



# UDL Holdings Limited

(Incorporated in Bermuda with limited liability)

## **INTERIM REPORT 2004**

for the six months ended 31 January 2004

**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 2004 together with comparative figures as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)**

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

**CONDENSED CONSOLIDATED BALANCE SHEET**

		(Unaudited) 31 January 2004 <i>HK\$'000</i>	(Audited) 31 July 2003 <i>HK\$'000</i>
	<i>Note</i>		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	<u>121,319</u>	<u>134,429</u>
		<u>121,319</u>	<u>134,429</u>
<b>Current assets</b>			
Trade and other receivables	10	21,799	24,076
Amounts due from related companies		994	2,651
Cash and bank balances		<u>286</u>	<u>781</u>
		<u>23,079</u>	<u>27,508</u>
<b>Current liabilities</b>			
Bank and other borrowings	11	412	231
Trade and other payables	12	23,412	25,809
Amounts due to related companies		26,242	23,634
Provision for taxation		<u>234</u>	<u>224</u>
		<u>50,300</u>	<u>49,898</u>
<b>Net current liabilities</b>		<u>(27,221)</u>	<u>(22,390)</u>
<b>Total assets less current liabilities</b>		<b>94,098</b>	112,039
<b>Non-current liabilities</b>			
Other borrowings	11	<u>120,637</u>	<u>115,985</u>
<b>Net liabilities</b>		<u>(26,539)</u>	<u>(3,946)</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	13	9,356	9,356
Reserves		<u>(35,895)</u>	<u>(13,302)</u>
<b>Deficiency of capital</b>		<u>(26,539)</u>	<u>(3,946)</u>

**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 2003	9,356	7,224	1,264	(1,489)	58,617	717	1,096,502	(1,176,137)	(3,946)
Disposal of asset	-	-	-	-	(1,905)	-	-	-	(1,905)
Exchange realignment - subsidiaries	-	-	-	(1,910)	-	-	-	-	(1,910)
Net (loss) attributable to shareholders	-	-	-	-	-	-	-	(18,778)	(18,778)
<b>At 31 January 2004</b>	<b>9,356</b>	<b>7,224</b>	<b>1,264</b>	<b>(3,399)</b>	<b>56,712</b>	<b>717</b>	<b>1,096,502</b>	<b>(1,194,915)</b>	<b>(26,539)</b>
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
<b>At 31 January 2003</b>	<b>9,083</b>	<b>6,842</b>	<b>1,264</b>	<b>(1,241)</b>	<b>20,119</b>	<b>717</b>	<b>1,096,502</b>	<b>(1,154,455)</b>	<b>(21,169)</b>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)**

	<b>Six months ended 31 January</b>	
	<b>2004 HK\$ '000</b>	<b>2003 HK\$ '000</b>
<b>Net cash (outflow) from operating activities</b>	<b>(6,982)</b>	<b>(18,716)</b>
<b>Net cash (outflow) from investing activities</b>	<b>-</b>	<b>(1,180)</b>
<b>Net cash (outflow) before financing activities</b>	<b>(6,982)</b>	<b>(19,896)</b>
<b>Net cash inflow from financing activities</b>	<b>4,651</b>	<b>17,137</b>
Effects of exchange rate changes on cash and cash equivalents	<b>1,654</b>	<b>(910)</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(677)</b>	<b>(3,669)</b>
Cash and cash equivalents at beginning of period	<b>550</b>	<b>3,626</b>
<b>Cash and cash equivalents at end of period</b>	<b>(127)</b>	<b>(43)</b>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	<b>285</b>	<b>179</b>
Bank overdrafts	<b>(412)</b>	<b>(222)</b>
	<b>(127)</b>	<b>(43)</b>

**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 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 HK\$'000	2003 HK\$'000
<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	1,705	74
Foreign exchange gain, net	1,764	1,409
<i>Charging</i>		
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
	<u>          </u>	<u>          </u>

**6. TAXATION**

	Six months ended 31 January	
	2004 HK\$'000	2003 HK\$'000
The charge comprises:		
Hong Kong profits tax		
- Current period	-	(16)
Overseas tax	-	-
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>

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 throughout the period.

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

**9. PROPERTY, PLANT & EQUIPMENT**

	Land use right <i>HK\$'000</i>	Floating Craft and Vessels <i>HK\$'000</i>	Furniture, Fixtures and Office Equipments <i>HK\$'000</i>	Plant, Machinery and Workshop Equipments <i>HK\$'000</i>	Motor Vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost/valuation</b>						
At 1 August 2003	1,132	136,350	8	1,120	92	138,702
Additions	-	-	-	140	-	140
Disposals	-	(5,597)	-	-	-	(5,597)
Exchange realignments	-	3,659	-	32	-	3,691
<b>At 31 January 2004</b>	<b>1,132</b>	<b>134,412</b>	<b>8</b>	<b>1,292</b>	<b>92</b>	<b>136,936</b>
<b>Accumulated depreciation and impairment losses</b>						
At 1 August 2003	47	4,094	8	117	7	4,273
Charges	28	11,208	-	43	9	11,288
Disposals	-	(304)	-	-	-	(304)
Exchange realignments	-	345	-	15	-	360
<b>At 31 January 2004</b>	<b>75</b>	<b>15,343</b>	<b>8</b>	<b>175</b>	<b>16</b>	<b>15,617</b>
<b>Net Book Value</b>						
<b>At 31 January 2004</b>	<b>1,057</b>	<b>119,069</b>	<b>-</b>	<b>1,117</b>	<b>76</b>	<b>121,319</b>
At 31 July 2003	1,085	132,256	-	1,003	85	134,429

