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UDL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 620)

**PROPOSED RIGHTS ISSUE OF RIGHTS SHARES OF HK\$0.01 EACH AT
HK\$0.035
PER RIGHTS SHARE, PAYABLE IN FULL ON ACCEPTANCE
(IN THE PROPORTION OF ONE RIGHTS SHARE
FOR EVERY ONE EXISTING SHARE HELD)
AND
VERY SUBSTANTIAL ACQUISITIONS AND CONNECTED TRANSACTIONS**

PROPOSED RIGHTS ISSUE

The Company proposes to raise approximately HK\$177 million before expenses by issuing 5,045,033,739 Rights Shares at the Subscription Price of HK\$0.035 per Rights Share on the basis of one Rights Share for every one existing Share in issue on the Record Date. The Rights Issue is not available to the Excluded Shareholders.

The aggregate number of Rights Shares to be issued pursuant to the terms of the Rights Issue represents 100% of the Company's existing issued share capital and 50% of the Company's issued share capital as enlarged by the issue of the Rights Shares.

The Rights Issue will be fully underwritten by Taifook and Harbour Front on the terms and subject to the conditions set out in the Underwriting Agreement. Further details of the underwriting arrangement are set out in the paragraph headed "Underwriting arrangement" below.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms.

The Prospectus containing, among other things, details of the proposed Rights Issue will be despatched to the Shareholders as soon as practicable.

VERY SUBSTANTIAL ACQUISITIONS AND CONNECTED TRANSACTIONS

On 1 August 2008, (i) the Company and Harbour Front entered into the Lead Ocean Agreement pursuant to which Harbour Front has agreed to sell, and the Company has agreed to purchase the Lead Ocean Shares and the Lead Ocean Debts; (ii) the Company and Harbour Front entered into the Net Excel Agreement pursuant to which Harbour Front has agreed to sell, and the Company has agreed to purchase the Net Excel Shares and the Net Excel Debts; and (iii) the Company and Harbour Front entered into the Vessel Agreement in relation to the acquisition of the 10 vessels more particularly described in the Vessel Agreement.

To provide alternative source of funding for the Company to finance the Acquisitions in addition to utilising the proceeds of the Rights Issue, the Company has secured a financing facility from Harbour Front pursuant to the Finance Agreement made between Harbour Front and the Company. The major terms of such facility are set out in the paragraph headed “Finance arrangement with Harbour Front” below.

As the aggregate consideration of the Acquisitions represents more than 100% in terms of two of the Percentage Ratios, the Acquisitions constitute very substantial acquisitions of the Company under the Listing Rules. As at the date of this announcement, Harbour Front was the controlling Shareholder. In view of such relationship, the Acquisitions also constitute connected transactions of the Company and are therefore subject to the approval, on a poll, of the Independent Shareholders at the SGM under the Listing Rules.

The Acquisitions contemplated under the Lead Ocean Agreement, the Net Excel Agreement and the Vessel Agreement are inter-conditional upon each other and the Rights Issue is conditional upon the conditions precedent to the Acquisitions being fulfilled (or waived). The Rights Issue will not become unconditional and complete if the Acquisitions do not proceed. However, the Acquisitions may still proceed if the Rights Issue is not completed as the Company can waive such condition precedent. The Circular containing, among other matters, further details of the Acquisitions (including the accountants’ report on each of Lead Ocean and its subsidiaries, and Net Excel and its subsidiaries), the Rights Issue, the advice and recommendation of the independent committee of the Board (which will be consisted of all independent non-executive Directors who do not have any material interest in the Acquisitions or the Rights Issue) and the independent financial adviser, and the notice of the SGM will be despatched to the Shareholders as soon as practicable.

PROPOSED RIGHTS ISSUE

Issue statistics

- Basis of the Rights Issue : One Rights Share for every one existing Share held on the Record Date
- Number of existing Shares in issue : 5,045,033,739 Shares as at the date of this announcement
- Number of Rights Shares : 5,045,033,739 Rights Shares

The nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represents 100% of the Company's existing issued share capital and 50% of the Company's issued share capital as enlarged by the issue of the Rights Shares.

Share option scheme

As at the date of this announcement, there are no outstanding share options granted under the share option scheme of the Company or any other warrants, options or securities convertible into Shares.

Subscription Price

The Subscription Price for the Rights Shares is HK\$0.035 per Rights Share, payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price:

- represents a discount of approximately 10.26% to the closing price of HK\$0.039 per Share as quoted on the Stock Exchange on 1 August 2008, being the Last Trading Day;
- represents a discount of approximately 12.94% to the average closing price of HK\$0.0402 per Share for the five consecutive trading days up to and including 1 August 2008, being the Last Trading Day;
- represents a discount of approximately 14.84% to the average closing price of HK\$0.0411 per Share for the 10 consecutive trading days up to and including 1 August 2008, being the Last Trading Day;
- represents a discount of approximately 5.41% to the theoretical ex-rights price of approximately HK\$0.037 per Share based on the closing price as quoted on the Stock Exchange on 1 August 2008, being the Last Trading Day; and

- represents a premium of approximately 16.67% over the audited consolidated net tangible asset value of approximately HK\$0.030 per Share as at 31 July 2007.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriters with reference to the market price of the Shares in the six consecutive months from January 2008 to June 2008 and most recently in July 2008. During the six consecutive months from January 2008 to June 2008, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange was HK\$0.039 per Share recorded on each of 27 June 2008 and 30 June 2008 and HK\$0.089 per Share recorded on 29 February 2008 respectively. The Subscription Price represents a discount of approximately 44.36% to the average closing price in January 2008, while the Subscription Price represents a discount of approximately 30.14% and 16.27% to the average closing price in June and July 2008 respectively. In light of the recent volatility and generally downward trend of the prices of the Shares, the Company considers that the Subscription Price, representing a premium of approximately 16.67% over the audited consolidated net tangible asset value per Share as at 31 July 2007, is reasonable. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Directors (other than the independent non-executive Directors whose opinion will be formed after considering the advice and recommendation of the independent financial adviser) consider the Subscription Price fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares, when allotted and fully-paid, will rank pari passu with the then existing Shares in issue in all respects. Holders of such Rights Shares will be entitled to receive all future dividends and distributions which are declared after the date of allotment and issue of the Rights Shares.

Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for any unsold entitlements of the Excluded Shareholders, unsold Rights Shares created by adding together fractions of the Rights Shares and any nil-paid Rights Shares provisionally allotted but not accepted.

Applications may be made by completing the form of application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares. The Company will determine on a fair and equitable basis on the following principles:

- (1) preference shall be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings;

- (2) any excess Rights Shares remaining after satisfying the allocation under paragraph (1) above shall then be allocated to the remaining applicants of the excess Rights Shares in proportion to their “respective proportion” which is to be calculated with reference to the number of nil-paid Rights Shares provisionally allotted to a Qualifying Shareholder and the aggregate number of nil-paid Rights Shares provisionally allotted to all Qualifying Shareholders; and
- (3) any further remaining excess Rights Shares will be allocated to applicants in proportion to the excess Rights Shares applied by them after netting off their respective entitlements as calculated in paragraph (2) above.

