



UDL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 JANUARY 2003

The board of directors (the “Directors”) of UDL Holdings Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 January 2003 together with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Six months ended 31 January	
		2003	2002
	Note	HK\$'000	HK\$'000
Turnover	3	13,480	27,332
Cost of sales		(13,368)	(16,810)
Gross profit		112	10,522
Other revenue		25,207	910
Administrative expenses		(9,651)	(10,808)
Other operating expenses		(6,260)	(40,965)
Profit/(loss) from operating activities	4	9,408	(40,341)
Finance costs		(5,966)	(5,834)
Profits/(loss) before taxation		3,442	(46,175)
Taxation	5	(16)	1,974
Net profit/(loss) from ordinary activities attributable to shareholders		3,426	(44,201)
Earnings/(loss) per share			
– Basic (Hong Kong cents)	6	0.47	(6.89)

NOTES:

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants (“HKSA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

2. **PRINCIPAL ACCOUNTING POLICIES**

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of certain floating craft and vessels.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 July 2002, except as set out below:

(i) **Adoption of new and/or revised SSAPs:**

The Group has adopted the following new or revised SSAPs issued by the HKSA which became effective for the current accounting period:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of these SSAPs has resulted in a change in the format of presentation of the condensed consolidated cash flow statement and the condensed consolidated statement of changes in equity, but has not had any significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment is required and the comparative amounts for the last period have been reclassified or restated in order to achieve a consistent presentation.

(ii) **Floating craft and vessels stated at valuation**

With effect from 31 January 2003, the Directors of the Company have adopted the alternative treatment allowed under SSAP 17 "Property, plant and equipment" which allows the Group to state a class of assets, in this case its floating craft and vessels, at valuation subsequent to its initial recognition at cost.

The Directors have adopted this new policy for its floating craft and vessels because they consider the current policy of stating these assets at cost less accumulated depreciation and impairment losses did not fairly reflect their true value to the Group. The floating craft and vessels comprise over 99% and 70% of the Group's property, plant and equipment and total assets respectively at 31 January 2003. The Group's accounting policy for other property, plant and equipment remains unchanged and these continue to be carried at cost less accumulated depreciation and impairment losses.

As from 31 January 2003, floating craft and vessels are initially stated at cost and thereafter at valuation less accumulated depreciation and impairment losses. The cost of a vessel comprises its purchase price and any directly attributable costs of bringing the vessel to the working condition and location for its intended use. Subsequent expenditure relating to these vessels is added to the carrying amount of the assets if it can be demonstrated that such expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

Any surplus arising on revaluation of floating craft and vessels is credited to a revaluation reserve. A decrease in net carrying amount arising on revaluation is charged to the income statement to the extent that this exceeds the surplus, if any, held in revaluation reserve relating to the previous revaluation of the same item of assets. A revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense.

When a vessel is sold or retired, any gain or loss resulting from its disposal, being the difference between the net disposal proceeds and the carrying amount of the vessel, is included in the income statement. Any revaluation surplus relating to the vessel disposed is transferred directly to retained profits.

As a result of adopting this new accounting policy for floating craft and vessels, the Directors commissioned an independent professional valuer to value its floating craft and vessels at 31 January 2003. Arising from this valuation, an amount of HK\$15,659,000 has been credited to income for the period under review being the write-back of impairment losses previously recognised on these assets and the balance of the revaluation surplus amounting to HK\$20,119,000 credited to revaluation reserve.

3. SEGMENT INFORMATION

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are marine engineering and trading of vessels.

The Group has only one significant single geographical segment which is Hong Kong. Accordingly, the segment information for this sole geographical segment is equivalent to the consolidated figures. The Group reports its primary segment information on its principal business segments and details for the six months ended 31 January 2003 together with comparative figures for the corresponding period in 2002 are as follows:

	Marine engineering		Trading of Vessels		Consolidated	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Segment revenue:						
Sales to external customers	<u>4,180</u>	<u>27,332</u>	<u>9,300</u>	<u>-</u>	<u>13,480</u>	<u>27,332</u>
Segment results	<u>94</u>	<u>(30,443)</u>	<u>18</u>	<u>-</u>	<u>112</u>	<u>(30,443)</u>
Unallocated income					25,207	910
Unallocated expense					<u>(15,911)</u>	<u>(10,808)</u>
Profit/(loss) from operating activities					<u>9,408</u>	<u>(40,341)</u>
Finance costs					<u>(5,966)</u>	<u>(5,834)</u>
Profit/(loss) before taxation					<u>3,442</u>	<u>(46,175)</u>
Taxation					<u>(16)</u>	<u>1,974</u>

Net profit/(loss) from ordinary activities attributable to shareholders	3,426	(44,201)
--	--------------	-----------------

4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after crediting/charging:

	Six months ended 31 January	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Crediting</i>		
Reversal of impairment losses	15,659	–
Overprovision of rental expenses	5,258	–
Recovery of insurance claims	1,541	–
Gain on disposal of fixed assets	74	45
<i>Charging</i>		
Depreciation:		
Owned fixed assets	6,284	6,666
Staff cost (including directors' remuneration)	2,975	3,955
Contribution to mandatory provident fund	157	148
Operating leases	407	1,179
Legal and professional fees	1,500	1,853
Loss on disposal of fixed assets	46	–
Provision for impairment in value of vessels	–	21,987
Provision for doubtful debts	–	18,978
	–	18,978

