UDL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 620)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 JANUARY 2004

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 2004 together with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Six months ended 31 January	
		2004	**2003**
	Note	***HK$'000***	*HK$'000*
Turnover	*3*	**14,337**	13,480
Cost of sales		**(23,877)**	(13,368)
Gross (loss)/profit		**(9,540)**	112
Other revenue		**3,479**	25,207
Administrative expenses		**(7,326)**	(9,651)
Other operating expenses		**–**	(6,260)
(Loss)/profit from operating activities	*5*	**(13,387)**	9,408
Finance costs		**(5,391)**	(5,966)
(Loss)/profit before taxation		**(18,778)**	3,442
Taxation	*6*	**–**	(16)
Net (loss)/profit from ordinary activities attributable to shareholders	*7*	**(18,778)**	3,426
(Loss)/earnings per share			
– Basic (Hong Kong cents)	*8*	**(2.01)**	0.47

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 accounting policies adopted are consistent with those followed by the Group's audited financial statements for the year ended 31 July 2003, except as set out below:

(i) Adoption of new and/or revised SAAPs

That the Company in the current period has adopted SSAP 12 (Revised) "Income Taxes" issued by the HKSA. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of SSAP 12 (Revised) has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

3. TURNOVER

The Group's turnover represents revenue derived from its marine engineering operations which comprise marine engineering works income and the gross rental income from its vessels and related services provided as a result thereof.

4. SEGMENT INFORMATION

(a) Geographical segments

All of the activities of the Group are based in Hong Kong and all of the Group's turnover and loss before taxation are derived from Hong Kong. Accordingly, no geographical segment information is presented.

(b) Business segments

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

5. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended 31 January	
	2004	**2003**
	HK$'000	*HK$'000*
Crediting		
Reversal of impairment losses	**–**	15,659
Overprovision of rental expenses	**–**	5,258
Recovery of insurance claims	**–**	1,541
Gain on disposal of fixed assets	**1,705**	74
Foreign exchange gain, net	**1,764**	1,409
Charging		
Depreciation:		
Owned fixed assets	**11,288**	6,284
Staff cost (including directors' remuneration)	**2,991**	2,975
Contribution to mandatory provident fund	**190**	157
Operating leases	**492**	407
Legal and professional fees	**1,179**	1,500
Loss on disposal of fixed assets	**–**	46

6. TAXATION

	Six months ended 31 January	
	2004	**2003**
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong profits tax		
– Current period	**–**	(16)
– Overprovision in previous years	**–**	–
Overseas tax	**–**	–
	–	(16)

No Hong Kong profits tax has been provided in the financial statements for the current period as the Group did not derive any assessable profit for the period (2003: Nil).

7. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders for the year dealt with in the financial statements of the Company is a loss of approximately HK$18,778,000 (2003: net profit of HK$3,426,000).

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the net loss attributable to shareholders of HK$18,778,000 (2003: net profit of HK$3,426,000) and the adjusted weighted average number of 935,551,302 (2003: 735,527,408) ordinary shares in issue during the period.

Diluted (loss)/earnings per share is not presented as there is no dilution potential ordinary shares during the period.

9. TRADE AND OTHER RECEIVABLES

	31 January 2004 *HK$'000*	**31 July 2003** *HK$'000*
Trade receivables	**2,439**	4,663
Due from contract customers	**–**	1,347
Retentions receivable	**1,098**	218
Prepayments, deposits and other receivables	**18,262**	17,848
	21,799	24,076

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

	31 January 2004 *HK$'000*	**31 July 2003** *HK$'000*
Current	**986**	1,716
1-3 months	**197**	144
4-6 months	**1,004**	155
7-12 months	**226**	875
Over 1 year	**26**	1,773
	2,439	4,663

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.

10. BANK AND OTHER BORROWINGS

	31 January 2004 HK$'000	31 July 2003 HK$'000
Bank and other borrowings comprise:		
Bank loans	**–**	–
Bank overdrafts	**412**	231
Other loans	**120,637**	115,985
	121,049	116,216
Analysed as:		
Secured – Notes (a), (b) and (c)	**118,401**	113,968
Unsecured – loan	**2,236**	2,017
– bank overdraft	**412**	231
	121,049	116,216
Bank and other borrowings are repayable as follows:		
Within one year or on demand	**412**	231
More than one year, but not exceeding two years	**4,636**	4,417
More than two years, but not exceeding five years	**116,001**	111,568
	121,049	116,216
Less: Amount due within one year and shown under current liabilities	**(412)**	(231)
Amount due after one year	**120,637**	115,985

