



UDL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 620)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2008

INTERIM RESULTS

The board of directors (the “Directors”) of UDL Holdings Limited (the “Company”) are pleased to present the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 January 2008 together with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

| | | (Unaudited) | |
|---|-------------|------------------|-------------------|
| | | Six months ended | |
| | | 31 January | |
| | | 2008 | 2007 |
| | <i>Note</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Turnover | 2 | 28,248 | 9,273 |
| Other revenue and income | | 1,466 | 110 |
| Staff costs | | (4,410) | (2,114) |
| Marine engineering and structural steel engineering costs and cost of vessels | | (19,799) | (3,564) |
| Depreciation and amortisation | | (944) | (693) |
| Other operating expenses | | (2,920) | (2,128) |
| | | <hr/> | <hr/> |
| Profit/(Loss) from operation | 4 | 1,641 | 884 |
| Finance costs | | (17) | (1,640) |
| | | <hr/> | <hr/> |
| Profit/(Loss) before taxation | | 1,624 | (756) |
| Taxation | 5 | (8) | – |
| | | <hr/> | <hr/> |
| Profit/(Loss) attributable to shareholders | | <u>1,616</u> | <u>(756)</u> |
| Earning/(Loss) per share | | | |
| – Basic (Hong Kong dollars) | 6 | <u>HK\$0.00</u> | <u>(HK\$0.00)</u> |

CONDENSED CONSOLIDATED BALANCE SHEET

| | | (Unaudited) 31 January 2008 <i>HK\$'000</i> | (Audited) 31 July 2007 <i>HK\$'000</i> |
|---|-------------|--|---|
| | <i>Note</i> | | |
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 33,372 | 31,468 |
| Prepaid lease payments | 13 | 890 | 879 |
| Investments in associates | | 10 | 10 |
| | | 34,272 | 32,357 |
| Current assets | | | |
| Inventories | 7 | 32,384 | 31,500 |
| Prepaid lease payments | 13 | 65 | 62 |
| Trade and other receivables | 8 | 21,335 | 8,590 |
| Amounts due from customers for contract work | 10 | 1,265 | – |
| Amounts due from related companies | | 13,496 | 13,502 |
| Cash and bank equivalents | | 69,428 | 83,606 |
| | | 137,973 | 137,260 |
| Current liabilities | | | |
| Other loans | 14 | – | 3,832 |
| Trade and other payables | 9 | 14,808 | 11,167 |
| Amount due to ultimate holding company | 15 | – | 102 |
| Amounts due to related companies | | 3,068 | 3,486 |
| Amounts due to directors | | 433 | 964 |
| Provision for taxation | | 60 | 57 |
| | | 18,369 | 19,608 |
| Net current assets | | 119,604 | 117,652 |
| NET ASSETS | | 153,876 | 150,009 |
| CAPITAL AND RESERVES | | | |
| Share capital | 16 | 50,450 | 50,450 |
| Reserves | | 103,426 | 99,559 |
| NET EQUITY | | 153,876 | 150,009 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | 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> | Scheme reserve <i>HK\$'000</i> | Accumu- lated losses <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|-------------------------------------|-------------------------------------|---|---|---|--------------------------------------|---|--------------------------|
| At 31 July 2006 (Audited) | 33,634 | 56,056 | 1,264 | 405 | 357 | 1,061,544 | (1,141,249) | 12,011 |
| Exchange realignment – subsidiaries | - | - | - | 831 | - | - | - | 831 |
| Net loss attributable to shareholders | - | - | - | - | - | - | (756) | (756) |
| | <u>33,634</u> | <u>56,056</u> | <u>1,264</u> | <u>405</u> | <u>357</u> | <u>1,061,544</u> | <u>(1,141,249)</u> | <u>12,011</u> |
| At 31 January 2007 (Unaudited) | <u>33,634</u> | <u>56,056</u> | <u>1,264</u> | <u>1,236</u> | <u>357</u> | <u>1,061,544</u> | <u>(1,142,005)</u> | <u>12,086</u> |
| At 31 July 2007 (Audited) | 50,450 | 185,810 | 1,264 | 1,798 | 2,182 | 1,054,095 | (1,145,590) | 150,009 |
| Exchange realignment – subsidiaries | - | - | - | 2,251 | - | - | - | 2,251 |
| Net profit attributable to shareholders | - | - | - | - | - | - | 1,616 | 1,616 |
| | <u>50,450</u> | <u>185,810</u> | <u>1,264</u> | <u>1,798</u> | <u>2,182</u> | <u>1,054,095</u> | <u>(1,145,590)</u> | <u>150,009</u> |
| At 31 January 2008 (Unaudited) | <u>50,450</u> | <u>185,810</u> | <u>1,264</u> | <u>4,049</u> | <u>2,182</u> | <u>1,054,095</u> | <u>(1,143,974)</u> | <u>153,876</u> |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | (Unaudited) | |
|--|-------------------------|-----------------|
| | Six months ended | |
| | 31 January | |
| | 2008 | 2007 |
| | HK\$'000 | HK\$'000 |
| Net cash (outflow) from operating activities | (10,577) | (3,060) |
| Net cash (outflow) from investing activities | (1,164) | (25) |
| Net cash (outflow) before financing activities | (11,741) | (3,085) |
| Net cash inflow/(outflow) from financing activities | (3,934) | 2,930 |
| Effects of exchange rate changes on cash and cash equivalents | 1,496 | 41 |
| Net (decrease) in cash and cash equivalents | (14,179) | (114) |
| Cash and cash equivalents at beginning of period | 83,606 | 1,038 |
| Cash and cash equivalents at end of period | 69,427 | 924 |
| Analysis of balances of cash and cash equivalents | | |
| Cash and bank balances | 69,427 | 924 |

