



UDL Holdings Limited

(Incorporated in Bermuda with limited liability)

INTERIM REPORT 2005

for the six months ended 31 January 2005



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 2005 together with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Six months ended	
		31 January	
		2005	2004
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	1,796	14,337
Cost of sales		(11,564)	(23,877)
Gross loss		(9,768)	(9,540)
Other revenue		4,928	3,479
Administrative expenses		(5,400)	(7,326)
Other operating expenses		(77)	–
Loss from operating activities	5	(10,317)	(13,387)
Finance costs		(4,220)	(5,391)
Loss before taxation		(14,537)	(18,778)
Taxation	6	–	–
Net loss from ordinary activities attributable to shareholders	7	(14,537)	(18,778)
Loss per share			
– Basic (Hong Kong cents)	8	(1.54)	(2.01)

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) 31 January 2005 HK\$'000	(Audited) 31 July 2004 HK\$'000
	<i>Note</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	74,308	79,239
Land use right	10	999	1,028
		<u>75,307</u>	<u>80,267</u>
Current assets			
Trade and other receivables	11	7,839	16,083
Amounts due from related companies		4,024	3,522
Cash and bank balances		1,633	616
		<u>13,496</u>	<u>20,221</u>
Current liabilities			
Bank and other borrowings	12	14,318	2,833
Trade and other payables	13	17,342	15,074
Amounts due to related companies		17,939	30,294
Provision for taxation		279	279
		<u>49,878</u>	<u>48,480</u>
Net current liabilities		<u>(36,382)</u>	<u>(28,259)</u>
Total assets less current liabilities		38,925	52,008
Non-current liabilities			
Other borrowings	12	97,428	96,658
Net liabilities		<u>(58,503)</u>	<u>(44,650)</u>
CAPITAL AND RESERVES			
Share capital	14	9,717	9,356
Reserves		(68,220)	54,006
Deficiency of capital		<u>(58,503)</u>	<u>(44,650)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital <i>HK\$ '000</i>	Share premium <i>HK\$ '000</i>	Capital redemption reserve <i>HK\$ '000</i>	Exchange fluctuation reserve <i>HK\$ '000</i>	Revaluation reserve <i>HK\$ '000</i>	Capital reserve <i>HK\$ '000</i>	Scheme reserve <i>HK\$ '000</i>	Accumulated losses <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
At 1 August 2004	9,356	7,224	1,264	(2,661)	35,619	717	1,096,502	(1,192,671)	(44,650)
Issue of shares by exercise of options	361	955	-	-	-	-	-	-	1,316
Exchange realignment - subsidiaries	-	-	-	(632)	-	-	-	-	(632)
Net loss attributable to shareholders	-	-	-	-	-	-	-	(14,537)	(14,537)
At 31 January 2005	9,717	8,179	1,264	(3,293)	35,619	717	1,096,502	(1,207,208)	(58,503)
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)
At 31 January 2004	9,356	7,224	1,264	(3,399)	56,712	717	1,096,502	(1,194,915)	(26,539)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Six months ended 31 January	
	2005 <i>HK\$ '000</i>	2004 <i>HK\$ '000</i>
Net cash (outflow) from operating activities	(6,328)	(6,982)
Net cash inflow from investing activities	1,316	-
Net cash (outflow) before financing activities	(5,012)	(6,982)
Net cash inflow from financing activities	3,451	4,651
Effects of exchange rate changes on cash and cash equivalents	2,466	1,654
Net increase/ (decrease) in cash and cash equivalents	905	(677)
Cash and cash equivalents at beginning of period	183	550
Cash and cash equivalents at end of period	1,088	(127)
Analysis of balances of cash and cash equivalents		
Cash and bank balances	1,633	285
Bank overdrafts	(545)	(412)
	1,088	(127)

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 Institute of Certified Public Accountants 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 2004.

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 FROM OPERATING ACTIVITIES

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

	Six months ended	
	31 January	
	2005	2004
	HK\$'000	HK\$'000
<i>Crediting</i>		
Gain on disposal of fixed assets	-	1,705
Foreign exchange gain, net	3,875	1,764
<i>Charging</i>		
Depreciation:		
Owned fixed assets	9,944	11,288
Staff cost (including directors' remuneration)	2,426	2,991
Contribution to mandatory provident fund	92	190
Operating leases	396	492
Legal and professional fees	609	1,179
Provision for doubtful debts	77	-
	<u> </u>	<u> </u>

6. TAXATION

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 (2004: 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\$14,537,000 (2004: net loss of HK\$18,778,000).

8. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders of HK\$14,537,000 (2004: net loss of HK\$18,778,000) and the adjusted weighted average number of 945,230,275 (2004: 935,551,302) ordinary shares in issue during the period.