Notes:

(a) As at 31 January 2004, the Group's other loans of approximately HK$81.6 million (31 July 2003: HK$77 million), assigned from two Singapore secured lenders to two Related Party Lenders, were secured by a legal charge on the Group's floating craft and vessels with net book value of approximately HK$88.9 million (31 July 2003: HK$98.4 million), fixed and floating charges over the assets of UMASPG, a wholly owned subsidiary, a joint and several guarantee from Mrs. Leung and the spouse of Mrs. Leung, Mr. Leung Yat Tung ("Mr. Leung"), assignment of insurance and income for certain vessels, and subordination of loan from Mr. Leung and Mrs. Leung. The loans bear interest at prime rate+2% per annum. The loans, together with the interest thereon, will not be required to be repaid until 1 August 2006.

Under the terms of the assignment with one of the Related Party Lenders who took over these loans, a Singapore secured lender retains its security over certain vessels and has recourse to UMASPG should this Related Party Lender default on the payment schedule agreed with the Singapore secured lender. Should such an event arise, UMASPG would be required to make a full and immediate repayment of that loan, which at 31 January 2004 amounted to approximately HK$64.3 million (31 July 2003: HK$62.4 million).

(b) As at 31 January 2004, the Group's other loans of approximately HK$34.4 million (31 July 2003: HK$34.6 million) which was assigned from a Hong Kong secured lender to a Related Party Lender, were secured by the Group's floating craft and vessels with net book value of approximately HK$28.5 million (31 July 2003: 33.9 million), a first floating charge on all the undertaking, property, assets and rights of UMAHK, a wholly owned subsidiary and a personal guarantee from Mr. Leung. The loan bears interest at prime rate+2% per annum. The loan, together with the interest thereon, will not be required to be repaid until 1 August 2006.

(c) As at 31 January 2004, the Group's other loan of approximately HK$2.4 million (31 July 2003: HK$2.4 million) was borrowed from a third party to put down as a deposit towards the purchase of new vessels. The loan is secured against the deposits for the new vessels, bears interest at prime rate+2% per annum and not repayable within 12 months.

11. TRADE AND OTHER PAYABLES

	31 January 2004 *HK$'000*	**31 July 2003** *HK$'000*
Trade payables	**9,975**	9,945
Retentions payable	**–**	–
Advances received	**7,675**	8,298
Other payables and accruals	**5,762**	7,566
	23,412	25,809

The aged analysis of trade payables is as follows:

	31 January 2004 *HK$'000*	**31 July 2003** *HK$'000*
Current	**309**	493
1-3 months	**592**	268
4-6 months	**806**	61
7-12 months	**592**	246
Over 1 year	**7,676**	8,877
	9,975	9,945

12. SHARE CAPITAL

	Number of shares	*HK$'000*
Authorised		
Ordinary shares of HK$0.01 each		
As at 1 August 2003 and 31 January 2004	12,000,000,000	120,000
Issued and fully paid		
Ordinary shares of HK$0.01 each		
As at 1 August 2003 and 31 January 2004	935,551,302	9,356

13. CONTINGENT LIABILITIES

(a) At 31 January 2004, the Company and the Group had contingent liabilities in respect of the Company's undertaking to the trustee of the Schemes that the aggregate proceeds of the Unencumbered Assets and the Accounts Receivables realised under the Schemes shall not be less than HK$176 million (2003: HK$176 million).

By a letter dated 14 August 2003, the Scheme Administrator has informed the Company that the Disposal Proceeds as at 31 July 2003 are HK$5,971,000 and that as a consequence, the Shortfall is HK$170,029,000. Despite the Scheme Administrator setting out his view that the Shortfall has been liquidated, the Company notes that the Scheme Administrator has apparently failed to deal with the realisation of the Scheme Assets in accordance with the provision of Clause 17 of the Scheme. For this reason, the Company has on 18 August 2003 notified the Scheme Administrator that the Company disagrees with the Scheme Administrator's quantification of the Disposal Proceeds and the Shortfall. After consulting with the Company's legal advisors, the directors are of the view that the contingent liability under the Shortfall Undertaking has not crystallised because a substantial proportion of the Scheme Assets have not been dealt with or realised by the Scheme Administrator in accordance with the provisions of the Scheme. Accordingly the Company has not recognised a liability in respect the Shortfall Undertaking as calculated by the Scheme Administrator (refer above) in its balance sheet at 31 January 2004.