Principle (1) is devised to facilitate Shareholders holding odd lot of Shares to top-up their Shares to a board lot and is thus considered as fair and equitable. In addition, it is fair to the Shareholders that, in accordance with principle (2), the remaining excess Rights Shares were allocated to the remaining applicants of the excess Rights Shares in proportion to (without involving any fraction of a Share) their “respective proportion” (which was calculated with reference to the number of nil-paid Rights Shares provisionally allotted to such Qualifying Shareholder and the aggregate number of nil-paid Rights Shares provisionally allotted to all such Qualifying Shareholders) since the percentage shareholding of each Shareholder (except for those who did not take up their rights entitlements under the provisional allotment and/or apply for excess Right Shares) after the completion of the Rights Issue be largely maintained. The Board considers that the allocation of the excess Rights Shares based on the principles set out above is fair and equitable and such allocation mechanism is in line with the allocation basis adopted by the Company in their previous rights issue exercises.

Fractional entitlements

Fractional entitlements for the nil-paid Rights Shares will not be issued but will be aggregated and sold, if a premium (net of expenses) can be obtained, for the benefit of the Company.

Share certificates for the Rights Shares

Subject to the fulfilment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to Qualifying Shareholders who have accepted and applied for (where appropriate), and paid for the Rights Shares by ordinary post at their own risk.

Qualifying Shareholders

The Company will send the Rights Issue Documents to the Qualifying Shareholders only.

To qualify for the Rights Issue, the Shareholder must be registered as a member of the Company at the close of business on the Record Date. However, Overseas Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date to whom the Board, based on legal opinions provided by legal advisers, considers it necessary or expedient not to offer the Rights Shares on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place will not be regarded as Qualifying Shareholders.

The Company retains the right, however, in its discretion to vary the requirements set out above to avoid any offer of Rights Shares to Shareholders (without compliance with registration or other legal requirements) outside Hong Kong.

Rights of Excluded Shareholders

The Rights Issue Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than Hong Kong and Bermuda. The Company will send the Prospectus (without the provisional allotment letters and forms of application for excess Rights Shares) to the Excluded Shareholders for their information only.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders in nil-paid form, to be sold as soon as practicable after dealings in nil-paid Rights Shares commence, if a premium, net of expenses, can be obtained. The proceeds of each sale, less expenses, of HK\$100 or more will be paid to the Excluded Shareholders in Hong Kong dollars pro rata to their respective shareholding. The Company will keep individual amounts of less than HK\$100 for its own benefit.

Application for listing of the Right Shares on the Stock Exchange

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms.

Nil-paid Rights Shares are expected to be traded in board lots of 40,000 (Shares in issue are traded in board lots of 40,000). If the theoretical ex-rights price of HK\$0.037 per Share calculated based on the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day is used as the basis, the expected market value of one board lot of 40,000 Shares is estimated to be HK\$1,480. Dealings in nil-paid and fully-paid Rights Shares will be subject to the payment of stamp duty in Hong Kong.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled:

- (1) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, all the Rights Shares (in their nil-paid and fully-paid forms); and
- (2) the Underwriting Agreement becoming unconditional and not being terminated by Taifook (on behalf of the Underwriters) in accordance with its terms.

None of the Company, Taifook and Harbour Front may waive condition (1) set out above and the conditions of the Underwriting Agreement are set out in the paragraph headed “Conditions of the Underwriting Agreement” below. The Rights Issue will not become unconditional and complete if the Acquisitions do not proceed.

Reasons for the Rights Issue and the use of proceeds

The principal activity of the Company is investment holding and the principal activities of its principal subsidiaries are mainly marine engineering, contracting, structural steel engineering and vessel sales.

Upon the full subscription of the Rights Shares, the Company will receive, net of expenses, approximately HK\$172 million. The Directors intend to use the net proceeds of the Rights Issue as follow:

- (a) Assuming all rights entitlements are taken up by the respective Shareholders:
 - as to approximately HK\$93 million to be applied towards payment for the consideration of the Acquisitions; and
 - as to approximately HK\$79 million to be applied towards the general working capital of the Group; or
- (b) Assuming no Shareholders have taken up their rights entitlements and the Underwriters are required to perform their underwriting obligations in pursuance of the Underwriting Agreement in full:
 - as to approximately HK\$159 million to be applied towards payment for the consideration of the Acquisitions; and
 - as to approximately HK\$13 million to be applied towards the general working capital of the Group.

During 12 months immediately preceding this announcement, the Company had not carried out any fund raising exercise or issued any equity securities. In February

2006, in order to remove all the then uncertain factors affecting the going concern of the Group, the Company raised fund by way of a rights issue of 2,374,133,524 rights shares of HK\$0.01 each at HK\$0.03 per rights share (in the proportion of 12 rights shares for every five then existing shares held). The net proceeds of such rights issue of approximately HK\$69.7 million were largely applied towards payment for the consideration of various acquisitions as proposed in the prospectus dated 15 February 2006 of the Company and repayment of HK\$5 million interim finance provided to the Group by Harbour Front. As only approximately HK\$1.3 million from the net proceeds of such rights issue remained and was used as general working capital of the Group, the Directors (including the independent non-executive Directors) considered that it was in the best interest of the Company and the then Shareholders to raise further capital by way of another rights issue to strengthen its capital base and at the same time to allow all the then qualifying shareholders of the Company the opportunity to maintain their respective pro rata shareholding interests in the Company if they so wish.

Hence, in July 2007, the Company raised fund by way of another rights issue of 1,681,677,913 rights shares of HK\$0.01 each at HK\$0.09 per rights share (in the proportion of one rights share for every two then existing shares held). Around half of the net proceeds of such rights issue of approximately HK\$148 million were applied towards repayment of HK\$75 million interim finance provided to the Group by Harbour Front and the balance of the net proceeds of such rights issue has been applied as general working capital of the Group and would be utilised in line with the business development of the Group. Although the Company has conducted two rights issue in the last two consecutive years and it is now conducting the third rights issue, the Board considers that such frequent fund raising exercises necessary due to its corporate and business needs are reasonable and the Directors (including the independent non-executive Directors) consider that it is in the best interest of the Company and the Shareholders to raise further capital by way of the Rights Issue to further strengthen its capital base for the development of its business plan as detailed in the paragraph headed “Future prospects and outlook” under the section headed “Management discussion and analysis” in the Company’s 2007 annual report and at the same time to allow all Qualifying Shareholders the opportunity to maintain their respective pro rata shareholding interests in the Company if they so wish.

The Board also considers that it is in the best interest of the Company and the Shareholders to utilise the proceeds of the Rights Issue together with the Harbour Front Finance to finance the Acquisitions.

Underwriting arrangement

Underwriting Agreement

Date : 1 August 2008. The Underwriting Agreement was entered into by the parties after the close of the trading hours on 1 August 2008.

Parties : (1) the Company;

(2) Harbour Front, the controlling shareholder of the Company, which, together with parties acting in concert with it, is interested in approximately 52.39% of the existing issued share capital of the Company as at the date of this announcement; and

(3) Taifook, immediately before the signing of the Underwriting Agreement did not have any interest in any Shares.

Number of Shares

underwritten : 5,045,033,739 Rights Shares (in which 500,000,000 Rights Shares are to be underwritten by Taifook and 4,545,033,739 Rights Shares are to be underwritten by Harbour Front) (“**Underwritten Shares**”). The basis for the allocation of 500,000,000 Rights Shares and 4,545,033,739 Rights Shares to Taifook and Harbour Front respectively is subject to the commercial decision of Taifook and Harbour Front.

Commission : 2.50% of the total Subscription Price of the Rights Shares (other than such number of Rights Shares which will be allotted and issued under the Rights Issue in respect of the Shares owned by the Harbour Front Concert Parties as at the Record Date and as at the date of this announcement, such Shares amounted to 2,642,993,320 Shares) underwritten by the Underwriters.