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

9. PROPERTY, PLANT AND EQUIPMENT

	Floating Craft and Vessels	Furniture, Fixtures and Office Equipments	Plant, Machinery and Workshop Equipments	Motor Vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost/valuation					
At 1 August 2004	97,315	8	1,273	92	98,688
Additions	–	–	1,911	–	1,911
Disposals	–	–	–	–	–
Exchange realignments	3,842	–	31	–	3,873
At 31 January 2005	<u>101,157</u>	<u>8</u>	<u>3,215</u>	<u>92</u>	<u>104,472</u>
Accumulated Depreciation					
At 1 August 2004	19,208	8	207	26	19,449
Charge for the year	9,794	–	141	9	9,944
Impairment	–	–	–	–	–
Written back on disposals	–	–	–	–	–
Exchange realignments	765	–	6	–	771
At 31 January 2005	<u>29,767</u>	<u>8</u>	<u>354</u>	<u>35</u>	<u>30,164</u>
Net Book Value:					
At 31 January 2005	<u>71,390</u>	<u>–</u>	<u>2,861</u>	<u>57</u>	<u>74,308</u>
At 31 July 2004	<u>78,107</u>	<u>–</u>	<u>1,066</u>	<u>66</u>	<u>79,239</u>

The Group's floating craft and vessels, with an aggregate net book value of approximately HK\$66.3 million (31 July 2004: 72.7 million) were pledged to secure certain loans granted to two of the Company's subsidiaries (note 12(a) and 12(b)).

10. LAND USE RIGHT

	<i>HK\$ '000</i>
Cost	
At 1 August 2004	1,132
Addition	—
	<hr/>
At 31 January 2005	<u>1,132</u>
Accumulated amortisation	
At 1 August 2004	104
Amortisation for the period	29
	<hr/>
At 31 January 2005	<u>133</u>
Net book value	
At 31 January 2005	<u>999</u>
At 31 July 2004	<u>1,028</u>

11. TRADE AND OTHER RECEIVABLES

	31 January 2005 HK\$'000	31 July 2004 HK\$'000
Trade receivables	2,734	2,038
Retention money receivable	—	1,098
Prepayments, deposits and other receivables	5,105	12,947
	<hr/>	<hr/>
	7,839	<u>16,083</u>

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

	31 January 2005 HK\$'000	31 July 2004 HK\$'000
Current	188	301
1-3 months	—	383
4-6 months	—	58
7-12 months	2,134	894
Over 1 year	412	402
	<hr/>	<hr/>
	2,734	<u>2,038</u>

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.

12. BANK AND OTHER BORROWINGS

	31 January 2005 HK\$'000	31 July 2004 HK\$'000
Bank and other borrowings comprise:		
Bank overdrafts	545	433
Other loans	111,201	99,058
	<u>111,746</u>	<u>99,491</u>
Analysed as:		
Secured – Notes (a) and (b)	97,428	94,201
Unsecured – loan	13,773	4,857
– bank overdraft	545	433
	<u>111,746</u>	<u>99,491</u>
Bank and other borrowings are repayable as follows:		
Within one year or on demand	14,318	2,833
More than one year, but not exceeding two years	97,428	2,457
More than two years, but not exceeding five years	–	94,201
	<u>111,746</u>	<u>99,491</u>
Less: Amount due within one year and shown under current liabilities	<u>(14,318)</u>	<u>(2,833)</u>
Amount due after one year	<u>97,428</u>	<u>96,658</u>

Notes:

- (a) As at 31 January 2005, the Group's other loans of approximately HK\$68.6 million (31 July 2004: HK\$66 million), assigned from a Singapore secured lender to a Related Party Lender, was secured by a legal charge on the Group's floating craft and vessels with net book value of approximately HK\$50.4 million (31 July 2004: HK\$55 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 the Related Party Lender 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 2005 amounted to approximately HK\$70.2 million (31 July 2004: HK\$67 million).

- (b) As at 31 January 2005, the Group's other loans of approximately HK\$28.8 million (31 July 2004: HK\$27.9 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\$15.9 million (31 July 2004: 17.7 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.

13. TRADE AND OTHER PAYABLES

	31 January 2005 HK\$'000	31 July 2004 HK\$'000
Trade payables	5,736	5,570
Advances received	1,447	1,437
Other payables and accruals	10,159	8,067
	<u>17,342</u>	<u>15,074</u>

The aged analysis of trade payables is as follows:

	31 January 2005 HK\$'000	31 July 2004 HK\$'000
Current	84	80
1-3 months	56	34
4-6 months	81	15
7-12 months	576	526
Over 1 year	4,939	4,915
	<u>5,736</u>	<u>5,570</u>

14. SHARE CAPITAL

	<i>Note</i>	Number of shares	<i>HK\$'000</i>
<i>Authorised</i>			
Ordinary shares of HK\$0.01 each As at 1 August 2004 and 31 January 2005		<u>12,000,000,000</u>	<u>120,000</u>
<i>Issued and fully paid</i>			
Ordinary shares of HK\$0.01 each at 1 August 2004		935,551,302	9,356
Issue of shares by exercise of options	(i)	<u>36,148,000</u>	<u>361</u>
Ordinary shares of HK\$0.01 each at 31 January 2005		<u>971,699,302</u>	<u>9,717</u>

Note:

- (i) During the period, options were exercised to subscribe for 36,148,000 shares in the Company at subscription price of HK\$0.024 – HK\$0.04 per share. The net consideration was HK\$1,316,592 of which HK\$361,480 was credited to share capital and the balance of HK\$955,112 was credited to the Share premium account.