5. TAXATION

	Six months ended 31 January	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Hong Kong profits tax		
– Current period	(16)	–
– Overprovision in previous years	–	1,974
Overseas tax	–	–
	(16)	1,974

Hong Kong profits tax has been provided at the rate of 16% (31 July 2002: 16%) on the estimated assessable profits arising in Hong Kong during the period. Overseas tax on profits assessable elsewhere has been calculated at the rates of tax prevailing in the respective countries in which the Group operates, based on the existing laws, interpretations and practices in respect thereof.

At 31 January 2003, the Group has unprovided deferred assets on the effect of timing differences amounted to HK\$17,031,000 (31 July 2002: HK\$17,031,000).

6. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit from ordinary activities attributable to shareholders of HK\$3,426,000 (2002: net loss of HK\$44,201,000) and the adjusted weighted average number of 735,527,408 (2002: 641,154,566) ordinary shares in issue during the period. The weighted average number of ordinary shares in issue for the six months ended 31 January 2002 used in the calculation of basic loss per share has been adjusted to reflect the effect of the rights issue completed on 3 December 2002; as such, loss per share for six months ended 31 January 2002 has been restated accordingly.

Diluted earnings/(loss) per share is not presented as there is no share option outstanding during the period.

7. TRADE AND OTHER RECEIVABLES

	31 January 2003 HK\$'000	31 July 2002 HK\$'000
Trade receivables	10,153	12,126
Due from contract customers	3,788	–
Retentions receivable	902	902
Prepayments, deposits and other receivables	15,868	12,447
	<u>30,711</u>	<u>25,475</u>

The aged analysis of trade receivables net of provision for doubtful debts is as follows:

	31 January 2003 HK\$'000	31 July 2002 HK\$'000
Current	–	2,341
1-3 months	1,128	1,811
3-6 months	–	4,715
6-12 months	2,000	1,565
Over 1 year	7,025	1,694
	<u>10,153</u>	<u>12,126</u>

Trading terms with customers are largely on credit, where trade deposits, advances and payment in advance are normally required. Invoices are normally payable within 30 days of issuance, except for certain well-established customers, where the terms are extended beyond 30 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management.

Trade receivables amounted to HK\$6,503,000 has been due over one year, which will be finally settled subsequent to the balance sheet date at 31 January 2003.

8. TRADE AND OTHER PAYABLES

	31 January 2003 <i>HK\$'000</i>	31 July 2002 <i>HK\$'000</i>
Trade payables	16,103	12,090
Retentions payable	449	449
Advances received	7,599	5,653
Other payables and accruals	2,638	12,669
	<u>26,789</u>	<u>30,861</u>

The aged analysis of trade payables is as follows:

	31 January 2003 <i>HK\$'000</i>	31 July 2002 <i>HK\$'000</i>
Current	1,798	276
1-3 months	2,413	1,535
3-6 months	2,298	37
6-9 months	2,390	2,064
Over 1 year	7,204	8,178
	<u>16,103</u>	<u>12,090</u>

9. BANK AND OTHER BORROWINGS

	31 January 2003 <i>HK\$'000</i>	31 July 2002 <i>HK\$'000</i>
Bank overdrafts, unsecured	222	207
Bank loans, secured	69,768	77,446
Other loans, unsecured	8,873	1,167
Other loans, secured	47,668	37,402
	<u>126,531</u>	<u>116,222</u>

Bank and other borrowings are repayable:

Within one year	80,017	116,222
More than one year, but not exceeding two years	46,514	–
	<u>126,531</u>	<u>116,222</u>

(a) As at 31 January 2003, the Group's bank loans of HK\$69,768,000 (31 July 2002: HK\$77,446,000) were secured by, inter alia, a legal charge on the Group's floating craft and vessels with net book value of HK\$51,919,000 (31 July 2002: HK\$56,049,000).

(b) As at 31 January 2003, other loans of HK\$46,514,000 (31 July 2002: HK\$34,402,000) were secured by, inter alia, certain of the Group's floating and vessels with net book value of HK\$50,850,000 (31 July 2002: HK\$19,813,000).

- (c) As at 31 January 2003, other loan of HK\$3,000,000 (31 July 2002: HK\$3,000,000) obtained from a third party to put down as a deposit for purchase of new vessels was secured against such purchase deposit. The loan is repayable on demand and carries interest at prime lending rate plus 2% per annum.

10. SHARE CAPITAL

	Number of shares	HK\$'000
<i>Authorised</i>		
Ordinary shares of HK\$0.01 each		
As at 1 August 2002 and 31 January 2003	12,000,000,000	120,000
<i>Issued and fully paid</i>		
Ordinary shares of HK\$0.01 each		
As at 1 August 2002	605,534,868	6,055
Rights issue	302,767,434	3,028
As at 31 January 2003	908,302,302	9,083

On 3 December 2002, by way of rights issue the Company allotted 302,767,434 rights share of HK\$0.01 each at a subscription price of HK\$0.025 per rights share on the basis of one rights share for every two then existing shares held by the qualifying shareholders on the record date of 25 October 2002. The rights issue was completed on 3 December 2002.