Conditions of the Underwriting Agreement

The obligations of the Underwriters in underwriting the Underwritten Shares are conditional upon:

- (1) the Company despatching the Circular to the Shareholders containing, among other matters, details of the Rights Issue together with the proxy form and the notice of the SGM;
- (2) the passing by the Independent Shareholders at the SGM of an ordinary resolution to approve the Rights Issue (including, but not limited to, the exclusion of the offer of the Rights Issue to the Excluded Shareholders) by no later than the date of the Prospectus;

- (3) each of the conditions precedent to the Acquisitions (other than the condition relating to the Rights Issue having become unconditional and completed) is fulfilled (or waived, where appropriate);
- (4) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, all the Rights Shares (in their nil-paid and fully-paid forms);
- (5) the filing and registration of all documents relating to the Rights Issue, which are required to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies Ordinance and the filing of all documents relating to the Rights Issue, which are required to be filed with the Registrar of Companies in Bermuda in accordance with the Companies Act of Bermuda;
- (6) the posting of the Prospectus and the relevant documents to Qualifying Shareholders; and
- (7) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement.

None of the Company, Harbour Front and Taifook may waive the conditions (1), (2), (4), (5) and (6) set out above. Taifook (on behalf of the Underwriters) may waive the condition (7) set out above in whole or in part by written notice to the Company. By mutual agreement between the Company and the Underwriters, condition (3) set out above may be waived in whole or in part.

If the conditions of the Underwriting Agreement are not satisfied and/or waived (to the extent such condition is capable of being waived) in whole or in part by the Underwriters by 30 October 2008 or such later date or dates as Taifook (on behalf of the Underwriters) may agree with the Company in writing, the Underwriting Agreement shall terminate and no party will have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breach.

Termination of the Underwriting Agreement

The Underwriting Agreement contains provisions granting Taifook (on behalf of the Underwriters), by notice in writing, the ability to terminate its obligations thereunder on the occurrence of certain events. Taifook (on behalf of the Underwriters) may terminate its commitment under the Underwriting Agreement prior to the Latest Time for Termination if prior to the Latest Time for Termination:

- (1) in the reasonable opinion of Taifook (on behalf of the Underwriters), the success of the Rights Issue would be materially and adversely affected by:

- (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of Taifook (on behalf of the Underwriters) materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of Taifook (on behalf of the Underwriters) materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (c) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or
 - (d) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the reasonable opinion of the Underwriters makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (3) the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the reasonable opinion of Taifook (on behalf of the Underwriters) is material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue.

If the Underwriting Agreement is terminated by Taifook (on behalf of the Underwriters) on or before the Latest Time for Termination or does not become unconditional, the Rights Issue will not proceed.

WARNING OF THE RISK OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

If the conditions of the Rights Issue are not fulfilled and/or waived, or the Underwriting Agreement is terminated by Taifook (on behalf of the Underwriters), the Rights Issue will not proceed and the Rights Issue will lapse.

Any persons contemplating buying or selling Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form, bear the risk that the Rights Issue may not become unconditional or may not proceed.

Any Shareholders or other persons contemplating dealings in the Shares or nil-paid Rights Shares are recommended to consult their own professional advisers.

EXPECTED TIMETABLE

The expected timetable for the Rights Issue set out below is indicative only and subject to change, and any such changes will be announced in a separate announcement by the Company as and when appropriate.

2008

Despatch of the Circular with the notice of SGM	Tuesday, 19 August
Last day of dealings in Shares on a cum-rights basis	Friday, 29 August
First day of dealings in Shares on an ex-rights basis	Monday, 1 September
Latest time for lodging transfer of Shares in order to qualify for the Rights Issue	4:30 p.m. on Tuesday, 2 September
Register of members of the Company closed	Wednesday, 3 September to Thursday, 4 September (both days inclusive)
Date of SGM	Thursday, 4 September
Record Date	Thursday, 4 September
Register of members re-opens	Friday, 5 September
Despatch of Rights Issue Documents	Friday, 5 September
First day of dealings in nil-paid Rights Shares	Tuesday, 9 September

Latest time for splitting of nil-paid Rights Shares	4:30 p.m. on Thursday, 11 September
Last day of dealings in nil-paid Rights Shares	Wednesday, 17 September
Latest Acceptance Date	4:00 p.m. on Monday, 22 September
Latest time for the Rights Shares to become unconditional	4:00 p.m. on Thursday, 25 September
Announcement of results of acceptance of and excess applications for the Rights Issue	Friday, 26 September
Despatch of refund cheques in respect of unsuccessful or partially unsuccessful excess applications for excess Rights Shares on or before	Friday, 26 September
Despatch of certificates for fully-paid Rights Shares on or before	Friday, 26 September
Commencement of dealings in fully-paid Rights Shares	9:30 a.m. on Tuesday, 30 September

CLOSURE OF REGISTER OF MEMBERS

To ascertain the entitlement of the Shareholders to the Rights Issue, the branch register of members of the Company in Hong Kong will be closed from Wednesday, 3 September 2008 to Thursday, 4 September 2008 (both days inclusive), during which period no transfer of Shares will be registered. To qualify for the Rights Issue, Shareholders should ensure that all transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 2 September 2008. The Record Date is Thursday, 4 September 2008.

SHAREHOLDING STRUCTURE OF THE COMPANY BEFORE AND AFTER THE RIGHTS ISSUE

The following table illustrates the shareholding changes as a result of the Rights Issue based on the shareholding of Harbour Front Concert Parties as at the date of this announcement:

	As at the date of this announcement		Assuming all rights entitlements are taken up by the respective Shareholder		Assuming no Shareholders have taken up their rights entitlements and the Underwriters are required to perform their underwriting obligations in pursuance of the Underwriting Agreement in full	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Harbour Front Concert Parties (<i>Note 1</i>)	2,642,993,320	52.39	5,285,986,640	52.39	7,188,027,059	71.23
Non-public (<i>Note 2</i>)	4,800	<i>Note 3</i>	9,600	<i>Note 3</i>	4,800	<i>Note 3</i>
Public Shareholders						
Other public	2,402,035,619	47.61	4,804,071,238	47.61	2,402,035,619	23.81
Taifook and sub-underwriter(s) (if any)	–	–	–	–	500,000,000	4.96
					2,902,035,619	28.77
	5,045,033,739	100%	10,090,067,478	100%	10,090,067,478	100%

Notes:

- Mrs. Leung Yu Oi Ling, Irene, Ms. Leung Chi Yin, Gillian and Mr. Leung Chi Hong, Jerry, each being an executive Director, holds one-third of the issued share capital of Harbour Front.
- These Shares are registered in the name of the spouse of Professor Yuen Ming Fai, Matthew, one of the independent non-executive Directors.
- The percentage shareholding is negligible.

RIGHTS ISSUE DOCUMENTS

The Prospectus containing, among other things, the proposed Rights Issue will be despatched to the Shareholders as soon as practicable.

The Rights Issue Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders as soon as practicable, subject to the conditions set out under the paragraph headed “Conditions of the Rights Issue” above being satisfied.

VERY SUBSTANTIAL ACQUISITIONS AND CONNECTED TRANSACTIONS

The Directors are pleased to announce that three acquisition agreements, which are inter-conditional upon each other, were entered into between the Company and Harbour Front on 1 August 2008. Details of the Acquisitions, involving the Lead Ocean Agreement, the Net Excel Agreement and the Vessel Agreement are set out below.

