



UDL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 620)

FINAL RESULTS FOR THE YEAR ENDED 31 JULY 2005

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 2005 together with the comparative figures for the previous period as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 July 2005

	Note	2005 HK\$'000	2004 HK\$'000
Turnover	2	11,093	19,552
Other revenue	4(b)	6,574	21,492
Total revenue		17,667	41,044
Staff costs	4(a)	(6,653)	(8,426)
Marine engineering and structural steel engineering costs		(3,655)	(14,436)
Depreciation and amortisation costs	4(a)	(19,421)	(20,332)
Other operating expenses	4(c)	(6,689)	(4,970)
Loss from operating activities	4	(18,751)	(7,120)
Finance costs		(8,999)	(9,359)
Loss before taxation		(27,750)	(16,479)
Taxation	5	279	(55)
Loss attributable to shareholders	6	(27,471)	(16,534)
Loss per share – Basic	7	HK\$0.03	HK\$0.02

Notes:

1. BASIS OF PREPARATION

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with all applicable Statements of Standard Accounting Practice ("SSAPs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), 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 except for the Group's floating craft and vessels which are shown at valuation.

The HKICPA has issued a number of Hong Kong Financial Reporting Standards and Hong Kong Accounting Practice ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31 July 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

2. TURNOVER

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

3. 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.

4. LOSS FROM OPERATING ACTIVITIES

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

	2005 HK\$'000	2004 HK\$'000
Auditors' remuneration		
– Audit fee for the year	480	555
– Over-provision in prior year	(1)	–
Amortisation of land use right	57	57
Contribution to defined contribution scheme	170	185
Depreciation	19,364	20,275
Operating lease rentals in respect of:		
Land and buildings	1,287	1,130
Staff costs (including directors' emoluments)	6,653	8,426

(b) Included in other revenue:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Foreign exchange gain, net	2,796	1,990
Handling fee income	927	23
Reversal of provision for accrued interest	452	–
Reversal of provision for annual leave	95	–
Project management income	–	2,019
Provision for doubtful debts written back – related companies	–	75
Gain on disposal of property, plant and equipment	<u>160</u>	<u>16,978</u>

(c) Included in other operating expenses:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Provision for bad and doubtful debts	1,196	536
Provision for impairment loss on property, plant and equipment	<u>932</u>	<u>–</u>
	<u>2,128</u>	<u>536</u>

5. 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 (2004: Nil). The tax (credit)/charge represents (over)/under-provision of Hong Kong profits tax in the previous year.

The amount of taxation (credited)/charged to the consolidated income statement represents:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Hong Kong profits tax – (over)/under provision in prior years	(279)	55
Deferred tax	<u>–</u>	<u>–</u>
	<u>(279)</u>	<u>55</u>

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Loss before taxation	<u>(27,750)</u>	<u>(16,479)</u>
Notional tax on loss before taxation	(4,856)	(2,884)
Effect of different taxation rates in other countries	(612)	(212)
Tax effect of expense/(income) that are not deductible/taxable in determining taxable profit	4,061	1,397
Utilisation of unrecognised tax losses	(411)	(139)
Tax effect of unrecognised tax losses	1,818	6,203
Realisation of deferred tax assets previously not recognised	–	(4,365)
(Over)/Under-provision in prior years	<u>(279)</u>	<u>55</u>
Taxation (credit)/charge	<u>(279)</u>	<u>55</u>

6. 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\$7,519,000 (2004: loss of HK\$7,911,000).

7. LOSS PER SHARE

The calculation of basic loss per share for the year ended 31 July 2005 is based on the loss attributable to shareholders of approximately HK\$27,471,000 (2004: loss of HK\$16,534,000) and the weighted average number of 956,637,635 ordinary shares (2004: 935,551,302 ordinary shares) in issue during the year.

Diluted earnings per share for the years ended 31 July 2005 and 2004 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 2005 because of the significance of the fundamental uncertainties relating to the going concern basis.

