



UDL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 620)

UPDATE ON THE SCHEME MODIFICATIONS AND THE SETTLEMENT AGREEMENT

The Directors wish to announce that:

- (1) the Court has sanctioned the Scheme Modifications; and
- (2) the Company and the Scheme Administrator/Trustee intend to proceed to negotiate the detailed terms of the Settlement Agreement and the Promissory Notes.

Reference is made to the announcement of the Company dated 29 December 2005 and the circular of the Company dated 27 January 2006 (“**Circular**”). Terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

The Directors are pleased to announce that as at 21 July 2006, the Scheme Modifications to each of the Schemes had been sanctioned by the Court.

The Directors also announce that the Company and the Scheme Administrator/Trustee intend to proceed to negotiate the detailed terms of the Settlement Agreement and the Promissory Notes in line with the principal terms of the Settlement Agreement and the Promissory Notes as set out in the Circular with a view to entering into formal agreements on or before 1 September 2006 (or such later date as agreed between the parties).

As stated in the Circular, upon the execution of the Settlement Agreement and the issue of the Promissory Notes, the Group is expected to (1) incur an additional liability of HK\$30 million, being the principal amount of the Promissory Notes; (2) reduce its receivables as more particularly referred to in the Circular by approximately HK\$5.9 million; and (3) remove the uncertainty regarding the Company’s contingent liability in connection with the Shortfall Undertaking. As such, the scheme reserve account of the Group will be reduced by approximately HK\$35.9 million.

A further announcement will be made by the Company upon the execution of the Settlement Agreement and the issue of the Promissory Notes.

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

Hong Kong, 25 July 2006

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

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