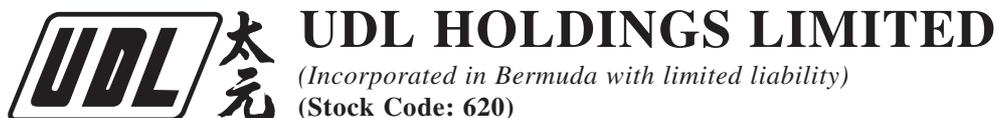


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**INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 31 JANUARY 2010**

**INTERIM RESULTS**

The board of directors (the “Board”) 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 2010 together with comparative figures as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT**

		(Unaudited)	
		Six months ended	
		31 January	
		2010	2009
	Notes	HK\$'000	HK\$'000
<b>Turnover</b>	2	67,565	59,203
Cost of sales		<u>(59,036)</u>	<u>(47,377)</u>
<b>Gross profit</b>		8,529	11,826
Other income		96	4,480
General and administrative expenses		<u>(13,731)</u>	<u>(12,631)</u>
<b>(Loss)/profit from operating activities</b>	4	(5,106)	3,675
Finance income		529	1,241
Finance cost		<u>(819)</u>	<u>(1,041)</u>
<b>(Loss)/profit before taxation</b>		(5,396)	3,875
Taxation	5	—	—
<b>(Loss)/profit for the period</b>		<u>(5,396)</u>	<u>3,875</u>
<b>Attributable to owners of the Company</b>		<u>(5,396)</u>	<u>3,875</u>
<b>(Loss)/earnings per share</b>	6		
Basic		(0.05 Cents)	0.05 Cents
Diluted		<u>(0.05 Cents)</u>	<u>0.05 Cents</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

		(Unaudited)	
		Six months ended	
		31 January	
		2010	2009
		HK\$'000	HK\$'000
<b>(Loss)/profit for the period</b>		(5,396)	3,875
<b>Other comprehensive income</b>			
Exchange differences on translation of financial statements of overseas subsidiaries		<u>2,124</u>	<u>(9,630)</u>
<b>Total comprehensive income for the period</b>		<u>(3,272)</u>	<u>(5,755)</u>
<b>Total comprehensive income attributable to owners of the Company</b>		<u>(3,272)</u>	<u>(5,755)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

