



UDL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 620)

FINAL RESULTS FOR THE YEAR ENDED 31 JULY 2004

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 2004 together with the comparative figures for the previous period as follows:

		Group	
		2004	2003
	Notes	HK\$'000	HK\$'000
TURNOVER	2	19,552	23,801
Cost of sales		(34,604)	(35,249)
		<u>(15,052)</u>	<u>(11,448)</u>
Other revenue	3	21,492	42,156
Administrative expenses		(13,024)	(17,488)
Other operating expenses	4	(536)	(17,762)
		<u>(7,120)</u>	<u>(4,542)</u>
LOSS FROM OPERATING ACTIVITIES			
Finance costs		(9,359)	(13,474)
		<u>(16,479)</u>	<u>(18,016)</u>
LOSS BEFORE TAXATION	5		
Taxation	6	(55)	(240)
		<u>(16,534)</u>	<u>(18,256)</u>
LOSS ATTRIBUTABLE TO SHAREHOLDERS			
LOSS PER SHARE			
– Basic	7	<u>(HK\$0.02)</u>	<u>(HK\$0.02)</u>

Notes:

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with Statement of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Institute of Certified Public Accountants, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The financial statements are prepared under the historical cost convention.

SSAP 12 (Revised) “Income taxes” is effective for the first time for the current year’s financial statements. It prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The principal impact of the revision of this SSAP on these financial statements is described below:

Measurement and recognition:

- deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future;
- a deferred tax liability has been recognised relating to the fair value adjustments arising from the acquisition of subsidiaries; and
- a deferred tax asset has been recognised for tax losses arising in the current/prior years to the extent that it is probable that there will be sufficient future taxable profits against which such losses can be utilised.

Disclosures:

- the related note disclosures are now more extensive than previously required. The disclosures are presented in note 9 to the financial statements and include reconciliation between the accounting profit and the tax expense for the year.

Unless otherwise stated, the 2003 comparative figures presented herein have incorporated the effect of the adjustments, where applicable, resulting from the adoption of the new accounting standard above.

2. TURNOVER

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.

Business segments

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

3. INCLUDED IN OTHER REVENUE

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Foreign exchange gain, net	1,990	402
Insurance claim	–	2,688
Handling fee income	23	–
Gain on deemed disposal of a subsidiary	–	17,579
Project management income	2,019	–
Provision for doubtful debts written back – related companies	75	–
Reversal of impairment losses	–	19,505
Gain on disposal of property, plant and equipment	16,978	–

4. INCLUDED IN OTHER OPERATING EXPENSES

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision for bad and doubtful debts	536	17,762

5. LOSS BEFORE TAXATION

The Group's loss from operating activities is arrived at after charging:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditors' remuneration	555	708
Amortisation of land use right	57	47
Contribution to Mandatory Provident Fund	185	200
Depreciation	20,275	16,621
Operating lease rentals in respect of:		
Land and buildings	1,130	2,610
Loss on disposal of property, plant and equipment	–	784
Staff costs (including directors' emoluments)	8,426	6,737

6. TAXATION

No Hong Kong profits tax has been provided in the financial statements for the current year as the Group did not derive any assessable profit for the year (2003: Nil). The tax charge represents under-provision of Hong Kong profits tax in the previous year.

The amount of taxation charged to the consolidated income statement represents:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax – under provision in prior years	55	240
Deferred tax	–	–
	55	240

The charge for the year is reconciled to the loss before taxation per income statement as follows:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before tax	(16,479)	(18,016)
Notional tax on loss before tax	(2,884)	(3,153)
Effect of different taxation rates in other countries	(212)	(519)
Tax effect of expense/(income) that are not deductible/ taxable in determining taxable profit	1,397	(604)
Utilisation of unrecognised tax losses	(139)	–
Tax effect of unrecognised tax losses	6,203	4,276
Realisation of deferred tax assets previously not recognised	(4,365)	–
Under-provision in prior years	55	240
Taxation charge	55	240

7. LOSS PER SHARE

The calculation of basic loss per share for the year ended 31 July 2004 is based on the loss attributable to shareholders of HK\$16,534,000 (2003: loss of HK\$18,256,000) and the weighted average number of 935,551,302 ordinary shares (2003: 822,125,572 ordinary shares) in issue during the year.

Diluted earnings per share for the years ended 31 July 2004 and 2003 has not been shown as there were no dilutive potential ordinary shares during those periods.