Fundamental uncertainty relating to going concern of the Company:–

The financial statements which report net current liabilities of approximately HK\$34,347,000 and a deficiency of assets of approximately HK\$55,617,000 for the Group at 31 July 2005, 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 approximately HK\$100,490,000 as at 31 July 2005;
- (ii) The ability of one of the Related Party Lenders which has refinanced approximately HK\$71,448,000 of a subsidiary's secured borrowings referred to above, to meet the payment schedule agreed with and the revised payment schedule proposed to 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;
- (iii) The Group's ability to raise additional funding ("Additional Funding") to overcome any short term financing difficulties and possible negative cash flows arising from the Group's business; and

- (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 since last year and the feasibility of the new scheme of arrangement "Global Solution" which is an arrangement among the Company, Harbour Front Limited and the Scheme Administrator targeted to settle the Shortfall Undertaking. Further details of which are set out in the financial statements ("Shortfall Undertaking").

The financial statements do not include any adjustments that would result from the failure of (a) the Group to obtain the Financial Support and the Additional Funding; (b) Related Party Lenders' ability to meet its Assignment Payments; and (c) the Group's ability to discharge the Shortfall Undertaking. Due to the significant net assets' deficits at 31 July 2005 and the uncertainty as mentioned in the preceding paragraphs, the Company's auditors are not able to determine whether the going concern basis used in preparing these financial statements is appropriate. Accordingly, they have disclaimed their opinion in respect of this issue that they are unable to form an opinion as to whether the financial statements give a true and fair view of the state of the affairs of the Company and of the Group as at 31 July 2005 or its loss and cash flows for the year then ended. In all other respects, in the Company's auditors' opinion the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 July 2005, turnover of the Group amounted to approximately HK\$11.1 million, as compared to HK\$19.6 million for the corresponding period in 2004. The continuous decrease in turnover was mainly due to the continuous sluggish construction market in Hong Kong and the fact that the management of the Group had diverted their efforts in (i) working with the Scheme Administrator for the formulation of the Global Solution; and (ii) resolving the financial difficulties of the Group as mentioned above.

Net loss for the year ended 31 July 2005 for the Group is approximately HK\$27.5 million as compared to HK\$16.5 million for the corresponding period in 2004. The Group's deficiency of capital and its net current liabilities is approximately HK\$55.6 million and HK\$34.3 million respectively as comparing to HK\$44.7 million and HK\$28.3 million respectively at 31 July 2004.

The Group continues to operate under a high gearing level. The Group's current ratio (current assets to current liabilities) as of 31 July 2005 was 34% as compared to 42% for the corresponding period in 2004.

OPERATING REVIEW

The Group is actively pursuing marketing and tendering work to secure orders and contracts for marine construction works under coming large scale developments and projects which will require marine construction plant of large output performance like those possessed by the Group. The Group's marine construction engineering operations are expected to be expanded accordingly and to make positive contribution to the Group's revenue.

The Group has resumed its shipbuilding business and has received considerable orders for the supply of various kinds of reconditioned second hand marine engineering vessels. These confirmed orders and other orders which are close to be concluded are expected to contribute positively to the Group's revenue.

The Group is now co-operating with major structural steel engineering contractors in the PRC and has recently gained a new contract for the Stonecutters Bridge project and has also secured a pre-bid commitment from one of the tenders for the main contract of the superstructure for Zhu Jiang Huang Bu Bridge. These contracts, if concluded, are expected to make positive contribution to the Group's revenue.

For the year ended 31 July 2005, out of the Group's turnover of HK\$11.1 million (2004: HK\$19.5 million) marine engineering construction and shipbuilding business amounted to approximately HK\$7 million (2004: HK\$19 million) while structural engineering contributed approximately HK\$4.1 million (2004: HK\$0.5 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 July 2005, the Group had in aggregate other borrowings of approximately HK\$116 million (2004: HK\$99 million). Details of the Group's indebtedness and obligation are set out in note 16 to the financial statement.