			(Unaudited) At 31 January 2010 <i>HK\$'000</i>		(Audited) At 31 July 2009 <i>HK\$'000</i>
	<i>Notes</i>				
<b>ASSETS AND LIABILITIES</b>					
<b>Non-current assets</b>					
Property, plant and equipment	7		112,740		113,962
Prepaid lease payments	8		56,957		57,768
Intangible assets	10		30,912		30,912
Club membership			200		200
Interest in an associate	9		11,895		—
			<b>212,704</b>		<b>202,842</b>
<b>Current assets</b>					
Inventories	11		64,179		61,492
Prepaid lease payments	8		1,961		1,956
Trade and other receivables	12		53,575		27,888
Amounts due from customers for contract work	13		12,935		9,549
Amounts due from related companies			2,093		2,183
Cash and bank balances			33,685		65,109
			<b>168,428</b>		<b>168,177</b>
<b>Current liabilities</b>					
Obligations under finance leases	14		67		82
Trade and other payables	15		46,377		21,297
Amounts due to related companies			3,560		4,602
Amounts due to directors			221		214
Provision for taxation			1,436		1,861
			<b>51,661</b>		<b>28,056</b>
<b>Net current assets</b>			<b>116,767</b>		<b>140,121</b>
<b>Total assets less current liabilities</b>			<b>329,471</b>		<b>342,963</b>
<b>Non-current liabilities</b>					
Obligations under finance leases	14		18		52
Loan from a related company	16		34,759		44,945
			<b>34,777</b>		<b>44,997</b>
<b>NET ASSETS</b>			<b>294,694</b>		<b>297,966</b>
<b>CAPITAL AND RESERVES</b>					
Share capital	17		100,900		100,900
Reserves			193,794		197,066
<b>Equity attributable to owners of the Company</b>			<b>294,694</b>		<b>297,966</b>
<b>TOTAL EQUITY</b>			<b>294,694</b>		<b>297,966</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Share option reserve <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>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 July 2009 (Audited)	100,900	309,140	1,330	1,264	71	6,981	1,054,095	(1,175,815)	297,966
Total comprehensive income for the period	-	-	-	-	2,124	-	-	(5,396)	(3,272)
At 31 January 2010 (Unaudited)	<u>100,900</u>	<u>309,140</u>	<u>1,330</u>	<u>1,264</u>	<u>2,195</u>	<u>6,981</u>	<u>1,054,095</u>	<u>(1,181,211)</u>	<u>294,694</u>
At 31 July 2008 (Audited)	50,450	185,810	-	1,264	5,306	3,297	1,054,095	(1,147,578)	152,644
Issue of shares under rights issue	50,450	121,023	-	-	-	-	-	-	171,473
Total comprehensive income for the period	-	-	-	-	(9,630)	-	-	3,875	(5,755)
At 31 January 2009 (Unaudited)	<u>100,900</u>	<u>306,833</u>	<u>-</u>	<u>1,264</u>	<u>(4,324)</u>	<u>3,297</u>	<u>1,054,095</u>	<u>(1,143,703)</u>	<u>318,362</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>31 January</b>	
	<b>2010</b>	<b>2009</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>Net cash (used in)/generated from operating activities</b>	<b>(10,759)</b>	14,652
<b>Net cash (used in) investing activities</b>	<b>(11,895)</b>	(239,945)
<b>Net cash (used in)/generated from financing activities</b>	<b>(10,235)</b>	238,383
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(32,889)</b>	13,090
Cash and cash equivalents at beginning of period	<b>65,109</b>	57,600
Effects of foreign exchange rate changes	<b>1,465</b>	(6,240)
<b>Cash and cash equivalents at end of period</b>	<b><u>33,685</u></b>	<b><u>64,450</u></b>
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank and cash balances	<b><u>33,685</u></b>	<b><u>64,450</u></b>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 31 January 2010 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 July 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by HKICPA.

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

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 July 2009, as described in those annual financial statements.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 August 2009.

- HKAS 1 (Revised), ‘Presentation of financial statements’. The revised standard prohibits the presentation of items of income and expenses (that is ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All ‘non-owner changes in equity’ are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

- HKFRS 8, ‘Operating segments’. HKFRS 8 replaces HKAS 14, ‘Segment reporting’. It requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for making strategic decisions.

There are no material changes in the disclosure of reportable operating segments and the segment information have been prepared under HKFRS 8.

The Group has not early adopted any new standards, amendments and interpretation of the HKFRS which have been issued but not yet effective for the financial year beginning 1 August 2009.

### 2. TURNOVER

The Group’s turnover represents revenue derived from sale of vessels, marine engineering, and construction and structural steel engineering. Revenue recognized during the period is as follows:

	(Unaudited)	
	Six months ended	
	31 January	
	2010	2009
	HK\$’000	HK\$’000
Marine engineering	47,396	42,716
Construction and structural steel engineering	13,369	16,487
Sale of vessels	6,800	–
	<u>67,565</u>	<u>59,203</u>

### 3. SEGMENT INFORMATION

#### (a) Business segments

The Group currently has three operating divisions – marine engineering, construction and structural steel engineering and sales of vessels. The following is an analysis of the Group's revenue and results by reportable segment for the period:

	Marine engineering		Construction and structural steel engineering		Sale of Vessels		Consolidated	
	(Unaudited)							
	Six months ended 31 January							
	2010	2009	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	<u>47,396</u>	<u>42,716</u>	<u>13,369</u>	<u>16,487</u>	<u>6,800</u>	<u>-</u>	<u>67,565</u>	<u>59,203</u>
Segment results	<u>6,347</u>	<u>6,580</u>	<u>1,148</u>	<u>5,246</u>	<u>1,034</u>	<u>-</u>	<u>8,529</u>	<u>11,826</u>
Unallocated other income							96	4,480
Unallocated expenses							(13,731)	(12,631)
(Loss)/profit from operations							(5,106)	3,675
Net finance (expenses)/income							(290)	200
(Loss)/profit before taxation							(5,396)	3,875
Taxation							-	-
(Loss)/profit after taxation							<u>(5,396)</u>	<u>3,875</u>