(1) Lead Ocean Agreement

- Date : 1 August 2008
- Parties : (i) Harbour Front, an investment holding company incorporated in the BVI (as vendor), the controlling Shareholder; and
(ii) the Company (as purchaser).
- Subject matter of the
Lead Ocean Agreement : the Lead Ocean Shares, being 100 issued shares of US\$1.00 each in the capital of Lead Ocean, a company incorporated in the BVI and is engaged in investment holding of a shipbuilding and structural steel production yard in the PRC

Consideration

The consideration of HK\$136,786,171.70 of which the amount of about HK\$36,000,911.59 and about HK\$100,785,260.11 are attributable to the Lead Ocean Shares and the Lead Ocean Debts respectively. The consideration was determined following arms' length negotiation between Harbour Front and the Company with reference to (i) the net asset value of Lead Ocean and its subsidiaries (approximately HK\$26,000,911.50) and the book value of the Lead Ocean Debts (approximately HK\$100,785,260.11) as at 31 March 2008; and (ii) the licence and approval obtained by 東莞振華建造工程有限公司 (Dongguan Chun Wah Engineering and Heavy Industry Co., Ltd.) to manufacture steel frames and products for both PRC internal sale and export business.

The portion of consideration payable under the Lead Ocean Agreement attributable to the Lead Ocean Shares is subject to pro tanto downward adjustments in the event that the audited net asset value of Lead Ocean and its subsidiaries as at 31 July 2008 or an agreed date being not more than three months before completion of the Lead Ocean Agreement, whichever the later, is less than HK\$26,000,911.59.

The portion of consideration payable under the Lead Ocean Agreement attributable to the Lead Ocean Debts is subject to pro tanto downward adjustment in the event that the Lead Ocean Debts as at 31 July 2008 or an agreed date being not more than three months before completion of the Lead Ocean Agreement, whichever the later, is less than HK\$100,785,260.11.

The consideration shall be paid by the Company to Harbour Front in cash at completion of the Lead Ocean Agreement.

Completion and conditions of the Lead Ocean Agreement

Completion of the Lead Ocean Agreement shall take place on the second Business Day falling on the date on which all the following conditions are fulfilled or, as the case may be, waived:

- (1) the Independent Shareholders approving, by way of ordinary resolution and on a poll at the SGM, among other matters, the Lead Ocean Agreement and the transactions contemplated therein and all other consents and acts required under the Listing Rules being obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules being obtained from the Stock Exchange;
- (2) if necessary, all approvals, consents, authorisations and licences in relation to the change of beneficial ownership of Lead Ocean as contemplated by the Lead Ocean Agreement having been obtained from the requisite government or regulatory authorities or any third parties;
- (3) the BVI and PRC legal opinions regarding, among others, the legality and validity of Lead Ocean's and its subsidiaries' incorporation and operations and subsistence and Lead Ocean's and its subsidiaries' interests in property to be issued before the completion of the Lead Ocean Agreement in such form and substance to the satisfaction of the Company having been obtained;
- (4) the Company being satisfied with the results of the review of the assets, liabilities, activities, operations, prospects and affairs of Lead Ocean in accordance with the provisions in the Lead Ocean Agreement;
- (5) the Rights Issue becoming unconditional and is completed in accordance with the Underwriting Agreement; and

- (6) the Company being satisfied that the Net Excel Agreement and the Vessel Agreement having been completed contemporaneously with or immediately after completion of the Lead Ocean Agreement in accordance with their respective terms.

The Company is entitled to waive the conditions specified above in whole or in part except for the conditions referred to in paragraphs (1) and (3). If any of the above conditions has not been satisfied (or, as the case may be, waived by the Company) at or before 12:00 noon on 30 October 2008, or such later date as the Company may agree, the Lead Ocean Agreement shall cease and determine and none of the parties shall have any obligations and liabilities thereunder save for any prior breaches. The Directors advise that the Company will only waive the condition referred to in paragraph (5) subject to the payment in advance of an amount representing the subscription proceeds by Harbour Front as agreed as if the Rights Issue were becoming unconditional and/or the availability of the Harbour Front Finance.

Information on Lead Ocean

Lead Ocean is a private company incorporated in the BVI and is the holding company of each of Argos Engineering (International) Company Limited and Cochrane Enterprises Limited, which pursuant to a Dong Guan Chunwah Engineering and Heavy Industry Co., Ltd. Joint-Venture Contract and another Dong Guan Hing Wah Shipbuilding Co., Ltd. Joint-Venture Contract both dated 18 October 1990, entered into between each of them respectively and Shatian Foreign Trade and Economic Development Company, have (1) established two PRC companies, 東莞振華建造工程有限公司 (Dongguan Chun Wah Engineering and Heavy Industry Co., Ltd.) and 東莞興華造船工程有限公司 (Dongguan Hing Wah Shipbuilding Co., Ltd.); and (2) obtained the allocation of the land use rights of certain collectively-owned land with a yard site area of approximately 154,000 sq.m. for a term of 50 years for manufacturing structural steel frames and fabrication of ships and other ancillary businesses. Lead Ocean has an authorised capital of US\$50,000 divided into 50,000 shares of US\$1.00 each and 100 fully paid shares of which have up to the date of this announcement been issued and beneficially owned by Harbour Front.

The Dongguan yard abovementioned is situated along the bank of a branch of Dongjiang with deep water access channel. It has extensive steel fabrication and assembly capability over 15 years of track record in completing major fabrication and assembly projects of bridges, buildings and structures in the PRC, Hong Kong and Macau. 東莞振華建造工程有限公司 (Dongguan Chun Wah Engineering and Heavy Industry Co., Ltd.) has obtained a licence to manufacture steel frames and products for both PRC internal sale and export business and necessary approvals to operate a pier in the yard for exporting its products directly from Dongguan.

Referring to the paragraph headed “Proposed settlement agreement and issue of promissory notes – Background” in the “Letter from the Board” in the Company’s circular dated 27 January 2006, upon implementation of the scheme of arrangement of the Company and its subsidiaries in mid-2000, Argos Engineering (International) Company Limited and Cochrane Enterprises Limited were transferred by the Company to the scheme administrator as part of the concerned unencumbered assets. According to the memorandum of understanding entered into between the scheme administrator, the Company and Harbour Front in 2005 outlining the global solution settling the outstanding issues of the scheme of arrangement of the Company and its subsidiaries as more particularised in that circular, Harbour Front acquired Argos Engineering (International) Company Limited and Cochrane Enterprises Limited as part of the acquisition of the concerned unencumbered assets from the scheme administrator in September 2006.

Ever since the entering into of the abovementioned memorandum of understanding, Harbour Front started to resolve issues related to the Dongguan yard facilities by paying outstanding annual and licence fee and title fees, carrying out annual government licence audit and settling current liabilities of Argos Engineering (International) Company Limited and Cochrane Enterprises Limited. Significant improvements to the yard facilities have also been made to meet the current needs for efficient production.

Lead Ocean was incorporated on 2 May 2008 to hold Argos Engineering (International) Company Limited and Cochrane Enterprises Limited within the group of companies held by Harbour Front. The pro forma net profit/(loss) of Lead Ocean and its subsidiaries (prepared in accordance with Hong Kong Financial Reporting Standards) for the two years ended 31 March 2008 was approximately as follows:

	For the year ended 31 March 2007	For the year ended 31 March 2008
Net profit/(loss) (before taxation and extraordinary items)	(HK\$5,894,000)	(HK\$1,595,071)
Net profit/(loss) (after taxation and extraordinary items)	(HK\$5,894,000)	(HK\$1,595,071)

The pro forma net asset value of Lead Ocean and its subsidiaries (prepared in accordance with Hong Kong Financial Reporting Standards) as at 31 March 2007 and 31 March 2008 was approximately HK\$16,937,117 and HK\$26,000,911 respectively. As at 31 March 2008 and as if Lead Ocean has been incorporated, the value of Lead Ocean Debts amounted to approximately HK\$100,785,260.