Pursuant to the refinancing arrangements among certain then lenders of the Group, certain related parties (the "Related Parties") of the Group and certain members of the Group, such lenders had assigned their interests in the loans due from the Group to the Related Parties which included Universal Grade Limited, Hong Hay Pte Limited and Windermere Pte Limited ("Windermere"). As at the Latest Practicable Date, Universal Grade Limited and Hong Hay Pte Limited had no further outstanding obligations under the assignment of loans. The Directors understand that the outstanding payment to be made by Windermere to the lender concerned amounted to approximately US\$6 million as at 31 August 2005 and such outstanding amount shall be paid by Windermere in accordance with the payment schedule agreed between Windermere and the lender concerned and may also be reduced by the proceeds received by the Group in respect of the disposal of the non-core vessels owned by UDL Marine Assets (Singapore) Pte Ltd, a wholly-owned subsidiary of the Company. The Group will also continue to handle any disposal of the non-core vessels as described above.

The assigned loans now owing by the Group to the Related Parties will be due for repayment on 1 August 2006. Save as disclosed below, there has not been any substantive negotiation between the Group and each of the Related Parties as regards how such loans shall be repaid or refinanced when they fall due. The previous understanding between the Company and the Related Parties as disclosed in the financial statements in the 2004 Annual Report was that the conversion of the loans into equity of the Company would be an alternative to repayment in cash if the Company was unable to repay the Related Parties in August 2006. Given that these loans will not be due for repayment in around a year's time, no definitive agreements have been reached at this stage regarding the equity conversion of these loans. The amount owing by the Group to the three Related Parties amounted to approximately HK\$100.5 million (2004: HK\$94.2 million).

Currently, the Group's operations are principally funded by (1) deposits or mobilisation payments under the new orders received; (2) short-term financing by Harbour Front; and (3) normal commercial credit terms granted by suppliers and vendors.

For the purposes of providing the Company with adequate working capital for financing needs before and after implementation of the Global Solution up till the completion of the possible fund raising exercise, the Group has just secured an interim financing facility in the amount of HK\$20,000,000 from Harbour Front under an interim finance agreement dated 5th October 2005.

PROSPECT AND FUTURE PLANS

The Group continues to focus on marine engineering, structural steel engineering and general contracting business.

With the new infrastructure developments such as the Southeast Kowloon Development, the Old Kai Tak Airport Redevelopment, the North Lantau Development and the Hong Kong, Zhuhai and Macau Link expected to be implemented in the coming years following the recent recovery of the local economy 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.

On the provision of contracting and engineering services, the Group is now working on the re-admission to the List of Approved Contractors for Public Works of the Hong Kong Government (the “**List of Approved Contractors**”) and the Group now targets to gain the re-admission as soon as possible after completion of the Global Solution so that the Group will be qualified to participate in the Hong Kong Government’s public works projects. Taking into account the recent announcement made by the Hong Kong Government as regards the various public works projects, including over a hundred municipal facilities and basic infrastructure projects having been postponed after the Asian financial turmoil, the Directors are of the view that the re-admission in the List of Approved Contractors will certainly bring business opportunities to the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

CORPORATE GOVERNANCE

In compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), the Company established an Audit Committee on 2 January 1999, comprising two independent non-executive directors. As at the date of this announcement, the Audit Committee comprise three independent non-executive directors. The primary duties of the Audit Committee are to review and advise on the problems on the audit and the financial reporting process.

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 throughout the accounting period covered by this announcement, except that the independent non-executive directors of the Company are not employed for specific term, but are subject to retirement and re-election at the annual general meeting of the Company in accordance with the Company’s Bye-laws.

In compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), the Company established an Remuneration Committee on 5 October 2005, comprising three independent non-executive directors and the Chief Executive Officer. The primary duties of the Remuneration Committee are to review and to evaluate the remuneration packages of the executive directors and senior management and making recommendations to the Board from time to time.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend in respect of the year ended 31 July 2005 (2004: 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, 5 October 2005

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

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