#### (b) Geographical segments

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

	Hong Kong		Singapore		PRC		Consolidated	
	(Unaudited)							
	Six months ended 31 January							
	2010	2009	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	<u>20,845</u>	<u>12,615</u>	<u>45,248</u>	<u>42,700</u>	<u>1,472</u>	<u>3,888</u>	<u>67,565</u>	<u>59,203</u>
							<u>67,565</u>	<u>59,203</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	
	2010	2009
	HK\$'000	HK\$'000
<i>Crediting:</i>		
Foreign exchange gain, net	-	(4,480)
<i>Charging:</i>		
Depreciation	5,245	4,605
Staff costs (including directors' remuneration)		
– contributions to mandatory provident fund	211	292
– salaries, wages and other benefits	7,277	8,081
Operating leases	645	616
Legal and professional fees	<u>1,019</u>	<u>128</u>

## 5. TAXATION

No Hong Kong, Singapore and the People's Republic of China ("PRC") taxes have been provided in the financial statements for the current period (31 January 2009: Nil).

## 6. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to owners of the Company of approximately HK\$5,396,000 (31 January 2009: net profit of HK\$3,875,000) and on the weighted average number of 10,090,067,478 ordinary shares (31 January 2009: 7,338,506,076 ordinary shares) in issue during the period.

There were no dilutive potential shares in existence for the periods ended 31 January 2009 and 2010, therefore diluted earnings per share are same as basic earnings per share for both the current and prior period.

## 7. PROPERTY, PLANT AND EQUIPMENT

	Leasehold shipyard and buildings HK\$'000	Leasehold improvements HK\$'000	Floating craft and vessels HK\$'000	Furniture, fixtures and office equipment HK\$'000	Plant, machinery and workshop equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost or valuation</b>							
At 31 July 2009 (Audited)	62,958	376	36,550	3,387	15,535	1,367	120,173
Additions	-	397	3,044	107	40	-	3,588
Disposals	-	-	-	-	-	(80)	(80)
Exchange realignments	295	-	-	88	178	8	569
At 31 January 2010 (Unaudited)	63,253	773	39,594	3,582	15,753	1,295	124,250
<b>Accumulated depreciation and impairment</b>							
At 31 July 2009 (Audited)	-	55	-	1,917	3,890	349	6,211
Charge for the year	1,420	29	2,293	383	970	150	5,245
Disposals	-	-	-	-	-	(30)	(30)
Exchange realignments	3	-	-	62	17	2	84
At 31 January 2010 (Unaudited)	1,423	84	2,293	2,362	4,877	471	11,510
<b>Net book value</b>							
At 31 January 2010 (Unaudited)	61,830	689	37,301	1,220	10,876	824	112,740
At 31 July 2009 (Audited)	62,958	321	36,550	1,470	11,645	1,018	113,962

At the period end date, the net book value of motor vehicles held under finance leases of the Group was HK\$104,000 (31 July 2009: HK\$157,000). These assets are pledged to secure the Group's obligations under finance leases (Note 14).

## 8. PREPAID LEASE PAYMENTS

	(Unaudited) 31 January 2010 <i>HK\$'000</i>	(Audited) 31 July 2009 <i>HK\$'000</i>
Leasehold land in the PRC:		
Medium-term lease	<u>58,918</u>	<u>59,724</u>
	<u><b>58,918</b></u>	<u><b>59,724</b></u>
Analysed for reporting purposes as:		
Current portion	<u>1,961</u>	<u>1,956</u>
Non-current portion	<u>56,957</u>	<u>57,768</u>
	<u><b>58,918</b></u>	<u><b>59,724</b></u>

Prepaid lease payments represent payments for the land use rights located in the PRC with expiry through 2022 and 2040.