15. CONTINGENT LIABILITIES

- (a) At 31 January 2005, 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 (31 July 2004: HK\$176 million).
- (b) At 31 January 2005, a subsidiary has 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 is HK\$66,831,000 (31 July 2004: HK\$66,831,000).
- (c) An amount of SGD358,982 (equivalent to HK\$1,609,699) relating to interest payable on banking facilities of a subsidiary. The directors of the subsidiary are disputing this amount and no provision has been made in the financial statements.

INTERIM DIVIDEND

The Directors do not recommend the payment of any dividend for the six months ended 31 January 2005 (2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS**Financial Review**

For the six months ended 31 January 2005, turnover of the Group amounted to approximately HK\$1.8 million, as compare to HK\$14.3 million for the corresponding period in 2004.

For the period under review, net loss attributable to shareholder amounted to HK\$14.5 million as compared to a net loss attributable to shareholder of HK\$18.8 million for the corresponding period in 2004.

As at 31 January 2005, the Group has a current ratio (current assets to current liabilities) of 27% as compared to 42% as at 31 July 2004.

Business Review

For the half-year ended 31 January 2005, the Group concentrated on pursuing business opportunities mainly in the PRC marine engineering market. With the gradual recovery of the Hong Kong economy, the Group is actively reviewing business opportunities in the local civil and marine engineering market.

The Company is working intensively with its professional advisors with a view to conclude and implement (if possible) proposals for

- (i) amicable settlement of various issues under the Scheme as disclosed in the Annual Report 2004;
- (ii) securing adequate financial resources needed by its business both in the short term and in the long-run; and
- (iii) revitalization of its full scope engineering operations before implementation of the Scheme.

Liquidity and financial resources

As at 31 January 2005, the company had in aggregate secured bank and other borrowings approximately HK\$97.4 million and non-secured current liabilities of approximately HK\$13.8 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 2004 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 2004 annual report. As the Group has shareholders' deficit, no appropriate gearing ratio as at 31 January 2005 can be calculated.

Financial Risk Management

As at 31 January 2005, 70.4% of the total secured borrowings are denominated in US dollar and 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 2005, 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 2005, 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	8,528,500	449,258,499 (<i>Notes 1, 2, 3 and 4</i>)
Leung Chi Yin, Gillian	18,588,000	430,820,499 (<i>Notes 1,3 and 4</i>)

Note 1: 412,382,499 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: 18,438,000 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”). Miss Leung holds shares in Buggy on trust for Harbour Front. Reference is made to the above note 1 concerning the interest of Mrs. Leung and Miss Leung in Harbour Front.

Note 4: 9,355,000 ordinary shares of the Company are held by YTL Strategic Corporate Consultancy Limited (“YTL Strategic”), which is owned by 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

Pursuant to the Company's share option scheme which was adopted on December 2002, the Company has granted to certain directors of the Company rights to subscribe for shares in the capital of the Company. Details of the movements during the period in the share options granted to the directors of the Company were as follows:

Name of director	Subscription Price	Exercise Period	At 1 August 2004	Number of share options		At January 2005
				Granted during the period	Exercised during the period	
Leung Yu Oi Ling (“Mrs. Leung”)	HK\$0.024	Note 1	9,083,000	–	8,083,000	1,000,000
Leung Yu Oi Ling (“Mrs. Leung”)	HK\$0.040	Note 2	–	9,355,000	–	9,355,000
Leung Chi Yin, Gillian (“Miss Leung”)	HK\$0.040	Note 2	–	9,355,000	9,355,000	–
Decorling Limited (<i>Note 3</i>)	HK\$0.040	Note 2	–	9,355,000	9,355,000	–
YTL Strategic Corporate Consultancy Limited (<i>Note 4</i>)	HK\$0.040	Note 2	–	9,355,000	9,355,000	–

Note 1: Period from 16 April 2003 to 30 December 2012.

Note 2: Period from 2 December 2004 to 30 December 2012.

Note 3: Decorling Limited (“Decorling”) is 100% owned by Mrs. Leung.

Note 4: YTL Strategic Corporate Consultancy Limited (“YTL Strategic”) is owned by Harbour Front Limited. Details of Harbour Front is set out in Note 1 of “DIRECTORS' INTERESTS IN SHARES” to this financial statements.

Save as disclosed 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	430,820,499
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 2005.

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 2005.

AUDIT COMMITTEE

The Audit Committee of the Company comprises Mr. Pao Ping Wing, Dr. Yuen Ming Fai, Matthew and Ms. Tse Mei Ha, all 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 2005.

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, 23 April 2005