SUMMARY OF AUDITORS' REPORT

The Company's auditors have issued an disclaimer opinion on the financial statements for the year ended 31 July 2004 because of the significance of the possible effect of the limitation in evidence available to them and the fundamental uncertainties relating to the going concern basis.

(1) Scope limitation – fundamental uncertainty relating to going concern of the Company:–

In forming their opinion, the auditors have considered the adequacy of the disclosures in the financial statements concerning the basis of the preparation. As further explained in note 3 to the financial statements, the financial statements which report net current liabilities of HK\$28,259,000 and a deficiency of assets of HK\$44,650,000 for the Group at 31 July 2004, have been prepared on a going concern basis, the validity of which is dependent upon:

- (i) The continued financial support (the "Financial Support") of the related companies (the "Related Party Lenders") which have refinanced the secured borrowings of the Company's operating subsidiaries that were overdue, into secured long term loans totalling HK\$94,201,000 as at 31 July 2004;
- (ii) The ability of one of the Related Party Lenders which has refinanced approximately HK\$66,223,000 of a subsidiary's secured borrowings referred to above, to meet the payment schedule agreed with the original secured lender (the "Assignment Payments"); failing which the original secured lender has recourse to the subsidiary for immediate repayment of the full amount due; and
- (iii) The Group's ability to raise additional equity funding from the Company's existing and/or new shareholders ("Additional Equity Funding") to overcome any short term financing difficulties and possible negative cash flows arising from the Group's business.
- (iv) The Group's ability to overcome the financing difficulties in respect of the adverse effects on cash flow of any repayments under the Shortfall Undertaking arising from the Scheme of Arrangement entered into by the Company in April 2000 which become due in current year. Further details of which are set out in note 2(b) to the financial statements ("Shortfall Undertaking").

(2) Scope limitation – insufficient evidence for land use right

Land use right with net book value of approximately HK\$1,028,000 was reflected in the financial statements of a PRC subsidiary which was not adjusted by them. There was no sufficient evidence available for them to examine the balance and ownership of land use right and accordingly they are unable to confirm the carrying value and ownership of the land use right as at 31 July 2004 and whether the amount have been fairly stated.

(3) Scope limitation – other borrowings

The Group had other borrowings from a related party lender of approximately HK\$27,978,000 included under other borrowings in the consolidated balance sheet as at 31 July 2004. There was no sufficient information available for the auditors to verify the existence, accuracy and completeness of this balance. As a result, they are unable to satisfy themselves whether the balances of these borrowings have been fairly stated.

(4) Scope limitation – commitments

Due to the uncertainty as mentioned in the preceding paragraph 2 of the scope limitation, the auditors are not able to verify the completeness and accuracy of operating lease commitments. As a result, they are unable to determine whether all the commitments had been properly disclosed in the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 July 2004, turnover of the Group amounted to approximately HK\$19.6 million, as compared to HK\$23.8 million for the corresponding period in 2003. The continuous decrease in turnover was due to the continuous sluggish construction market in Hong Kong and in the region and the negative public sentiment towards reclamation projects over environmental issues and the effects of environmental protection laws.

Net loss for the year ended 31 July 2004 for the Group is approximately HK\$16.5 million as compared to HK\$18.2 million for the corresponding period in 2003. The Group's deficiency of capital and its net current liabilities is approximately HK\$44.7 million and HK\$28.3 million respectively as comparing to HK\$3.9 million and HK\$22.4 million respectively at 31 July 2003.

The Group continues to operate under a high gearing level. The Group's current ratio (current assets to current liabilities) as of 31 July 2004 was 42% as compared to 55% for the corresponding period in 2003.

OPERATING REVIEW

For the year ended 31 July 2004, the Group continues to focus on its principal business of marine engineering projects, which contributed mainly to the Group's turnover. Although market condition in Hong Kong and the Southeast Asia Region remains sluggish, the PRC market appears to be very vibrant as the Group has allocated additional resources in pursuing engineering projects in this market.

As disclosed in the Annual Report 2003 and in the Company's announcement dated 13 May 2004, the Company is now considering various alternatives for security 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 July 2004, the Group had in aggregate other borrowings of approximately HK\$99 million. Details of the Group's indebtedness and obligation are set out in note 16 of the financial statement.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend in respect of the year ended 31 July 2004 (2003: 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.

As at the date hereof, the Board comprises Mrs. Leung Yu Oi Ling Irene and Ms. Leung Chi Yin Gillian as executive directors; Mr. Pao Ping Wing, Mr. Yuen Ming Fai Matthew and Ms. Tse Mei Ha as independent non-executive directors.

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

Hong Kong, 25 November 2004

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