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants and applicable disclosure of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”).

The preparation of interim financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The accounting policies and methods of computation used in the interim financial statements are consistent with those applied in the financial statements for the year ended 31 July 2007.

2. TURNOVER

The Group’s turnover represents revenue derived from sales of vessels, marine engineering and structural steel engineering operations which comprise engineering works income and related services provided as a result thereof. Revenue recognised during the period is as follows:

| | (Unaudited) | |
|-------------------------------------|-------------------------|-------------|
| | Six months ended | |
| | 31 January | |
| | 2008 | 2007 |
| | HK\$’000 | HK\$’000 |
| Marine engineering income | 27,727 | 4,950 |
| Structural steel engineering income | 521 | 4,323 |
| | <hr/> | <hr/> |
| | 28,248 | 9,273 |
| | <hr/> <hr/> | <hr/> <hr/> |

3. SEGMENT INFORMATION

a. Business segments

The Group currently has three operating divisions – marine engineering, structural steel engineering and sales of vessels. These principal operating activities are the basis on which the Group reports its primary segmental information.

| | Marine engineering | | Structural steel engineering | | Sales of vessels | | Consolidated | |
|-------------------------------|-----------------------------|----------|------------------------------|----------|------------------|----------|---------------|--------------|
| | (Unaudited) | | | | | | | |
| | Six months ended 31 January | | | | | | | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Segment revenue: | | | | | | | | |
| Sales to external customers | <u>27,727</u> | 4,950 | <u>521</u> | 4,323 | – | – | <u>28,248</u> | 9,273 |
| Segment results | <u>7,290</u> | 1,541 | <u>226</u> | 4,168 | – | – | <u>7,516</u> | 5,709 |
| Unallocated other income | | | | | | | 1,466 | 110 |
| Unallocated expenses | | | | | | | (7,341) | (4,935) |
| Profit from operations | | | | | | | 1,641 | 884 |
| Finance costs | | | | | | | (17) | (1,640) |
| Profit/(loss) before taxation | | | | | | | 1,624 | (756) |
| Taxation | | | | | | | (8) | – |
| Profit/(loss) after taxation | | | | | | | <u>1,616</u> | <u>(756)</u> |

b. Geographical segments

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/services:

| | Hong Kong | | Singapore | | PRC | | Consolidated | |
|-----------------------------|-----------------------------|----------|---------------|----------|----------|----------|---------------|--------------|
| | (Unaudited) | | | | | | | |
| | Six months ended 31 January | | | | | | | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Segment revenue: | | | | | | | | |
| Sales to external customers | <u>7,798</u> | 5,049 | <u>20,450</u> | 4,224 | – | – | <u>28,248</u> | 9,273 |
| Other income | <u>1,430</u> | 52 | <u>36</u> | 58 | – | – | <u>1,466</u> | 110 |
| | | | | | | | <u>29,714</u> | <u>9,383</u> |