Reasons for the acquisition of Lead Ocean

Given the enhanced capital base of the Group since mid-2007, upgrading works to its yard facilities in both Singapore and Zhongshan, the PRC, have gone underway so as to meet the surging demands in the shipbuilding and offshore engineering sector with the synergy from the combined capacity of these two yard facilities and the sound competitive edge in the market due to their independent advantages. The growth in global demand for oil has been strong and steady for over five years and operators are likely to continue investing in exploration and production to replace depleting reserves. This translates demand in the related shipbuilding and offshore engineering market. In addition to the existing yard facilities in Singapore and Zhongshan, the Group consider the longer term arrangement in taking up and utilise facilities in Dongguan, the PRC held by the group of companies of Lead Ocean could combine and consolidate the mutually matching and critical mass effect between the existing and additional facilities to promote the enhanced capabilities in the shipbuilding, marine and offshore engineering activities.

Demand in the shipbuilding, marine and offshore engineering sector is robust and will increase with oil price continuing to sustain at record high level. Rigs utilisation is now at full capacity which transpires demand for further building and related work. Level of enquiries for shipbuilding and offshore industry support work is growing, some of which has already rendered into order, including specialised building such as derricks. Demand for offshore support vessels (OSVs) will also be strong given the existing positive outlook for the offshore industry. Ship repair and modification works in the regional market also have robust demand. Our historical performance in similar building projects and current combined capacities prepare us to meet all these market needs.

The Group's current combined production capacities from its Zhongshan and Singapore yards are 4 to 6 units of 5,000 DWT class vessels and annual steel fabrication projects of up to 20,000 tons. Intended integration of the additional Dongguan yard facilities could beef up total production capacities of up to 40,000 tons per year. The Dongguan yard with deep water access channel is suitable for the construction of vessels of up to 200 metres in length, oil rigs and semi-sub. A key element in this business plan is to leverage the Dongguan yard's extensive steel fabrication capability, low production cost and cheap supply of materials with the Group's image for quality and reliability, and Singapore's excellent supply chain, sub-contractors, and supporting infrastructure to provide the Group with a sustainable competitive edge. The Dongguan yard will undertake the construction of steel structures and vessel components. After which, the components fabricated and constructed in the PRC will be transported to the Singapore yard of the Group for assembly into complete product. With the promising prospect in the shipbuilding marine and offshore engineering sector, together with the anticipated increase in production capacities and synergies derived from integration of the yard facilities, the Directors expect to see overall performance of the Group improving at a multiple factor.

The Directors (excluding the independent non-executive Directors whose view will be formed after considering the advice and recommendation of the independent financial adviser) are of the view that the terms of the Lead Ocean Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole.

(2) Net Excel Agreement

Date : 1 August 2008

Parties : (i) Harbour Front, an investment holding company incorporated in the BVI (as vendor), the controlling Shareholder; and
(ii) the Company (as purchaser).

Subject matter of the Net Excel Agreement : the Net Excel Shares, being 100 issued shares of US\$1.00 each in the capital of Net Excel, a company incorporated in the BVI and is engaged in investment holding of contracting companies having licences for port works engineering and construction in both Hong Kong and PRC

Consideration

The consideration of HK\$70,869,363.36 of which the amount of about HK\$70,564,363.36 and about HK\$305,000 are attributable to the Net Excel Shares and the Net Excel Debts respectively. The consideration was determined following arms' length negotiation between Harbour Front and the Company with reference to (i) the net asset value of Net Excel and its subsidiaries (approximately HK\$51,898,778.75) and the book value of the Net Excel Debts (approximately HK\$305,000) as at 31 March 2008; and (ii) the licences obtained by the subsidiaries of Net Excel for port works engineering and construction in Hong Kong and PRC which are more particularly set out in the paragraph headed "Information on Net Excel" below.

The portion of consideration payable under the Net Excel Agreement attributable to the Net Excel Shares is subject to pro tanto downward adjustments in the event that the audited net asset value of Net Excel and its subsidiaries as at 31 July 2008 or an agreed date being not more than three months before completion of the Net Excel Agreement, whichever the later, is less than HK\$51,898,778.75.

The portion of consideration payable under the Net Excel Agreement attributable to the Net Excel Debts is subject to pro tanto downward adjustment in the event that the Net Excel Debts as at 31 July 2008 or an agreed date being not more than three months before completion of the Net Excel Agreement, whichever the later, is less than HK\$305,000.

The consideration shall be paid by the Company to Harbour Front in cash at completion of the Net Excel Agreement.

Completion and conditions of the Net Excel Agreement

Completion of the Net Excel Agreement shall take place on the second Business Day falling on the date on which all the following conditions are fulfilled or, as the case may be, waived:

- (1) the Independent Shareholders approving, by way of ordinary resolution and on a poll at the SGM, among other matters, the Net Excel Agreement and the transactions contemplated therein and all other consents and acts required under the Listing Rules being obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules being obtained from the Stock Exchange;
- (2) if necessary, all approvals, consents, authorisations and licences in relation to the change of beneficial ownership of Net Excel as contemplated by the Net Excel Agreement having been obtained from the requisite government or regulatory authorities or any third parties;
- (3) the BVI and PRC legal opinions regarding, among others, the legality and validity of Net Excel's and its subsidiaries' incorporation and operations and subsistence to be issued before the completion of the Net Excel Agreement in such form and substance to the satisfaction of the Company having been obtained;
- (4) the Company being satisfied with the results of the review of the assets, liabilities, activities, operations, prospects and affairs of Net Excel in accordance with the provisions in the Net Excel Agreement;
- (5) the Rights Issue becoming unconditional and is completed in accordance with the Underwriting Agreement; and
- (6) the Company being satisfied that the Lead Ocean Agreement and the Vessel Agreement having been completed contemporaneously with or immediately after completion of the Net Excel Agreement in accordance with their respective terms.

The Company is entitled to waive the conditions specified above in whole or in part except for the conditions referred to in paragraphs (1) and (3). If any of the above conditions has not been satisfied (or, as the case may be, waived by the Company) at or before 12:00 noon on 30 October 2008, or such later date as the Company may agree, the Net Excel Agreement shall cease and determine and none of the parties shall have any obligations and liabilities thereunder save for any prior breaches. The Directors advise that the Company will only waive the condition referred to in paragraph (5) subject to the payment in advance of an amount representing the subscription proceeds by Harbour Front as agreed as if the Rights Issue were becoming unconditional and/or the availability of the Harbour Front Finance.

Information on Net Excel

Net Excel is a private company incorporated in the BVI and is holding company of each of Tonic Engineering & Construction Company Limited, Gitanes Engineering Company Limited and its PRC subsidiary, 廣東積達工程有限公司 (Guangdong Gitanes Engineering Co., Limited), which collectively have obtained licence for port works engineering and construction in Hong Kong and PRC, and Chiu Hing Company Limited which has a track record in civil engineering public works projects in Hong Kong. Net Excel has an authorised capital of US\$50,000 divided into 50,000 shares of US\$1.00 each and 100 fully paid shares of which have up to the date of this announcement been issued and beneficially owned by Harbour Front.