The Group's floating craft and vessels, with an aggregate net book value of approximately HK\$117.4 million (2003: HK\$102.7 million) were pledged to secure certain loans granted to two of the Company's subsidiaries (note 11(a) and 11(b)).

**10. TRADE AND OTHER RECEIVABLES**

	31 January 2004 <i>HK\$'000</i>	31 July 2003 <i>HK\$'000</i>
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
	<b>21,799</b>	<b>24,076</b>

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

	<b>31 January 2004 HK\$'000</b>	<b>31 July 2003 HK\$'000</b>
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
	<b>2,439</b>	<b>4,663</b>

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.

#### 11. BANK AND OTHER BORROWINGS

	<b>31 January 2004 HK\$'000</b>	<b>31 July 2003 HK\$'000</b>
Bank and other borrowings comprise:		
Bank loans	-	-
Bank overdrafts	412	231
Other loans	120,637	115,985
	<b>121,049</b>	<b>116,216</b>
Analysed as:		
Secured – Notes (a), (b) and (c)	118,401	113,968
Unsecured – loan	2,236	2,017
– bank overdraft	412	231
	<b>121,049</b>	<b>116,216</b>
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
	<b>121,049</b>	<b>116,216</b>
Less: Amount due within one year and shown under current liabilities	(412)	(231)
Amount due after one year	<b>120,637</b>	<b>115,985</b>



*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.

**12. TRADE AND OTHER PAYABLES**

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

The aged analysis of trade payables is as follows:

	<b>31 January 2004 HK\$'000</b>	<b>31 July 2003 HK\$'000</b>
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
	<b>9,975</b>	<b>9,945</b>

**13. SHARE CAPITAL**

	<b>Number of shares</b>	<b>HK\$'000</b>
<i>Authorised</i>		
Ordinary shares of HK\$0.01 each		
As at 1 August 2003 and 31 January 2004	<u>12,000,000,000</u>	<u>120,000</u>
<i>Issued and fully paid</i>		
Ordinary shares of HK\$0.01 each		
As at 1 August 2003 and 31 January 2004	<u>935,551,302</u>	<u>9,356</u>

**14. 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 HK\$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 ratio (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.

## DIRECTORS' INTERESTS IN SHARES

As at 31 January 2004, the interests and short positions of the Directors in the Shares or the underlying Shares, if any, of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required (a) to be notified to the Company or the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

### Interests in the Company

Name of Director	Number of Shares and nature of interest	
	Personal	Other
Leung Yu Oi Ling, Irene	445,500	430,388,499 (Notes 1, 2 and 3)
Leung Chi Yin, Gillian	9,233,000	421,305,499 (Notes 1 and 3)

*Note 1:* 412,222,499 ordinary shares of the Company are held by Harbour Front or its designated nominees, as the trustee of a unit trust. All of the units in the unit trust are beneficially owned by a discretionary trust, the beneficiaries of which are Mrs. Leung and her children, namely, Miss Leung, Mr. Leung Chi Hong, Jerry and Mr. Leung Kai Hong (aged under 18).

*Note 2:* 9,083,000 ordinary shares of the Company are held by Decorling, which is 100% beneficially owned by Mrs. Leung.

*Note 3:* 9,083,000 ordinary shares of the Company are held by Buggy Development Company Limited ("Buggy"). Mrs. Leung holds one share in Buggy on trust for Harbour Front and all other shares in Buggy are held by Harbour Front. Reference is made to the above note 1 concerning the interest of Mrs. Leung and Miss Leung in Harbour Front.

Save as disclosed in this paragraph, as at the date of this report, none of the Directors or chief executive of the Company had interests in the Shares or the underlying Shares, if any, of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company or the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

There was no contract or arrangement subsisting at the date of this report in which any of the Directors was materially interested and which was significant in relation to the business of the Group taken as a whole.

## 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.

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 the date of this report, so far as is known to any Director or chief executive of the Company, the following persons had an interest or short position in the Shares or underlying Shares, if any, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital:

### Interests in Shares

Name	Number of Shares
Harbour Front	421,305,499
Mr. Matthew O'Driscoll ( <i>Note 1</i> )	252,306,195
Value Partners Investment Limited	61,153,097

#### *Note:*

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

Save as disclose above, as at the date of this report, the Directors and the chief executive of the Company were not aware of any person who had an interest or short position in the Shares or underlying Shares, if any, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## 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.

By order of the Board  
**UDL Holdings Limited**

**Leung Yu Oi Ling Irene**  
*Chairman*

Hong Kong, 19 April 2004