4. PROFIT AND LOSS FROM OPERATING ACTIVITIES

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

| | (Unaudited) | |
|--|-------------------|-------------------|
| | Six months ended | |
| | 31 January | |
| | 2008 | 2007 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| <i>Crediting:</i> | | |
| Foreign exchange gain, net | 88 | 55 |
| Interest income | 1,352 | 4 |
| <i>Charging:</i> | | |
| Depreciation | 913 | 693 |
| Staff cost (including directors' remuneration) | | |
| – contribution to mandatory provident fund | 171 | 127 |
| – salaries, wages and other benefits | 4,239 | 1,987 |
| Operating leases | 528 | 632 |
| Legal and professional fees | 191 | 75 |
| | <u> </u> | <u> </u> |

5. TAXATION

No Hong Kong tax has been provided. Singapore profit tax has been provided in the financial statements for the current period (2007: Nil).

6. EARNING PER SHARE

The calculation of basic earning per share is based on the net profit attributable to shareholders of HK\$1,616,000 (January 2007: net loss of HK\$756,000) and the adjusted weighted average number of 5,045,033,739 (January 2007: 3,363,355,826) ordinary shares in issue during the period.

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

7. INVENTORIES

| | (Unaudited) 31 January 2008 <i>HK\$'000</i> | (Audited) 31 July 2007 <i>HK\$'000</i> |
|-----------------------|--|---|
| Vessels held for sale | <u>32,384</u> | <u>31,500</u> |

8. TRADE AND OTHER RECEIVABLES

| | (Unaudited) 31 January 2008 <i>HK\$'000</i> | (Audited) 31 July 2007 <i>HK\$'000</i> |
|---|--|---|
| Trade receivables | 15,280 | 3,152 |
| Retention money receivable | 641 | – |
| Prepayments, deposits and other receivables | <u>5,414</u> | <u>5,438</u> |
| | <u>21,335</u> | <u>8,590</u> |

The aged analysis of trade receivable net of impairment losses on doubtful debts was as follows:

| | (Unaudited) 31 January 2008 <i>HK\$'000</i> | (Audited) 31 July 2007 <i>HK\$'000</i> |
|-------------|--|---|
| Current | 4,648 | 1,281 |
| 1-3 months | 7,416 | 1,147 |
| 4-6 months | 1,829 | 6 |
| 7-12 months | 1,176 | 707 |
| Over 1 year | <u>211</u> | <u>11</u> |
| | <u>15,280</u> | <u>3,152</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 the senior management.

9. TRADE AND OTHER PAYABLES

| | (Unaudited) 31 January 2008 <i>HK\$'000</i> | (Audited) 31 July 2007 <i>HK\$'000</i> |
|-----------------------------|--|---|
| Trade payables | 8,513 | 1,035 |
| Other payables and accruals | 6,295 | 10,132 |
| | <u>14,808</u> | <u>11,167</u> |

The aged analysis of trade payables was as follows:

| | (Unaudited) 31 January 2008 <i>HK\$'000</i> | (Audited) 31 July 2007 <i>HK\$'000</i> |
|-------------|--|---|
| Current | 687 | 281 |
| 1-3 months | 5,138 | 671 |
| 4-6 months | 1,476 | 7 |
| 7-12 months | 66 | 29 |
| Over 1 year | 1,146 | 47 |
| | <u>8,513</u> | <u>1,035</u> |

10. AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORK

| | (Unaudited) 31 January 2008 <i>HK\$'000</i> | (Audited) 31 July 2007 <i>HK\$'000</i> |
|--|--|---|
| Contracts in progress at the balance sheet date: | | |
| Contract costs in incurred | 5,750 | – |
| Recognised profits less recognised losses | 1,928 | – |
| | <u>7,678</u> | <u>–</u> |
| Less: progress billings | (6,413) | – |
| | <u>1,265</u> | <u>–</u> |

As at 31 January 2008, retention held by customer for contract work amounted to HK\$641,000 (2007: nil). No advances received from customer for contract work has been included in deposit received and receipt in advance under current liabilities (2007: Nil).

11. SIGNIFICANT RELATED PARTY TRANSACTIONS

During the period, the Group had the following transactions with related companies:

| | (Unaudited) | |
|--|------------------|-----------------|
| | Six months ended | |
| | 31 January | |
| | 2008 | 2007 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Marine engineering related income from related companies | 866 | 721 |
| Rental charges paid to related companies | 360 | 736 |
| Consultancy fee paid to related companies | 449 | 450 |
| Hiring of vessels from a related company | 307 | – |
| Finance costs payable to related companies | 17 | 1,514 |
| | <u>866</u> | <u>1,514</u> |

12. PROPERTY, PLANT AND EQUIPMENT

| | Buildings | Floating craft and vessels | Furniture, fixtures and office equipment | Plant, machinery and workshop equipment | Motor vehicles | Total |
|--|-----------------|----------------------------------|---|---|-------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Cost or valuation | | | | | | |
| At 31 July 2007 (Audited) | 23,235 | 5,540 | 1,045 | 2,889 | 182 | 32,891 |
| Additions | 266 | 195 | 655 | 48 | – | 1,164 |
| Exchange realignments | 1,532 | – | 69 | 169 | 5 | 1,775 |
| | <u>25,033</u> | <u>5,735</u> | <u>1,769</u> | <u>3,106</u> | <u>187</u> | <u>35,830</u> |
| At 31 January 2008 (Unaudited) | | | | | | |
| Accumulated depreciation and impairment | | | | | | |
| At 31 July 2007 (Audited) | – | – | 342 | 989 | 92 | 1,423 |
| Charge for the year | 207 | 323 | 205 | 160 | 18 | 913 |
| Exchange realignments | 7 | – | 32 | 79 | 4 | 122 |
| | <u>214</u> | <u>323</u> | <u>579</u> | <u>1,228</u> | <u>114</u> | <u>2,458</u> |
| At 31 January 2008 (Unaudited) | | | | | | |
| Net book value | | | | | | |
| At 31 July 2007 (Audited) | <u>23,235</u> | <u>5,540</u> | <u>703</u> | <u>1,900</u> | <u>90</u> | <u>31,468</u> |
| At 31 January 2008 (Unaudited) | <u>24,819</u> | <u>5,412</u> | <u>1,190</u> | <u>1,878</u> | <u>73</u> | <u>33,372</u> |

13. PREPAID LEASE PAYMENTS

| | (Unaudited) 31 January 2007 HK'000 | (Audited) 31 July 2006 HK'000 |
|-------------------------------------|---|--|
| Land use rights outside Hong Kong: | | |
| Medium-term lease | 955 | 941 |
| | <hr/> | <hr/> |
| Analysed for reporting purposes as: | | |
| Current portion | 65 | 62 |
| Non-current portion | 890 | 879 |
| | <hr/> | <hr/> |
| | 955 | 941 |
| | <hr/> <hr/> | <hr/> <hr/> |

Prepaid lease payment represent payments for the land use rights in Mainland China expiring in 2022.

14. OTHER LOANS

The amount due to related company was unsecured, interest bearing at Hong Kong prime rate plus 2% per annum and repayable on demand.

15. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount due to ultimate holding company was unsecured, interest bearing at Hong Kong prime rate plus 2% per annum and repayable on demand.