Tonic Engineering & Construction Company Limited and Gitanes Engineering Company Limited holds respectively a Hong Kong public works Group B (confirmed) and Group C (probationary) licence for port works engineering and construction. Group B (confirmed) licence represents a qualification for tendering of unlimited number of contracts of value up to HK\$50,000,000 and Group C (probationary) licence represents a qualification for tendering of maximum of two contracts of value exceeding HK\$50,000,000 provided the total value of contract works does not exceed HK\$180,000,000. Confirmation to Group C licence is achievable after satisfactory completion of at least one public works Group C contract of value over HK\$90,000,000 and Group C (confirmed) licence represents a qualification for tendering of unlimited number of contracts of value exceeding HK\$50,000,000. 廣東積達工程有限公司 (Guangdong Gitanes Engineering Co., Limited) was established by Gitanes Engineering Company Limited in late 2004 pursuant to the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) and has a licence for port works engineering and construction in the PRC.

Referring to the paragraph headed “Proposed settlement agreement and issue of promissory note – Background” in the “Letter from the Board” in the Company’s circular dated 27 January 2006, upon implementation of the scheme of arrangement of the Company and its subsidiaries in mid-2000, shareholding of the Group in Tonic Engineering & Construction Company Limited and Gitanes Engineering Company Limited were transferred by the Group to the scheme administrator as part of the concerned unencumbered assets. According to the memorandum of understanding entered into between the scheme administrator, the Company and Harbour Front in 2005 outlining the global solution settling the outstanding issues of the scheme of arrangement of the Company and its subsidiaries as more particularised in that circular, Harbour Front acquired the concerned shareholding in Tonic Engineering & Construction Company Limited and Gitanes Engineering Company Limited as part of the acquisition of the concerned unencumbered assets from the scheme administrator in September 2006. Both Tonic Engineering & Construction Company Limited and Gitanes Engineering Company Limited were not subsidiaries of the Company before implementation of the scheme of arrangement. Harbour Front has also completed acquisition of all the remaining shareholding in Tonic Engineering & Construction Company Limited and Gitanes Engineering Company Limited from the then shareholders of these companies.

Ever since the entering into of the abovementioned memorandum of understanding, Harbour Front started to resolve issues related to the these contracting companies including settling issue related to sufficiency of capital for maintenance of port works licence, injection of necessary additional capital and carrying out PRC annual government licence audit.

Net Excel was incorporated on 23 May 2008 to hold Tonic Engineering & Construction Company Limited, Gitanes Engineering Company Limited and Chui Hing Company Limited within the group of companies held by Harbour Front. The pro forma net profit/(loss) of Net Excel and its subsidiaries (prepared in accordance with Hong Kong Financial Reporting Standards for the two years ended 31 March 2008 was approximately as follows:

	For the year ended 31 March 2007	For the year ended 31 March 2008
Net profit/(loss) (before taxation and extraordinary items)	HK\$194,000	HK\$4,922,000
Net profit/(loss) (after taxation and extraordinary items)	HK\$194,000	HK\$4,922,000

The pro forma net asset value of Net Excel and its subsidiaries (prepared in accordance with Hong Kong Financial Reporting Standards as at 31 March 2007 and 31 March 2008 was approximately HK\$27,885,000 and HK\$51,898,778.75 respectively. As at 31 March 2008 and as if Net Excel has been incorporated, the audited value of Net Excel Debts amounted to approximately HK\$305,000.

Reasons for the acquisition of Net Excel

Given the enhanced capital base of the Group since mid-2007, the Group has succeeded in securing port works projects as sub-contractors including submarine pipelines for Permanent Aviation Fuel Facilities for the Hong Kong International Airport in Chek Lap Kok. Performance in the contracting divisions to improve can be foreseen. The Hong Kong government has committed to push forward 10-large scale infrastructure projects in the coming years. The Group is confident to harvest from the forthcoming opportunities.

With the Hong Kong public works licences possessed by Net Excel's subsidiaries, the Group would be able to re-access the main contractor market for port works which was one of the major activities of the Group before the implementation of the scheme of arrangement in 2000. With a better and direct control of engineering and construction projects and together with a complete fleet of marine engineering vessels, the Group would be able to improve its management and production efficiency and have a sustainable competitive edge.

With the continuous commitment by both government of the PRC and Hong Kong to improve the existing arrangement under CEPA, 廣東積達工程有限公司 (Guangdong Gitanes Engineering Co., Limited) would be able to provide a solid platform for the Group to access the PRC market for a sustainable growth of its port works business in the long term.

The Directors (excluding the independent non-executive Directors whose view will be formed after considering the advice and recommendation of the independent financial adviser) are of the view that the terms of the Net Excel Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole.

(3) Vessel Agreement

Date : 1 August 2008

Parties : (i) Harbour Front, an investment holding company incorporated in the BVI (as vendor), the controlling Shareholder; and
(ii) the Company (as purchaser).

Subject matter of the Vessel Agreement : 10 vessels

Consideration

The aggregate consideration of HK\$21,800,000 for the 10 vessels were determined after arm's length negotiation between the Company and Harbour Front and on normal commercial terms with reference to the prevailing market price and valuations.

The 10 vessels agreed to be sold under the Vessel Agreement, are vessels held by the group of companies controlled by Harbour Front and will be sold by Harbour Front as beneficial owner and authorised agent of the registered owner.

Harbour Front and the Company has jointly instructed a valuer to carry out a valuation on the 10 vessels as at 31 July 2008 or at a date being not earlier than three months prior to completion of the Vessel Agreement, whichever the later. The consideration payable under the Vessel Agreement is subject to pro tanto downward adjustments if the aggregate valuation of the 10 vessels is less than HK\$21,800,000.

The consideration of the 10 vessels shall be paid by the Company to Harbour Front in cash at completion of the Vessel Agreement.

Completion and conditions of the Vessel Agreement

Completion of the Vessel Agreement shall take place on the second Business Day falling on the date on which all the following conditions are fulfilled or, as the case may be, waived:

- (1) the Independent Shareholders approving, by way of ordinary resolution and on a poll at the SGM, the Vessel Agreement and the transactions contemplated therein and all other consents and acts required under the Listing Rules being obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules being obtained from the Stock Exchange;

- (2) if necessary, all approvals, consents, authorisations and licences in relation to the change of beneficial ownership of the 10 vessels as contemplated by the Vessel Agreement having been obtained from the requisite government or regulatory authorities or any third parties;
- (3) the Rights Issue becoming unconditional and is completed in accordance with the Underwriting Agreement; and
- (4) the Company being satisfied that the Lead Ocean Agreement and the Net Excel Agreement having been completed contemporaneously with or immediately after completion of the Vessel Agreement in accordance with their respective terms.

The Company is entitled to waive the conditions specified above in whole or in part except for the condition referred to in paragraph (1). If any of the above conditions has not been satisfied (or, as the case may be, waived by the Company) at or before 12:00 noon on 30 October 2008, or such later date as the Company may agree, the Vessel Agreement shall cease and determine and none of the parties shall have any obligations and liabilities thereunder save for any prior breaches. The Directors advise that the Company will only waive the condition referred to in paragraph (3) subject to the payment in advance of an amount representing the subscription proceeds by Harbour Front as agreed as if the Rights Issue were becoming unconditional and/or the availability of the Harbour Front Finance.

Information on the 10 vessels

The 10 vessels are crafts and vessels for marine construction works, general marine transportation and engineering supporting services. The original purchase cost of the 10 vessels is approximately HK\$20,000,000 and the value of the 10 vessels as at 31 July 2008 based on a valuation conducted by an independent third party on an open market value for continued existing use approach was approximately HK\$21,800,000.