11. CONTINGENT LIABILITIES

The schemes of arrangement under section 166 of the Hong Kong Companies Ordinance between the Company and 24 numbers of its subsidiaries and their then creditors (collectively "Scheme") were sanctioned by the Court of First Instance of Hong Kong and effective on 28 April 2000. As at 31 January 2003, the Company and Group had contingent liabilities in respect of the Company's undertaking to the trustee of the Scheme pursuant to a Trust Deed dated 11 February 2000 for the benefits of all Scheme creditors that the net total amount of the disposal proceeds from the sales, realisation and recoveries of the Unencumbered Assets and the Accounts Receivables realised under the Scheme shall not be less than HK\$176 million.

INTERIM DIVIDEND

The Directors do not recommend the payment of any dividend for the six months ended 31 January 2003 (2002: Nil).

BUSINESS REVIEW

During the period ended 31 January 2003, the Group's financial results were continuously affected by unfavourable market conditions of the marine engineering industry in Hong Kong and Singapore. With a fleet comprises various engineering vessels, such as grab dredgers, barges and tugs, the Group is exploring for all opportunities in the region and especially in mainland China to improve its core business and at the same time to seek for possible diversification.

During the period, notwithstanding the Group's continued effort to reduce its debt servicing obligations by disposing of the Group's vessels, the directors of the Company were in active negotiations with the secured lenders for restructuring and/or refinancing the Group's outstanding secured debts. The Group has obtained consent from certain secured lenders for extension on scheduled repayment of certain loan principal and interest pending possible proposal from the Company. The Directors have been seeking legal and financial advices on the feasibility of different alternatives, including, inter alia, various feasible equity arrangements. For the avoidance of doubt, such possible equity arrangements may or may not be proceeded by the Company. The Group was still entangled with different unresolved litigations which have no material developments during the period under review.

FINANCIAL REVIEW

The Group has been operating under a high gearing level, but the Directors have put a lot of effort trying to turn it around. At 31 January 2003, the Group's deficiency of capital and its net current liabilities were reduced to HK\$21,169,000 and HK\$82,476,000 respectively as comparing to HK\$51,966,000 and HK\$128,458,000 respectively at 31 July 2002. For six months ended 31 January 2003, turnover of the Group amounted to HK\$13,480,000 and net profit attributable to shareholders amounted to HK\$3,426,000.

During the period under review, the Group has been successful in negotiating with certain secured lenders for deferring repayment of certain secured debts pending possible alternatives to refinance those debts. Compromise with certain lenders to extend the repayment terms of certain of the Group's debts has released the Group's assets (other than those vessels as referred to in note 9(a) herein above) from being put under foreclosure pressure and their being stated at the forced sale prices. The Group's efforts to restructure and/or refinance the overall debt portfolio will be continued. The Group is exploring for all possible alternatives to reduce its debt leverage, and to enhance its asset base and revitalize the earning capacity of the Group.

In December 2002, the Company raised funding approximately HK\$6.8 million by way of rights issue to meet working capital requirement.

The Group has a current ratio (current assets to current liabilities) of 33% and a total liabilities to total assets ratio of 114% as at 31 January 2003 as comparing to 22% and 146% respectively at 31 July 2002. Save for the contingent liabilities of HK\$176 million arising on the Company's undertaking to the trustee of the Trust Deed dated 11 February 2000 upon the Scheme of the Group became effective on 28 April 2000, the Group's total liabilities

amounted to approximately HK\$168,905,000 as at 31 January 2003. The Group's total liabilities at 31 January 2003 comprise secured bank loans of HK\$69,768,000, unsecured bank overdrafts of HK\$222,000, other secured loans of HK\$47,668,000, other unsecured loans of HK\$8,873,000, amounts due to related companies of HK\$15,775,000, and trade and other payables of HK\$26,789,000. The management believes that exchange risk is not significant to the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31 January 2003, the Group had a total number of 21 staff and approximately 10 contract workers.

The Directors are actively reviewing head count and remuneration package of the Group's employees with a view to maintain a cost-effective organisational structure. The remuneration policy and package of the Group's employees are structured by reference to market terms and statutory requirements as appropriate. In addition, the Group also provide other staff benefits such as mandatory provident fund and a share option scheme to its employees.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 January 2003.

COMPLIANCE WITH CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules during the six months ended 31 January 2003.

AUDIT COMMITTEE

The Audit Committee of the Company comprises Mr. Pao Ping Wing and Dr. Yuen Ming Fai, Matthew, both of whom are independent non-executive directors of the Company.

The Audit Committee meets at least twice a year with the Company's management to review the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited condensed interim financial statements for the six months ended 31 January 2003.

PUBLICATION OF RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

Information required by paragraphs 46(1) – 46(6) of Appendix 16 the Listing Rules will be published on the website of the Stock Exchange in due course

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

Hong Kong, 24th April 2003

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