16. SHARE CAPITAL

| | Number of shares | HK\$'000 |
|--|------------------|-------------|
| <i>Authorised</i> | | |
| Ordinary shares of HK\$0.01 each at 1 August 2007 and 31 January 2008 | 120,000,000,000 | 120,000 |
| | <hr/> <hr/> | <hr/> <hr/> |
| <i>Issued and fully paid</i> | | |
| Ordinary shares of HK\$0.01 each at 31 January 2008 | 5,045,033,739 | 50,450 |
| | <hr/> <hr/> | <hr/> <hr/> |

17. CONTINGENT LIABILITIES AND LITIGATIONS

- (a) On 31 July 2002, Charterbase Management Limited and United People Assets Limited, the Petitioners, issued the Bermuda Writ against the Company and against Mrs. Leung Yu Oi Ling, Irene., Mr. Chan Kim Leung, Miss Leung Chi Yin, Gillian, Mr. Pao Ping Wing JP and Mr. Wong Pui Fai who were directors of the Company in April 2001, at the time of the Subscription SGM. Mr. Wong Pui Fai and Mr. Chan Kim Leung subsequently resigned as the directors of the Company on 28 April 2002 and on 27 September 2002 respectively. The Bermuda Writ recited the basis of the Petitioners' Complaint with respect of Charterbase Management Limited and United People Assets Limited, namely, that the circular regarding the Subscription misdescribed the Scheme Administrator's voting capacity in respect of the Shares held by the Scheme Administrator under the Scheme. The Bermuda Writ alleged that the Company was negligent and its directors were negligent and/or in breach of their fiduciary duty in misdescribing the Scheme Administrator's voting capacity in the circular regarding the Subscription. The Bermuda Writ claimed HK\$3,000,000 being Charterbase Management Limited's estimated costs of the Petitioners' Complaint. On 15 August 2002 the Company entered an appearance to the Bermuda Writ, and the Company filed its defence on 12 September 2002. The Company has been advised by its Bermuda lawyers that it has good grounds to resist the Bermuda Writ. The Petitioners have taken no further steps in the proceedings since the defence was filed.
- (b) An amount of SGD358,982 (equivalent to HK\$1,766,335) (2006: HK\$1,680,233) relating to interest payable on banking facilities was charged to UDL Marine Shares Pte. Limited formerly known as (UDL Marine Pte Limited), a subsidiary of the Company. The directors of the subsidiary are disputing this amount and no provision has been made in the financial statements.
- (c) The Company and the Group had pending litigation in respect of the Statement of Claim referenced HCA 624 of 2005 dated 28 September 2005. The Group's solicitor is of the view that there are three claims which duplicate partly with each others. Fonfair Company Limited ("Fonfair") claimed against the Company and the Group for the amount of HK\$19,568,644.66 together with interest and costs, Money Facts Limited ("Money Facts") claimed the amount of HK\$13,334,211.42 (HK\$12,874,121.48 of which was pleaded by Money Facts as part of its loss and damage suffered by virtue of its 7,900/12,008th interest held in Fonfair) together with interest and costs, and Leung Yuet Keung claimed the amount of HK\$15,190,409.54 (HK\$6,667,105.71 of which was pleaded by Leung Yuet Keung as part of his loss and damage suffered by virtue of his 3,950/7,900th interest held in Money Facts) together with interest and costs. The plaintiffs, (i) Harbour Front is the majority shareholder of the Company, holding 3,958 out of the 12,008 issued ordinary shares of Fonfair and 3,950 out of the 7,900 issued ordinary shares of Money Facts Limited; (ii) Money Facts holds 7,900 out of the 12,008 issued ordinary shares of Fonfair; and (iii) Leung Yuet Keung holds 3,950 out of the 7,900 issued ordinary shares of Money Facts.

- (d) UDL Contracting Limited (“UDL Contracting”), a wholly-owned subsidiary of the Company, commenced legal action against two defendants on 8 June 2007 to claim damages in relation to the construction of a printing workshop carried out by UDL Contracting. Default judgement in the sum of approximately HK\$162 million was awarded by the Court in favour of UDL Contracting on 27 June 2007. However, one of the two defendants took out a Summons to apply to set aside the default judgement and stay the action against it to arbitration. Consent was given to the two applications of that defendant and the losses which the Company may suffer are essentially the legal costs incurred in the proceedings as there is no counterclaim from both defendants.

