UDL Holdings Limited

(Incorporated in Bermuda with limited liability)

Interim Report 2003

for the six months ended 31 January 2003

INTERIM RESULTS

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)

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	(Unaudited) 31 January 2003 HK$'000	(Audited) 31 July 2002 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*7*	**106,621**	76,492
Other investments, at cost		**1,200**	–
		107,821	76,492
Current assets			
Trade and other receivables	*8*	**30,711**	25,475
Due from related companies		**9,215**	7,150
Cash and bank balances		**179**	3,833
		40,105	36,458
Current liabilities			
Bank and other borrowings	*10*	**80,017**	116,222
Trade and other payables	*9*	**26,789**	30,861
Due to related companies		**15,775**	17,833
		122,581	164,916
Net current liabilities		**(82,476)**	(128,458)
Total assets less current liabilities		**25,345**	(51,966)
Non-current liabilities			
Bank and other borrowings	*10*	**46,514**	–
Minority interests		**–**	–
Net liabilities		**(21,169)**	(51,966)
CAPITAL AND RESERVES			
Share capital	*11*	**9,083**	6,055
Reserves		**(30,252)**	(58,021)
Deficiency of capital		**(21,169)**	(51,966)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital *HK$'000*	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Revaluation reserve *HK$'000*	Capital reserve *HK$'000*	Scheme reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 August 2002	6,055	3,028	1,264	(1,651)	–	717	1,096,502	(1,157,881)	(51,966)
Rights issue (net of expenses)	3,028	3,814	–	–	–	–	–	–	6,842
Revaluation surplus	–	–	–	–	20,119	–	–	–	20,119
Exchange realignment – subsidiaries	–	–	–	410	–	–	–	–	410
Net profit attributable to shareholders	–	–	–	–	–	–	–	3,426	3,426
At 31 January 2003	**9,083**	**6,842**	**1,264**	**(1,241)**	**20,119**	**717**	**1,096,502**	**(1,154,455)**	**(21,169)**
At 1 August 2001	6,055	3,028	1,264	(1,840)	–	717	1,096,502	(1,081,907)	23,819
Exchange realignment – subsidiaries	–	–	–	(2,482)	–	–	–	–	(2,482)
Net Loss attributable to shareholders	–	–	–	–	–	–	–	(44,201)	(44,201)
At 31 January 2002	6,055	3,028	1,264	(4,322)	–	717	1,096,502	(1,126,108)	(22,864)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Six months ended 31 January	
	2003	2002
	HK$'000	*HK$'000*
Net cash outflow from operating activities	**(18,716)**	(1,538)
Net cash (outflow)/inflow from investing activities	**(1,180)**	1,893
Net cash (outflow)/inflow before financing activities	**(19,896)**	355
Net cash inflow/(outflow) from financing activities	**17,137**	(299)
Effects of exchange rate changes on cash and cash equivalents	**(910)**	49
Net (decrease)/increase in cash and cash equivalents	**(3,669)**	105
Cash and cash equivalents at beginning of period	**3,626**	(111)
Cash and cash equivalents at end of period	**(43)**	(6)
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**179**	182
Bank overdrafts	**(222)**	(188)
	(43)	(6)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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 the these assets and the balance of the revaluation surplus amounting to HK$20,119,000 credited to revaluation reserve. Further details of the revaluation surplus on the floating draft and vessels are set out in note 7 to the interim condensed financial statements.

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	**2002**	**2003**	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:						
Sales to external customers	**4,180**	27,332	**9,300**	–	**13,480**	27,332
Segment results	**94**	(30,443)	**18**	–	**112**	(30,443)
Unallocated income					**25,207**	910
Unallocated expense					**(15,911)**	(10,808)
Profit/(loss) from operating activities					**9,408**	(40,341)
Finance costs					**(5,966)**	(5,834)
Profit/(loss) before taxation					**3,442**	(46,175)
Taxation					**(16)**	1,974
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**
	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	**74**	45
Charging		
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

5. TAXATION

	Six months ended 31 January	
	2003	**2002**
	HK$'000	*HK$'000*
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. FIXED ASSETS

	Floating Craft and Vessels	Furniture, Fixtures and Office Equipments	Plant, Machinery and Workshop Equipments	Motor Vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost/valuation					
At 1 August 2002	143,658	54	600	91	144,403
Additions	–	–	–	–	–
Disposals	(8,860)	–	–	(91)	(8,951)
Revaluation surplus	20,119	–	–	–	20,119
Exchange realignments	2,116	–	13	–	2,129
At 31 January 2003	**157,033**	**54**	**613**	**–**	**157,700**
Accumulated depreciation and impairment losses					
At 1 August 2002	67,796	15	78	22	67,911
Charges	6,260	9	11	4	6,284
Impairment losses reversed	(15,659)	–	–	–	(15,659)
Disposals	(8,240)	–	–	(26)	(8,266)
Exchange realignments	807	–	2	–	809
At 31 January 2003	**50,964**	**24**	**91**	**–**	**51,079**
Net Book Value					
At 31 January 2003	**106,069**	**30**	**522**	**–**	**106,621**
At 31 July 2002	75,862	39	522	69	76,492

As at 31 January 2003, the Group's floating craft and vessels with an aggregate net book value of HK$102,769,000 (2002: HK$75,862,000) were pledged to secure certain loans granted to two wholly owned subsidiaries of the Group.