## 9. INTEREST IN AN ASSOCIATE

	(Unaudited) 31 January 2010 <i>HK\$'000</i>	(Audited) 31 July 2009 <i>HK\$'000</i>
Unlisted shares, at cost	1,500	–
Share of net assets	–	–
Amount due from an associate	<u>10,395</u>	<u>–</u>
	<u><b>11,895</b></u>	<u><b>–</b></u>

The amount due from an associate is secured, interest bearing at 15% per annum and has fixed terms of repayment.

Particulars of the associate as at 31 January 2010 are as follows:

Name	Place of incorporation	Registered capital	Percentage of equity interest attributable to the Group	Principal activities
Crown Asia Engineering Limited	Hong Kong	HK\$3,000,000	50%	Engineering and contract work

## 10. INTANGIBLE ASSETS

	(Unaudited) 31 January 2010 <i>HK\$'000</i>	(Audited) 31 July 2009 <i>HK\$'000</i>
Port work and structural steel licences	<u><b>30,912</b></u>	<u><b>30,912</b></u>

The directors of the Company are of the opinion that the Group can renew or maintain the licences continuously and has the ability to do so. Various studies including market trends have been performed by management of the Group, which support that the licences have no foreseeable limit to the period over which they are expected to generate net cash inflows to the Group. As a result, the licences are considered by the management of the Group as having indefinite useful lives. They will not be amortised until the useful lives are determined to be finite upon reassessment of its useful lives annually and whenever there is an indication that it may be impaired.

## 11. INVENTORIES

	(Unaudited) 31 January 2010 <i>HK\$'000</i>	(Audited) 31 July 2009 <i>HK\$'000</i>
Vessels held for trading	60,814	60,733
Raw materials	3,365	759
	<u>64,179</u>	<u>61,492</u>

## 12. TRADE AND OTHER RECEIVABLES

	(Unaudited) 31 January 2010 <i>HK\$'000</i>	(Audited) 31 July 2009 <i>HK\$'000</i>
Trade receivables	31,794	9,198
Retention money receivable	1,562	1,536
Prepayments, deposits and other receivables	20,219	17,154
	<u>53,575</u>	<u>27,888</u>

The aging analysis of trade receivables of the Group as at the period end date is as follows:

	(Unaudited) 31 January 2010 <i>HK\$'000</i>	(Audited) 31 July 2009 <i>HK\$'000</i>
Current	9,445	4,953
1 – 3 months	14,797	1,100
4 – 6 months	3,924	890
7 – 12 months	630	1,938
Over 1 year	4,524	1,843
	<u>33,320</u>	<u>10,724</u>
Less: Allowance for doubtful debts	<u>(1,526)</u>	<u>(1,526)</u>
	<u>31,794</u>	<u>9,198</u>

Trading terms with customers are largely on credit, where trade deposits, advances and payments 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.

**13. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK**

	(Unaudited) 31 January 2010 HK\$'000	(Audited) 31 July 2009 HK\$'000
Contracts in progress at the period end date:		
Contract costs incurred plus recognized profits less recognized losses to date	42,671	36,202
Less: Progress billings	<u>(29,736)</u>	<u>(26,653)</u>
	<u><b>12,935</b></u>	<u><b>9,549</b></u>
Amounts due from customers for contract work	12,935	9,549
Amounts due to customers for contract work	<u>–</u>	<u>–</u>
	<u><b>12,935</b></u>	<u><b>9,549</b></u>

**14. OBLIGATIONS UNDER FINANCE LEASES**

As at 31 January 2010, the Group had the following obligations under finance leases:

	(Unaudited) 31 January 2010		(Audited) 31 July 2009	
	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000
Within 1 year	<u>67</u>	<u>72</u>	<u>82</u>	<u>90</u>
After 1 year but within 2 years	18	18	52	54
After 2 years but within 5 years	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>18</u>	<u>18</u>	<u>52</u>	<u>54</u>
	<u><b>85</b></u>	<u><b>90</b></u>	<u><b>134</b></u>	<u><b>144</b></u>
Less: Total future finance charges		<u>(5)</u>		<u>(10)</u>
Present value of lease obligations		<u><b>85</b></u>		<u><b>134</b></u>

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets (Note 7).