- (e) UDL Argos Engineering & Heavy Industries Co., Ltd (“UDL Argos”), a wholly-owned subsidiary of the Company, has commenced legal action against a contractor to recover the unsettled balance of approximately HK\$2.9 million from the contractor. This contractor applied for a stay of the proceedings to arbitration. By a judgement delivered on 29 August 2007, the Court ordered a stay of the action to arbitration and also made an order that UDL Argos do bear the costs of the application. The legal counsels are of the opinion that no monetary claims having been made either by UDL Argos or Dragages, the only liability from this action is the payment of UDL Argos’ own costs and the costs of this contractor estimated to be not exceeding HK\$150,000. Any recovery of the claim is a Scheme Asset pursuant to the 2000 Scheme.

RESULTS AND DIVIDEND

Turnover reached HK\$28.2 million, almost 3 times that of the same period of last year (Jan 2007: HK\$9.3 million). Underlying profit from operation increased nearly 2 times to HK\$1.6 million (Jan 2007: HK\$0.8 million). For the period under review, net profit attributable to shareholder amounted to HK\$1.6 million (Jan 2007: HK\$0.8 million loss).

The Directors do not recommend any payment of dividend for the six months ended 31 January 2008 (Jan 2007: nil).

BUSINESS REVIEW AND PROSPECTS

Marine Engineering sector has maintained a strong growth momentum and turnover has stood at HK\$27.7 million for this period (Jan 2007:HK\$4.9 million), in which HK\$20.4 million was derived from offshore engineering projects. During the period under review, the Group has actively expand its operation of Hong Kong and Singapore and secured several marine and offshore engineering projects.

Contracts on hand of Structural Steel Engineering are in the completion stage and the Group is actively pursuing new business opportunities in collaboration with its existing business partners and also its own offshore engineering business.

In view of the surging price in shipbuilding raw materials, component equipments and finished products, the Group is reviewing its pricing strategy overall and considering value added improvements that would significantly increase the yield from vessels sales. With the improvement in marine engineering sector, utilization of the Group's vessels is also made possible as an interim arrangement pending this retune of the overall business and pricing strategy.

Challenges are expected in the year of 2008. The global economy would be experiencing greater turmoil due to the effect of sub-prime crisis and subsequent credit crunch in developed economies. Despite of such uncertainties, the Group has confident to weather through such turbulence and maintain the strong growth momentum in the shipbuilding and offshore engineering industries.

The Group would continue expanding its marine engineering sector and engage with potential offshore-related clients to secure large scale projects in the next fiscal. In line with such expansion, the Group is upgrading the plant facilities of the Singapore shipyard.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 January 2008, the Group has cash and bank equivalents of about HK\$69.4 million (July 2007: HK\$83.6 million). Most of the bank balances were placed in Hong Kong Dollar time deposit with banks in Hong Kong SAR.

Other loan has been fully settled as at 31 January 2008 (July 2007: \$3.8 million). The finance cost of the period is reduced significantly to less than HK\$0.02 million (Jan 2007: HK\$1.6 million) as a result of reduction in borrowing since the last financial year.

The gearing ratio of the Group as a results, calculated by dividing total liabilities by total assets value, decreased to 10.6% (July 2007: 11.5%).

EXPOSURE OF FOREIGN EXCHANGE

The Group's assets and liabilities are mainly dominated in Hong Kong Dollars and Singapore Dollars. Income and expenses derived from the operation in Singapore were mainly dominated in Singapore Dollars. There is no significant exposure to the fluctuation of foreign exchange rate, but the Group is closely monitor the financial market and would consider appropriate measure if required.

EMPLOYEES AND REMUNERATION POLICY

The Group had about 90 technical and working staff in Hong Kong, Singapore and Mainland China during the period under review. Remuneration policies are reviewed regularly to ensure that compensation and benefit packages are in line with the market. In addition to basic salary, incentives in the form of bonuses and share options may also be offered to eligible employees on the basis of individual performances.