Reasons for the acquisition of the 10 vessels

The Group's shipbuilding business started well before the 90s' and in 1991 when the Company became listed on the Stock Exchange, this business sector contributed over 22% of the Group's overall turnover of approximately HK\$252 million. Shipbuilding business then remained one of the important business segments of the Group in the subsequent years. Started from the year ended 31 March 1995, the shipbuilding business started to be integrated with the marine engineering business to fulfil the huge ship repair requirements of the Group's own large fleet of marine engineering vessels. Shipbuilding business operation was very important logistic support for the Group's marine engineering operations and also reduced the Group's external repair and maintenance expenses substantially.

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. Turnover attributable to shipbuilding business amounted to HK\$9,624million and HK\$13,980 million for the years ended 31 July 2006 and 31 July 2007, representing around 43% and 36% of the Group's total turnover for the respective year.

The Group intends to acquire the 10 unencumbered vessels for sale after reconditioning so as to further expand its operation in the supply of reconditioned second-hand marine engineering vessels. Subject to the marine engineering construction market conditions, the vessels could also be used in the Group's operations if not sold.

The acquisition of these 10 vessels will also provide the Group with a broadened base of resources to normalise and expand its existing principal businesses, in particular the marine construction engineering business. Turnover attributable to marine engineering business amounted to HK\$8,894 million and HK\$19,410 million for the years ended 31 July 2006 and 31 July 2007, representing around 40% and 51% of the Group's total turnover for the respective year. Furthermore, the acquisition will also enable the Company to maintain a complete fleet of vessels for general marine engineering operation in line with its development of business for port works engineering and construction.

With the 10-large scale infrastructure developments expected to be implemented in the coming years 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 have a large demand for marine construction plant like those to be acquired by the Group under the Vessel Agreement. The Group's marine construction engineering operations are expected to be expanded accordingly and to make positive contribution to the Group's revenue for the financial year ended 31 July 2006 onwards.

The Directors (excluding the independent non-executive Directors whose view will be formed after considering the advice and recommendation of the independent financial adviser) are of the view that the terms of the Vessel Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole.

Relationship between the parties and implication of the Listing Rules

Currently, Harbour Front is the controlling shareholder of the Company.

In view of the above relationship between parties, each of the Rights Issue, the transactions contemplated under the Lead Ocean Agreement, the Net Excel Agreement and the Vessel Agreement constitutes a connected transaction of the Company for the purposes of Chapter 14A of the Listing Rules.

Since the Rights Issue would increase the issued share capital of the Company by more than 50%, the Rights Issue must be made conditional on approval by the Independent Shareholders for the purposes of Rule 7.19(6) of the Listing Rules. As the aggregate consideration of the Acquisitions represent more than 100% in terms of two of the Percentage Ratios, the Acquisitions constitute a very substantial acquisition of the Company for the purposes of Chapter 14 of the Listing Rules.

Accordingly, the Rights Issue and the Acquisitions (as contemplated under the Lead Ocean Agreement, the Net Excel Agreement and the Vessel Agreement) are required to be approved, on a poll, by the Independent Shareholders pursuant to Rule 7.19(6), Rule 14.49 and Rule 14A.17 of the Listing Rules. Harbour Front, with a material interest in the Acquisitions and the Rights Issue, and its associates are required to abstain from voting at the SGM in respect of the relevant resolutions. The Acquisitions contemplated under the Lead Ocean Agreement, the Net Excel Agreement and the Vessel Agreement are inter-conditional upon each other and the Rights Issue is conditional upon the conditions precedent to the Acquisitions being fulfilled (or waived). The Rights Issue will not become unconditional and complete if the Acquisitions do not proceed. However, the Acquisitions may still proceed if the Rights Issue is not completed as the Company can waive such condition precedent.

The Circular containing, among other matters, further details of the Acquisitions (including the accountants' report on each of Lead Ocean and its subsidiaries, and Net Excel and its subsidiaries), the Rights Issue, the advice and recommendation of the independent committee of the Board (which will be consisted of all independent non-executive Directors who do not have any material interest in the Acquisitions or the Rights Issue) and the independent financial adviser, and the notice of the SGM will be despatched to the Shareholders as soon as practicable.

FINANCE ARRANGEMENT WITH HARBOUR FRONT

To provide alternative source of funding for the Company to finance the Acquisitions in addition to utilising the proceeds of the Rights Issue, the Company has secured a financing facility from Harbour Front pursuant to the Finance Agreement and made between Harbour Front and the Company. The major terms of such facility are set out below:

Facility : Facility, of which drawing shall be made in two tranches, up to HK\$136,950,768.85 (the exact amount of the facility to be made available by Harbour Front to the Company under the Finance Agreement shall be determined by the Harbour Front and the Company in accordance with terms below on or before the drawdown of such facility).

Unless otherwise agreed between Harbour Front and the Company prior to the drawdown of the facility (in the event conditions precedent (b) and/or (c) as referred to in the paragraph headed “Conditions precedent” below is waived by Harbour Front) and subject to the determination below, the aggregate amount of drawing by the Company shall not exceed HK\$136,950,768.85.

Harbour Front and the Company agreed that the amount of the facility and amount of draw down under Tranche B shall be determined as follows:

Amount of the Facility:

$$F = A - B \times C$$

where:

“F” is the amount of the facility (unless otherwise agreed between Harbour Front and the Company prior to the drawdown of the facility (in the event conditions precedent (b) and/or (c) as referred to in the paragraph headed “Conditions precedent” below is waived by Harbour Front)

“A” is the total consideration for the Acquisitions

“B” is the number of untaken Shares for which Harbour Front is obliged to subscribe or procure subscribers to subscribe pursuant to the Underwriting Agreement (and for the avoidance of doubt, shall include the number of excluded Shares and excess Rights Shares which have been accepted or taken up by Harbour Front and parties acting in concert with it in accordance with the provisions of the Underwriting Agreement)

“C” is HK\$0.035, being the subscription price for each Rights Share

Amount of draw down under Tranche B:

$$D = F - G$$

Where:

“D” is the amount of draw down under Tranche B

“F” is the amount of facility as determined above

“G” is HK\$57,873,464.56, being the maximum amount of draw down under Tranche A

Tranche A : The maximum aggregate amount of draw down under this tranche is HK\$57,873,464.56.

The draw down of Tranche A of the Facility shall be made by the Company to Harbour Front for settlement or set-off of part of the total consideration for the Acquisitions payable by the Company to Harbour Front.

Tranche B : Subject to the determination of the amount of the facility as set out above and unless otherwise agreed between Harbour Front and the Company prior to the drawdown of the facility (in the event conditions precedent (b) and/or (c) as referred to in the paragraph headed “Conditions precedent” below is waived by Harbour Front), the maximum aggregate amount of draw down under this tranche is HK\$79,077,304.29.

The draw down of Tranche B of the Facility shall be made by the Company to Harbour Front for settlement or set-off of part of the total consideration for the Acquisitions payable by the Company to Harbour Front.

Interest : Hong Kong Dollars best lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited per annum on the amount of facility drawn down.

Repayment : The Company shall be obliged to repay the amount of the facility drawn down together with any interest accrued thereon (“**Loan**”) in the following circumstances and manner:

Tranche A of the facility

Principal amount together with interest accrued thereon shall be repaid (in whole or in part) when:

- (a) the Company or its subsidiaries generate surplus income from its/their operations; or
- (b) termination of the Finance Agreement.

