annual report of the Company for the year ended 31 July 2004 ("**2004 Annual Report**").

As a result of such litigation, the proposed share consolidation and creation and issuance of preference shares of the Company approved at the Company's special general meeting held on 22 August 2003 have not yet been implemented up to the date of this announcement.

Sources of funding

As disclosed in the 2004 Annual Report, pursuant to the refinancing arrangements among certain then lenders of the Group, certain related parties ("**Related Parties**") of the Group and certain members of the Group, such lenders had assigned their interests in the loans due from the Group to the Related Parties which included Universal Grade Limited (a company wholly owned by Harbour Front beneficially), Hong Hay Pte Limited (a company in which Mrs. Leung is a director) and Windermere Pte Limited ("**Windermere**") (two directors of which are managers of certain subsidiaries of Harbour Front). As at the date of this announcement, Universal Grade Limited and Hong Hay Pte Limited have no further outstanding obligations under the assignment of loans. The Directors understand that the outstanding payment to be made by Windermere to the lender concerned amounted to approximately US\$6 million as at 31 August 2005 and such outstanding amount shall be paid by Windermere in accordance with the payment schedule agreed between Windermere and the lender concerned and may also be reduced by the proceeds received by the Group in respect of the disposal of the non-core vessels owned by UDL Marine Assets (Singapore) Pte Ltd, a wholly-owned subsidiary of the Company. As at the date of this announcement, the Directors have not been informed by Windermere that it would be unable to discharge its payment obligations according to the agreed payment schedule and the Directors are not aware of any circumstances that would lead to Windermere failing to meet such payment schedule. The Group will also continue to handle any disposal of the non-core vessels as described above.

The assigned loans now owing by the Group to the Related Parties will be due for repayment on 1 August 2006. Save as disclosed below, there has not been any substantive negotiation between the Group and each of the Related Parties as regards how such loans shall be repaid or refinanced when they fall due. The previous understanding between the Company and the Related Parties as disclosed in the financial statements in the 2004 Annual Report was that the conversion of the loans into equity of the Company would be an alternative to repayment in cash if the Company was unable to repay the Related Parties in August 2006. Given that these loans will not be due for repayment in around a year's time, no definitive agreements have been reached at this stage regarding the equity conversion of these loans. As disclosed in the interim report of the Company for the six months ended 31 January 2005, the amount owing by the Group to the three Related Parties amounted to approximately HK\$97.4 million.

Currently, the Group's operations are principally funded by (1) deposits or mobilisation payments under the new orders received; (2) short-term financing by Harbour Front; and (3) normal commercial credit terms granted by suppliers and vendors. The Group is close to conclude the grant of a new loan facility with its banker. The loan, if granted, will be in the form of a 5-year secured loan and the principal amount of which is US\$4.6 million. Such loan is expected to be available after the completion of the Global Solution and will help refinance the existing liabilities of the Group.

In order for the Company to fund its operations in the future, the Company will be required to implement certain fund raising plans, which may include (but not limited to) rights issue or other equity financing methods. Harbour Front considers that the Offers before implementation of the Global Solution will therefore provide an opportunity to the other shareholders of the Company to divest their interests, should they wish to do so, without making further financial commitment to the Company or having their interests being diluted as a result of the possible fund raising exercise which may be implemented by way of equity issue. For the purposes of providing the Company with adequate working capital for financing needs before and after implementation of the Global Solution up till the completion of the possible fund raising exercise, the Group has just secured an interim financing facility from Harbour Front (subject to formal documentation after legal advice). The financing facility will be in the amount of HK\$20,000,000 and it is proposed that interest on such loan will accrue at 2% over the best lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited. No security will be provided to Harbour Front in respect of the grant of such interim financing facility.

INTENTIONS OF HARBOUR FRONT REGARDING THE FUTURE OF THE GROUP

Business

Notwithstanding Harbour Front intends to continue the existing line and development of business of the Group after the Offers, given the prevailing financial difficulties of the Group, Harbour Front will closely monitor the progress of the Global Solution and the existing business operations and development of the Group in order to explore possible solutions in resolving the financial difficulties of the Group.

Directors of the Company

As at the date of this announcement, the Board comprises three executive Directors namely Mrs. Leung Yu Oi Ling, Irene, Ms. Leung Chi Yin, Gillian, Mr. Lee Ka Lun, Stephen and three independent non-executive Directors, namely Mr. Pao Ping Wing, JP, Professor Yuen Ming Fai, Matthew and Ms. Tse Mei Ha. Harbour Front does not have any intention to change the composition of the Board by reason of the Offers only.

GENERAL

Listing status and public float

Harbour Front intends that the Company will remain listed on the Main Board of the Stock Exchange after the close of the Offers and does not intend to exercise any rights to compulsorily acquire all the Shares.

The Board will undertake to the Stock Exchange to take appropriate steps following the close of the Offers to ensure that such number of Shares as may be required by the Stock Exchange are held by the public.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25%, of the Shares are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

The Stock Exchange will also closely monitor all acquisitions or disposals of assets by the Company. Under the Listing Rules, the Stock Exchange has the power pursuant to the Listing Rules to aggregate a series of transactions and any such transactions that may result in the Company being treated as if it were a new listing applicant and subject to the requirement for new applicants as set out in the Listing Rules.