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 2008.

DIRECTORS' INTERESTS IN SHARES

As at 31 January 2008, the interests of the Directors and their associates in the shares of the Company (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be maintained under Section 352 of the SFO were as follows:

Interests in the Company

| Name of Directors | Notes | Number of Shares and nature of interest | | Percentage of the issued share capital of the Company |
|--|---------|--|--------------------|--|
| | | Personal interests | Other interests | |
| Leung Yu Oi Ling, Irene ("Mrs. Leung") | 1, 3, 4 | 800,000 | 2,662,567,346 | 52.79% |
| Leung Chi Yin, Gillian ("Miss Leung") | 1, 2, 3 | 63,199,200 | 2,662,287,346 | 54.02% |
| Leung Chi Hong, Jerry ("Mr. Leung") | 1, 2, 3 | 16,506,774 | 2,662,287,346 | 53.10% |
| Yuen Ming Fai, Matthew | 5 | – | 4,800 | 0.00% |

Note 1: 2,662,155,933 shares are held by Harbour Front Limited 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 Chi Yin, Gillian, Mr. Leung Chi Hong, Jerry and Mr. Leung Kai Hong (aged under 18).

Note 2: 120,000 shares are held by YT Leung Trading Company Limited, which is beneficially owned by Miss. Leung Chi Yin, Gillian and Mr. Leung Chi Hong, Jerry.

Note 3: 11,413 shares held by Vital Strategic Consultancy Limited, which is beneficially owned by Harbour Front Limited, Mrs. Leung, Miss. Leung Chi Yin, Gillian, Mr. Leung Chi Hong, Jerry and Mr. Leung Kai Hong as to 18%, 20%, 22%, 20% and 20% respectively.

Note 4: 400,000 shares are held by Top Union Investments Limited, which is 100% beneficially owned by Mrs. Leung.

Note 5: 4,800 shares are held by Mrs. Yuen Chiu Yin May, May. Mrs. Yuen is the spouse of Prof. Yuen Ming Fai, Matthew.

Save as disclosed above, none of the Directors or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO as at 31 January 2008; or would require, pursuant to Model Code for Securities Transactions by Directors of the Listed Companies, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Pursuant to the Company's share option scheme which was adopted on December 2002, no option has been granted and in issue during the period under review.

During the period under review, there was no rights to acquire benefit 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 2008, the interests of substantial shareholders (other than a Director of the Company) in the shares of the Company as recorded in the register as required to be kept under Section 336 of the SFO were as follows:

| Name of shareholder | Number of issued ordinary shares held (long position) | Percentage of the issued share capital of the Company |
|----------------------------|--|--|
| Harbour Front Limited | 2,662,155,933 | 52.8% |

Other than as disclosed above, the Company has not been notified of any other interests or short position and underlying shares of the Company as required to be recorded in the register under Section 336 of the SFO as at 31 January 2008.

CORPORATE GOVERNANCE

During the period, the Company has complied with the code provision set out in the Code of Corporate Governance Practices as contained in Appendix 14 of the Listing Rules.

The Remuneration Committee reviews and evaluates the remuneration policies of the directors and senior management of the Group and made recommendations to the Board from time to time.

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all directors regarding any non-compliance with the Model Code during the period under review and they all confirmed that they have fully complied with the standard set out in the Model Code.

The Audit Committee and the management have reviewed the accounting policies and practices adopted by the Group and discussed internal control. This financial statement for six months ended 31 January 2008 is unaudited, but has been reviewed by the Audit Committee.

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

Hong Kong SAR, 5 April 2008

Executive Directors

Mrs. Leung Yu Oi Ling, Irene
Miss. Leung Chi Yin, Gillian
Mr. Leung Chi Hong, Jerry

Independent Non-Executive Directors

Mr. Pao Ping Wing, JP
Prof. Yuen Ming Fai, Matthew
Ms. Tse Mei Ha