**15. TRADE AND OTHER PAYABLES**

	(Unaudited) 31 January 2010 HK\$'000	(Audited) 31 July 2009 HK\$'000
Trade payables	21,225	5,428
Other payables and accruals	<u>25,152</u>	<u>15,869</u>
	<u><b>46,377</b></u>	<u><b>21,297</b></u>

The aging analysis of trade payables at the period end date is as follows:

	(Unaudited) 31 January 2010 HK\$'000	(Audited) 31 July 2009 HK\$'000
Current	1,316	4,616
1 – 3 months	11,867	55
4 – 6 months	7,296	47
7 – 12 months	29	575
Over 1 year	717	135
	<u>21,225</u>	<u>5,428</u>

#### 16. LOAN FROM A RELATED COMPANY

	(Unaudited) 31 January 2010 HK\$'000	(Audited) 31 July 2009 HK\$'000
Harbour Front Assets Investments Limited	<u>34,759</u>	<u>44,945</u>

On 30 November 2008, Harbour Front Limited (“Harbour Front”) and the related company, Harbour Front Assets Investments Limited (“HFAI”) have entered into an agreement of assignment, whereby Harbour Front transferred and assigned all its rights, title and benefits of the outstanding loan of HK\$65,385,965 together with the interest accrued to HFAI in respect of the finance agreement dated 1 August 2008.

The loan is unsecured, bearing interest at prevailing prime rates offered by The Hongkong and Shanghai Banking Corporation Limited and repayable on 30 May 2012. The actual weighted average interest rate charged for the period is 5% per annum (31 July 2009: 5%).

On 30 May 2009, the Company together with a wholly-owned subsidiary, UDL Ventures Limited (the “companies”) and HFAI have entered into a revolving finance agreement, whereby HFAI has agreed to provide a total revolving credit facility of up to HK\$45,000,000 to the companies. The facility is unsecured and bears interest at prime rate per annum on the amount of the facility drawn down. The revolving credit facility shall expire in three years from the date of the agreement, subject to further extension if required.

#### 17. SHARE CAPITAL

##### Ordinary shares

	Number of ordinary shares of HK\$0.01 each	Amount HK\$'000
Authorised:		
Balance at 1 August 2009	12,000,000,000	120,000
Increase during the period	12,000,000,000	120,000
	<u>24,000,000,000</u>	<u>240,000</u>
Balance at 31 January 2010	<u>24,000,000,000</u>	<u>240,000</u>
Issued and fully paid:		
Balance at 1 August 2009 and 31 January 2010	<u>10,090,067,478</u>	<u>100,900</u>

Pursuant to an ordinary resolution passed on 24 December 2009, the authorised share capital of the Company was increased from HK\$120,000,000 to HK\$240,000,000 by the creation of additional 12,000,000,000 ordinary shares of HK\$0.01 each.

### Share options

On 31 December 2002, the Company adopted a share option scheme (the “Share Option Scheme”) whereby the directors of the Company are authorised, at their discretion, to invite eligible participants as described in definitions of the circular dated 6 December 2002 issued by the Company, including employees and directors of the Group, to take up options to subscribe for shares of the Company (the “Shares”). The exercise price of the options shall be determined by the Board and will not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealings in securities; (ii) the average closing prices of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share. Under the Share Option Scheme, the total number of shares in respect of which options may be granted shall be 1,009,006,747 shares, representing 10% of the issued share capital of the Company as at the date of adoption of the Share Option Scheme. Options for a total number of 100,900,674 shares were granted during the year ended 31 July 2009 at an exercise price of HK\$0.024. The Share Option Scheme will remain in force until 30 December 2012.