In an effort to resolve the dispute with the Scheme Administrator concerning his quantification of the Disposal Proceeds and the Shortfall, and to mitigate depletion or total loss of value of the Scheme Assets, the Company has made an offer to the Scheme Administrator to purchase all the remaining Scheme Assets. Efforts are now being made to resolve the dispute and outstanding matters under the Scheme amicably.

(b) At 31 January 2004, a subsidiary had guaranteed a payment of subcontracting fee payable on a back-to-back basis by a subcontractor to a sub-subcontractor for a steel work project undertaken by the subsidiary which subcontracted the project to the subcontractor on a back-to-back basis. The amount attributable to the Group was HK$66,831,000 (31 July 2003: HK$66,831,000).

INTERIM DIVIDEND

The Directors do not recommend the payment of any dividend for the six months ended 31 January 2004 (2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 31 January 2004, turnover of the Group amounted to approximately HK$14.3 million, as compare to HK$13.5 million for the corresponding period in 2003. Turnover for the period was attributable mainly to a completion of a marine engineering project in Hong Kong and other marine related engineering services.

For the period under review, net loss attributable to shareholder amounted to HK$18.8 million as compared to a net profit attributable to shareholder of HK$3.4 million for the corresponding period in 2003. The increase of net loss in 2004 as compared to the previous corresponding period in 2003 was due to a decrease in other revenue of 21.7 million. For the six months ended 31 January 2004, other revenue amounted to HK$3.5 million as compared to HK$25.2 million for the corresponding period in 2003 which included a HK$15.6 million reversal of impairment losses.

As at 31 January 2004, the Group has a current ration (current assets to current liabilities) of 46% as compared to 55% as at 31 July 2003. There were no significant changes in the Group's liquidity for the period under review.

Business Review

Despite sign of recovery for the Hong Kong economy during the 2nd half of 2003, the marine engineering industry in Hong Kong remains sluggish as pro-environmental groups have exerted tremendous pressure onto the Hong Kong Government to suspend any current and future reclamation projects. The management of the Company does not foresee any turnaround in Hong Kong in the near future. There is however a different story across the border in the PRC where there is a significant market growth in the marine engineering business as evidenced by a number of sizable projects along the eastern coastline. For the last year, the Group has focused its strategy on the PRC market where it is actively pursuing some of the projects mentioned. Although no firm contact has been signed, the management believes there is a high likelihood that the Group would be awarded some of these projects.

During the period, market prices of marine engineering vessels have increased considerably due to higher global prices on steel and higher demand for these vessels to work on marine engineering projects in the PRC for reason as early mentioned. Taking advantage of the situation, the Group has redeemed and disposed a number of mortgaged vessels during and subsequent to the period under review so as to reduce the Group's overall indebtedness.

With regard to the Petition lodged on 16 May 2002 under Section 111 of the Companies Act with the Supreme Court of Bermuda against the Company as the first respondent and the Scheme Administrator as the second respondent and the Amended Petition filed on 3 April 2003, in its judgement dated 14 April 2004, the Court holds that the Joint Petitioners' prayers to wind up the Company and/or to appoint a liquidator are an abuse of the Court's process. The Court therefore considers it unreasonable to permit the Petitioners to pursue such prayers which should not be entertained.

Due to the delays having caused by the litigations to the issuance of preference shares, the Company is now considering various alternatives for securing adequate financial resources in fulfilling its business needs both in the short term and in the long-run which may or may not result in abandonment of the proposal for the issuance of preference shares.

Liquidity and financial resources

As at 31 January 2004, the company had in aggregate secured bank and other borrowings approximately HK$120.6 million and non-secured current liabilities of approximately HK$50.3 million. The secured loans carry an interest element of prime rate plus 2% whereas the interest element of the non-secured loans ranges from non-interest bearing to prime rate plus 2%. As explained in the Company's 2003 annual report, the repayment of the secured debt to certain related lenders, together with the interest thereon, is not required until 1 August 2006. For full details of this arrangement, please refer to the Company's 2003 annual report. As the Group has shareholders' deficit, no appropriate gearing ratio as at 31 January 2004 can be calculated.

Financial Risk Management

As at 31 January 2004, 60.7% of the total secured borrowings are denominated in US dollar and 8.2% in Singapore dollar with the remaining in local currency. It is the Group's view that the current link between HK dollar and US dollar will be maintained and the mechanism will continue to function in the foreseeable future. Hedging will be arranged when the cost and benefit of which is justified.

EMPLOYEES AND REMUNERATION POLICY

As at 31 January 2004, the Group had a total number of 23 employees.

The Directors are actively reviewing staffing levels 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 2004.

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 2004.

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 2004.

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, 19 April 2004

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