Combined offer document

Under Rule 8.2 of the Takeovers Code, within 21 days of the date of this announcement or such later date as the Executive may approve, Harbour Front is required to despatch the offer document containing the terms of the Offers, the form of acceptance and transfer for the Shares to the Shareholders as well as the form of acceptance and cancellation to the Optionholders respectively.

In accordance with the Takeovers Code, the Company is required to send the offeree board document in relation to the Offers to the Shareholders and the Optionholders within 14 days of the posting of the offer document or such later date as the Executive may approve.

It is the intention of the Company that the offeree board document will be combined with the offer document and a composite offer document will be despatched to the Shareholders and the Optionholders.

An independent board committee of the Company will be appointed to advise the Independent Shareholders and the Optionholders on the Share Offer and the Option Offer respectively. Hercules Capital Limited has been appointed as an independent financial adviser to advise the independent board committee of the Company in respect of the Offers.

WARNING

Investors are advised to exercise caution in dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Access Capital”	Access Capital Limited, a licensed corporation to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and the agent of Harbour Front to make the Offers
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“AMS”	AMS Corporate Finance Limited, a licensed corporation to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and the financial adviser to Harbour Front
“Board”	the board of directors of the Company
“Company”	UDL Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates

“Exercise”	the exercise of the Relevant Options
“Group”	the Company and its subsidiaries
“Harbour Front”	Harbour Front Limited, a company incorporated in the British Virgin Islands, the controlling shareholder of the Company. Harbour Front holds the Shares as trustee of a unit trust, all units in which are beneficially owned by a discretionary trust, the beneficiaries of which are Mrs. Leung and her children, namely Ms. Leung Chi Yin, Gillian, Mr. Leung Chi Hong, Jerry and Mr. Leung Kai Hong. Each of Mrs. Leung, Ms. Leung Chi Yin, Gillian and, Mr. Leung Chi Hong, Jerry is a party acting in concert with Harbour Front
“Harbour Front Concert Group”	Harbour Front and parties acting in concert with it
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mrs. Leung”	Mrs. Leung Yu Oi Ling, Irene, a party acting in concert with Harbour Front and an executive Director
“Offers”	the Share Offer and the Option Offer
“Option(s)”	option(s) granted by the Company to certain selected eligible participants under the Share Option Scheme which entitle the holder(s) thereof to subscribe for the Shares for cash
“Optionholder(s)”	holder(s) of the Outstanding Options
“Option Offer”	the mandatory conditional cash offer for cancellation of all the Outstanding Options at HK\$0.016 each to be made by Access Capital on behalf of Harbour Front in accordance with the Takeovers Code
“Outstanding Option(s)”	the Options which remain outstanding as at the date of this announcement and entitle the holders thereof to subscribe in cash, in aggregate, for up to 9,076,000 new Shares at a subscription price of HK\$0.024 per Share, all of which are owned by persons not being members of the Harbour Front Concert Group
“Relevant Options”	the Options, immediately prior to the Exercise, held by Mrs. Leung and entitled her to subscribe for 10,355,000 Shares for cash (as regards 1,000,000 Shares, at a subscription price of HK\$0.024 per Share and as regards the remaining 9,355,000 Shares, at a subscription price of HK\$0.040 per Share)
“Scheme Administrator”	the Scheme Administrator as defined in the Schemes (currently Mr. Matthew Finbarr O’Driscoll)
“Schemes”	the schemes of arrangement in respect of the Company and 24 of its subsidiaries, the explanatory statement for which was dated 11 February 2000, which were sanctioned by Order of the High Court of Hong Kong on 18 April 2000 and became effective on 28 April 2000
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Share Offer”	the mandatory conditional cash offer for all the issued Shares not already owned by the Harbour Front Concert Group to be made by Access Capital on behalf of Harbour Front in accordance with the Takeovers Code
“Share Option Scheme”	the share option scheme of the Company adopted on 31 December 2002
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Trust Deed”	the Trust Deed dated 11 February 2000 between the Company and Mr. Matthew Finbarr O’Driscoll as trustee
“Trustee”	the trustee appointed pursuant to the Trust Deed
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By Order of the Board
UDL Holdings Limited
Lee Ka Lun, Stephen
Director

By Order of the Board
Harbour Front Limited
Leung Yu Oi Ling, Irene
Director

Hong Kong, 7 September 2005

As at the date of this announcement, the Board comprises three executive Directors namely Mrs. Leung Yu Oi Ling, Irene, Ms. Leung Chi Yin, Gillian, Mr. Lee Ka Lun, Stephen and three independent non-executive Directors, namely Mr. Pao Ping Wing, JP, Professor Yuen Ming Fai, Matthew and Ms. Tse Mei Ha.

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that in relation to the Harbour Front Concert Group) confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement (other than those in relation to the Harbour Front Concert Group) the omission of which would make any statement in this announcement misleading.

The directors of Harbour Front jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

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