At 31 January 2003, the Company commissioned an independent professional valuer, Win Well Engineering & Surveyors Limited, to value the Group's floating craft and vessels on the basis of an open market value for continued existing use. The Group's floating craft and vessels as at 31 January 2003 resulted in a valuation surplus of HK$20,119,000 and reversal of impairment losses of HK$15,659,000 as explained in note 2 to the interim condensed financial statements. Floating craft and vessels secured for bank loans granted as referred to in note 10(a) to the interim condensed financial statements with a net book value of HK$51,919,000 have not been accounted for on their respective valuation as at 31 January 2003. The Directors considered that those vessels have not yet been released from the pressure of being put under foreclosure because there is no consent from the secured lender concerned for the extension on the scheduled repayment of the loans as referred to in noted 10(a) to the interim condensed financial statements; as such, the Directors considered it was prudent not to revalue those vessels to their open market value. Had those vessels been restated to their valuation on open market basis as at 31 January 2003, it would have been resulted in an additional valuation surplus of HK$15,457,000 and reversal of impairment loses of HK$1,231,000.

Had the Group's floating craft and vessels been carried at cost less accumulated depreciation and where appropriate net of impairment losses (only for those vessels as referred to in note 10(a) to the interim financial statements), their net book value would have been HK$77,705,000 at 31 January 2003 (31 July 2002: HK$75,862,000).

8. 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
	30,711	25,475

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
	10,153	12,126

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.

9. TRADE AND OTHER PAYABLES

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

The aged analysis of trade payables is as follows:

	31 January 2003 *HK$'000*	**31 July 2002** *HK$'000*
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
	16,103	12,090

10. BANK AND OTHER BORROWINGS

	31 January 2003 HK$'000	31 July 2002 HK$'000
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
	126,531	116,222
Bank and other borrowings are repayable:		
Within one year	**80,017**	116,222
More than one year, but not exceeding two years	**46,514**	–
	126,531	116,222

(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.

11. SHARE CAPITAL

	Number of shares	*HK$'000*
Authorised		
Ordinary shares of HK$0.01 each		
As at 1 August 2002 and 31 January 2003	12,000,000,000	120,000
Issued and fully paid		
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.

12. 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 10(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.

As at 31 January 2003, the Directors have changed the Group's accounting policy to revalue the Group's floating craft and vessels on a regular basis in order to fairly reflect their true value to the Group. The changes have resulted in a valuation surplus of HK$20,119,000 and a reversal of impairment losses of HK$15,659,000 to other revenue for the Group during the period then ended.

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.

DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

At 31 January 2003, the interests of the Company's directors and their respective associates in the issued share capital of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

	Number of ordinary shares ("Shares") held and nature of interest	
Name of director	**Personal**	**Other**
Mrs. Leung Yu Oi Ling, Irene	445,500	412,222,499 *Notes (1) & (2)*
Ms. Leung Chi Yin, Gillian	150,000	412,222,499 *Notes (1) & (2)*

Notes:

(1) 412,222,499 ordinary shares of the Company are held by Harbour Front Limited ("Harbour Front") or its designated nominees, as the trustee of a unit trust. All units in the unit trust are beneficially owned by a discretionary trust, the beneficiaries of which are Mrs. Leung Yu Oi Ling, Irene and her children, including Ms. Leung Chi Yin, Gillian.

(2) Each of Mrs. Leung Yu Oi Ling, Irene and Ms. Leung Chi Yin, Gillian holds one-third of the issued share capital of Harbour Front.

Save as disclosed above and under the section of "Directors' rights to acquire shares", none of the directors, chief executive or their associates had any personal, family, corporate or other interests in the issued share capital of the Company or any of its associated corporations (as defined in the SDI Ordinance) which have to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including the interests which they were deemed or taken to have under section 31 or Part I of the Schedule to the SDI Ordinance) or which were required pursuant to section 29 of SDI Ordinance, to be entered in the register referred to therein or which are required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to have been notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES

The Company's old share option scheme which had been adopted since 6 September 1991, was expired on 6 September 2001. The Company's new share option scheme has been adopted by the shareholders of the Company on 31 December 2002. No share option have been granted under the new share option scheme during the period, and there are no outstanding share options as at 31 January 2003.

Save as disclosed under the section of "Directors' interests in shares of the Company" above, at no time during the period under review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or children under 18 year of age, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 January 2003, according to the register maintained by the Company pursuant to section 16(1) of the SDI Ordinance, the following persons were, directly or indirectly, beneficially interested in 10% or more of the issued share capital of the Company:

Name of shareholder	Number of Shares held
Harbour Front	412,222,499
Mr. Matthew O'Driscoll *(Note (1))*	252,306,195

Note:

(1) Mr. Matthew O'Driscoll is the Scheme Administrator of the Scheme, and holds 252,306,195 Shares on trust for the Scheme creditors pending distribution pursuant to the terms of the Scheme.

Save as disclosed above, no person, other than Mrs. Leung Yu Oi Ling, Irene and Ms. Leung Chi Yin, Gillian whose interests are set out under the section of "Directors' interests in shares of the Company " above, had registered an interest in the issued share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

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.

By order of the Board
UDL Holdings Limited

Leung Yu Oi Ling Irene
Chairman

Hong Kong, 24 April 2003