Tranche B of the facility

Tranche B of the facility shall be for a fixed term (“**Term**”) of eighteen (18) months from the date of draw down of the relevant facility and shall be repaid together with interest accrued thereon (i) upon the expiry of the Term; or (ii) before the expiry of the Term when:

- (c) the Company or its subsidiaries receives proceeds arising from equity fund raising (other than the Rights Issue), assets disposals or realisations;
- (d) the Company or its subsidiaries generate surplus income from its/their operations (and Tranche A of the facility together with interest accrued thereon has been fully repaid);
- (e) the Company or its subsidiaries receive any loan or finance proceeds by entering into a loan or finance agreement or arrangement with any parties other than Harbour Front or its nominees without the prior consent of Harbour Front; or
- (f) termination of the Finance Agreement.

The above conditions are not interdependent and if the proceeds or funds received pursuant to any relevant repayment condition becoming operative are insufficient to repay the full amount of the Loan, the remaining amount of the Loan shall be repaid upon any other conditions becoming operative until the Loan is fully repaid.

- Conditions precedent** : (a) The Independent Shareholders approving, by way of ordinary resolution and on a poll at the SGM, the Lead Ocean Agreement, the Net Excel Agreement, the Vessel Agreement, the Underwriting Agreement and the transactions contemplated thereby and all other consents and acts required under the Listing Rules being obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules being obtained from the Stock Exchange;
- (b) the Rights Issue becoming unconditional and is completed in accordance with the terms of the Underwriting Agreement; and
- (c) the Lead Ocean Agreement, the Net Excel Agreement and the Vessel Agreement having been completed in accordance with their respective terms.

If any of the conditions set out above has not been satisfied (or, in the event conditions precedent (b) and/or (c) waived by Harbour Front) on or before 12:00 noon on 30 October 2008, or such later date as Harbour Front may agree, the Finance Agreement shall cease and determine and none of Harbour Front or the Company shall have any obligations and liabilities thereunder save for any prior breaches of the terms thereof.

Implication of the Listing Rules

Currently, Harbour Front is the controlling shareholder of the Company. In view of such relationship between Harbour Front and the Company, the transactions contemplated under the Finance Agreement constitute a connected transaction of the Company. Pursuant to Rule 14A.65(4) of the Listing Rules, financial assistance provided by a connected person for the benefit of a listed issuer on normal commercial terms (or better to the listed issuer) where no security over the assets of the listed issuer is granted in respect of the financial assistance is exempted from the reporting, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules. The transactions contemplated by the Finance Agreement fall within Rule 14A.65(4) of the Listing Rules, and hence is exempted from the reporting, announcement and Independent Shareholders' approval requirements.

BOARD

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

DEFINITIONS

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

“Acquisitions”	collectively: <ol style="list-style-type: none">(1) the acquisition of the Lead Ocean Shares and the Lead Ocean Debts pursuant to the Lead Ocean Agreement;(2) the acquisition of the Net Excel Shares and the Net Excel Debts pursuant to the Net Excel Agreement; and(3) the acquisition of the 10 vessels pursuant to the Vessel Agreement.
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business
“BVI”	the British Virgin Islands
“Circular”	the circular containing, among other things, details of the Rights Issue and the Acquisitions, together with a notice convening the SGM to be despatched to the Shareholders as soon as practicable

“Company”	UDL Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Excluded Shareholders”	Overseas Shareholders to whom the Board, based on legal opinions provided by legal advisers, considers it necessary or expedient not to offer the Rights Shares on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Finance Agreement”	the conditional agreement dated 1 August 2008 and entered into between Harbour Front as lender, and the Company as borrower for the loans to be given by Harbour Front to the Company for financing part payment of the consideration payable for the Acquisitions
“Group”	the Company and its subsidiaries from time to time
“Harbour Front”	Harbour Front Limited, a company incorporated in the British Virgin Islands, the controlling shareholder of the Company. Mrs. Leung Yu Oi Ling, Irene, Ms. Leung Chi Yin, Gillian and Mr. Leung Chi Hong, Jerry, each being an executive Director, holds one-third of the issued share capital of Harbour Front
“Harbour Front Concert Parties”	Harbour Front and parties acting in concert with it
“Harbour Front Finance”	the loans to be given by Harbour Front to the Company pursuant to the Finance Agreement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than Harbour Front and its associates
“Latest Acceptance Date”	22 September 2008, being the last date for acceptance of and payment for the Rights Shares and application for excess Rights Shares

“Latest Time for Termination”	4:00 p.m. on 25 September 2008, being the third Business Day after the Latest Acceptance Date
“Last Trading Day”	1 August 2008, being the date of this announcement
“Lead Ocean”	Lead Ocean Assets Management Limited, a company incorporated in the BVI
“Lead Ocean Agreement”	the conditional agreement dated 1 August 2008 and entered into between Harbour Front as vendor, and the Company as purchaser for the acquisition of the Lead Ocean Shares and the Lead Ocean Debts
“Lead Ocean Debts”	such amounts as equals 100% of the face value of the loans outstanding as at completion of the acquisition of Lead Ocean (which amount should be construed according to the terms and conditions of the Lead Ocean Agreement) made by or on behalf of Harbour Front to Lead Ocean
“Lead Ocean Shares”	the 100 issued shares of US\$1.00 each in the capital of Lead Ocean, representing the entire issued share capital of Lead Ocean
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Net Excel”	Net Excel Management Limited, a company incorporated in the BVI
“Net Excel Agreement”	the conditional agreement dated 1 August 2008 and entered into between Harbour Front as vendor, and the Company as purchaser for the acquisition of the Net Excel Shares and the Net Excel Debts
“Net Excel Debts”	such amounts as equals 100% of the face value of the loans outstanding as at completion of the acquisition of Net Excel (which amount should be construed according to the terms and conditions of the Net Excel Agreement) made by or on behalf of Harbour Front to Net Excel
“Net Excel Shares”	the 100 issued shares of US\$1.00 each in the capital of Net Excel, representing the entire issued share capital of Net Excel

“Overseas Shareholder(s)”	the Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose registered address(es) on that date is/are outside Hong Kong
“Percentage Ratios”	the percentage ratios (other than the equity ratio) under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Qualifying Shareholder(s)”	the Shareholder(s), other than the Excluded Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	4 September 2008 or such other date as may be agreed between the Company and the Underwriters in accordance with the relevant regulations or requirements
“Rights Issue”	the proposed issue of Rights Shares on the basis of one Rights Share for every one existing Share to the Qualifying Shareholders by way of rights or to holders of nil-paid Rights Shares at the Subscription Price, pursuant to the terms and conditions of the rights issue
“Rights Issue Documents”	the Prospectus, the provisional allotment letter and the form of application for excess Rights Shares
“Rights Share(s)”	5,045,033,739 new Share(s) to be issued by the Company pursuant to the Rights Issue
“SGM”	the special general meeting of the Company to be convened to be held on or about 4 September 2008 for the purpose of approving, among other matters, the Rights Issue and the Acquisitions

“Share(s)”	ordinary shares which have a par value of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	subscription price of HK\$0.035 per Rights Share
“Taifook”	Taifook Securities Company Limited, a company incorporated in Hong Kong and a licensed corporation under the Securities and Futures Ordinance of Hong Kong to carry on Type 1 (dealing in securities), 3 (leveraged foreign exchange trading) and 4 (advising on securities) regulated activities
“Underwriters”	Taifook and Harbour Front
“Underwriting Agreement”	the underwriting agreement dated 1 August 2008 and entered into between the Company, Harbour Front and Taifook in relation to the Rights Issue
“Vessel Agreement”	the conditional agreement dated 1 August 2008 and entered into between Harbour Front as vendor, and the Company as purchaser for the acquisition of 10 vessels
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

* the English translation of the Chinese name of the relevant companies is for information purposes only, and should not be regarded as the official English translation of such name.

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

Hong Kong, 1 August 2008