

FINAL RESULTS FOR THE YEAR ENDED 31 JULY 2002

The board of directors (the “Directors”) of UDL Holdings Limited (the “Company”) announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 July 2002 together with the comparative figures for the previous period as follows:

		Group	
	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
TURNOVER		31,173	100,110
Cost of sales		<u>(38,439)</u>	<u>(43,070)</u>
		(7,266)	57,040
Other revenue	3	7,763	4,230
Administrative expenses		(22,337)	(21,970)
Other operating expenses	4	<u>(42,748)</u>	<u>(22,089)</u>
(LOSS)/PROFIT FROM OPERATING ACTIVITIES		(64,588)	17,211
Finance costs		<u>(13,809)</u>	<u>(13,574)</u>
(LOSS)/PROFIT BEFORE TAXATION		(78,397)	3,637
Taxation	5	<u>2,424</u>	<u>717</u>
(LOSS)/PROFIT BEFORE MINORITY INTERESTS		(75,973)	4,354
Minority interests		<u>–</u>	<u>18</u>
(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<u>(75,973)</u>	<u>4,372</u>
(LOSS)/EARNINGS PER SHARE – Basic	6	<u>(HK\$0.13)</u>	<u>HK\$0.01</u>

Notes:

1. ADOPTION OF NEW/REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The Group adopted the following Statements of Standard Accounting Practice (“SSAPs”) and related Interpretations issued and revised by the Hong Kong Society of Accountants for the first time in the preparation of financial statements for the current year.

SSAP 9 (Revised)	:	“Events after the balance sheet date”
SSAP 14 (Revised)	:	“Leases”
SSAP 18 (Revised)	:	“Revenue”
SSAP 26	:	“Segment reporting”
SSAP 28	:	“Provisions, contingent liabilities and contingent assets”
SSAP 31	:	“Impairment of assets”
SSAP 32	:	“Consolidated financial statements and accounting for investment in subsidiaries”

2. TURNOVER AND SEGMENT INFORMATION

a) Geographical segments

The following tables present revenue and results information for the Group’s geographical segments.

	Hong Kong		Singapore		Consolidated	
	2002	2001	2002	2001	2002	2001
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Segment revenue:						
Sales to external customers	<u>31,173</u>	<u>88,057</u>	<u>–</u>	<u>12,053</u>	<u>31,173</u>	<u>100,110</u>
Segment results	<u>(42,251)</u>	<u>34,464</u>	<u>–</u>	<u>4,717</u>	<u>(42,251)</u>	<u>39,181</u>
Finance costs					(13,809)	(13,574)
Administrative expenses					<u>(22,337)</u>	<u>(21,970)</u>
(Loss)/Profit before taxation					(78,397)	3,637
Taxation					<u>2,424</u>	<u>717</u>
(Loss)/Profit before minority interest					(75,973)	4,354
Minority interests					<u>–</u>	<u>18</u>
(Loss)/Profit attributable to shareholders					<u>(75,973)</u>	<u>4,372</u>

No separate analysis of financial information by business segment is presented as the Group's revenue, results, assets and liabilities were all derived from its principal line of business – marine engineering.

3. INCLUDED IN OTHER REVENUE:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Interest income	1	6
Recovery of legal cost	4,560	–
Net rental income from the sub-letting of properties	<u>–</u>	<u>1,298</u>

4. INCLUDED IN OTHER OPERATING EXPENSES:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Provision for bad and doubtful debts	21,946	16,599
Provision for impairment in value of vessels	25,759	590
(Reversal)/Provision for claim for repair and maintenance of vessels	<u>(4,958)</u>	<u>4,900</u>

5. TAXATION

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Company and its subsidiaries:		
Hong Kong profits tax		
Over provision in prior years	–	(86)
Overseas tax		
Provision for the year	–	–
Deferred tax		
Company and subsidiaries	<u>(2,424)</u>	<u>(631)</u>
	<u>(2,424)</u>	<u>(717)</u>

No Hong Kong profits tax has been provided in the financial statements as the group did not derive any assessable profit for the year (2001: NIL).

Overseas tax was provided in accordance with the legislation and tax rates prevailing in the respective overseas countries.

6. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share for 2002 is based on the loss attributable to shareholders of HK\$75,973,000 (2001: profit of HK\$4,372,000) and the adjusted weighted average number of 605,534,868 ordinary shares (2001: 525,626,385 ordinary shares) in issue during the year.

Diluted earnings per share for the years ended 31 July 2002 and 31 July 2001 has not been shown as there were no share options outstanding at the year end date.

SUMMARY OF AUDITORS' REPORT

The Company's auditors have issued a disclaimer of opinion on the financial statements for the year ended 31 July 2002 because of the fundamental uncertainties relating to their preparation on a going concern basis. The auditors' report in particular refers to the fundamental uncertainties relating to (i) the successful outcome of the Company's rights issue to raise net proceeds of approximately HK\$6,600,000 in November 2002; and (ii) the successful disposal of certain of the Group's vessels to reduce its debt servicing obligations; and (iii) the continued support of the Group's secured lenders and the successful outcome of the Group's negotiations and discussions with the secured lenders to restructure the outstanding secured loans.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial year 2001/2002 was a difficult year. Consolidated sales reduced considerably by HK\$68,937,000 or 68.9% to HK\$31,173,000 from the previous financial year 2000/2001 and gross profit reduced more drastically by HK\$64,306,000 to gross loss of HK\$7,266,000 due to a relatively high operating gearing inherited from the Group's operations.

During the year under review, the Group focused on recovery of receivables, disposal of certain of the Group's vessels to reduce its debt servicing obligations, the opposition of the appeals to the Scheme of Arrangement of seven of its subsidiaries in the Court of Final Appeal, and the implementation of the Scheme of Arrangement of the Company and its 24 subsidiaries (the "Scheme").

Recovery of the local and the SE Asia markets was slow. A number of major infrastructure developments were suspended. The Group has struggled to maintain the operations in some minor port works and reclamation projects. The Government maintenance dredging contracts and bare-boat plant hires became bread and butter to the Group in the year.

FUNDING OF WORKING CAPITAL REQUIREMENTS AND DEBT SERVICING OBLIGATIONS

During the year, the Group experienced difficulties funding its working capital requirements and servicing its debt obligations. The Group's principal debts comprise of several secured loans borrowed by two of the Group's major subsidiaries. At 31 July 2002, these loans amounted to approximately HK\$110 million and were secured against the Groups' floating craft and vessels (the "vessels"). The two subsidiaries were unable to meet their loan repayment obligations during the year, and under the terms of the various loan agreements this constituted a default, which entitled the various financial institutions (the "secured lenders") to demand immediate repayment of the balances outstanding.

In order to address the Group's working capital needs and to meet its debt servicing obligations, the directors have taken/or intend to take the following actions:–

1. To initiate a rights issue (the "Rights Issue") in November 2002 to raise net proceeds of approximately HK\$6,600,000. The directors believe that these funds will be sufficient to meet the Group's requirement for operation, administration and legal expenses to be incurred for litigation against the Group (but excluding its debt servicing obligations).
2. The Group presently owns around 70 vessels and the directors intend to dispose of about 20 vessels to reduce its debt servicing obligations (the "Vessel Disposal"). The remaining 50 vessels will be used to carry on the Group's principal business if marine engineering.
3. The directors are in active negotiation with the secured lenders to seek their continued support and to restructure the outstanding secured loans (the "Debt Restructuring Negotiations"). Should the Debt Restructuring Negotiations not succeed, the directors are of the view that the proceeds from the Rights Issue and the Vessel Disposal would not be sufficient to fund the Group's working capital requirements after taking into account its debt servicing obligations.

The directors have given careful consideration to the Group's ability to fund its working capital requirements and meet its debt servicing obligations. On the basis that the Group will be successful in completing the Rights Issue and the Vessel Disposal and in securing a favourable outcome to the Debt Restructuring Negotiations, the directors are satisfied that the Group will then be able to meet its financial obligations as and when they fall due in the foreseeable future.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend in respect of the year ended 31 July 2002 (2001: Nil).

PUBLICATION OF ANNUAL REPORT ON STOCK EXCHANGE WEBSITE

The detailed results containing all the information required by paragraph 45(1) to 45(3) of Appendix 16 to the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

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

Hong Kong, 29 November 2002

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