During the period under review, there is no movement in the share options. The terms and condition of the grants are as follows, whereby all options are settled by physical delivery of shares:

Name of director	Exercise Period	At 1 August 2009	Number of share options		At 31 January 2010
			Granted during the period	Exercised during the period	
Leung Yat Tung	23 March 2009 to 22 March 2019	100,900,674	–	–	100,900,674

### 18. SIGNIFICANT RELATED PARTY TRANSACTIONS

	(Unaudited) Six months ended 31 January	
	2010 HK\$'000	2009 HK\$'000
Marine engineering related income from an associate	1,920	–
Marine engineering related income from related companies	–	17
Vessels sold to an associate	6,800	–
Interest received from a related company	–	840
Interest received from an associate	424	–
Rental charges paid to related companies	274	292
Rental charges paid to a director	99	–
Consultancy fee paid to related companies	30	238
Sub-contracting cost paid to an associate	1,914	–
Finance costs payable to a related company	814	1,031
Loan facility from a related company	–	67,873
Loan facility granted to an associate	8,150	–
Right issues underwriting commission paid to a related company	–	1,569

### 19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current period presentation. These reclassification have no effect on the overall results or financial position of the Group.

## 20. CONTINGENCIES AND LITIGATIONS

- (a) On 31 July 2002, Charterbase Management Limited, one of 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 resigned as 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, 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 describing 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. Charterbase Management Limited has taken no further steps in the proceedings since the defence was filed.
- (b) The Company and the Group had pending litigation in respect of the Statement of Claim under HCA 624 of 2005 dated 28 September 2005. The Group's solicitor is of the view that three claims under the Statement of Claim duplicated partly with each others. Fonfair Company Limited ("Fonfair") claims against the defendants for the amount of HK\$19,568,644.66 together with interest and costs, Money Facts Limited ("Money Facts") claims the amount of HK\$13,334,211.42 (HK\$12,874,121.48 of which is 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 Mr. Leung Yuet Keung claims the amount of HK\$15,190,409.54 (HK\$6,667,105.71 of which is pleaded by Mr. 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. As pleaded by the plaintiffs, (a) Harbour Front, which is the majority shareholder of the Company, holds 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; (b) Money Facts holds 7,900 out of the 12,008 issued ordinary shares of Fonfair; and (c) Mr. Leung Yuet Keung holds 3,950 out of the 7,900 issued ordinary shares of Money Facts. Based on legal advice, the directors of the Company do not believe it probable that the Hong Kong High Court will pass judgement against the Company and the Group, and therefore, no provision has therefore been made in respect of these claims.
- (c) UDL Contracting Limited ("UDL Contracting"), a wholly-owned subsidiary of the Company commenced legal action under HCA 1209 of 2007 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 defendant took out a Summons to apply to set aside the default judgement which has been consented by UDL Contracting. The legal counsels are of the opinion that UDL Contracting has merits in its claims and, in the event of an unfavourable outcome, the losses which the Company may suffer are essentially the legal costs incurred in the proceedings as there is no counterclaim from the defendants. No asset is recognised in respect of this claim as the recovery of this claim is a Scheme Asset.
- (d) UDL Argos Engineering & Heavy Industries Co., Ltd ("UDL Argos"), a wholly-owned subsidiary of the Company, has commenced legal action under HCA1264 of 2007 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. In the subsequent arbitration dated 31 August 2007, the contractor succeeded in its application to bar by lapse of time and to dismiss the claim. UDL Argos has fully settled the costs of the contractor of HK\$532,000. UDL Argos is now formulating further action on the case. There is no counterclaim from the defendant. Any recovery of this claim is a Scheme Asset.

- (e) The Company's wholly-owned subsidiary, UDL Argos, has filed a claim against another contractor to recover a sum of approximately HK\$6.9 million in respect of services rendered. This contractor also counterclaimed UDL Argos for liquidated damages of HK\$4.2 million. Arbitration hearing was completed in November 2007 with award made by the Arbitrator for a net amount of entitlement of HK\$3.9 million to UDL Argos. The award of HK\$3.9 million, as a Scheme Asset, was received in January 2008. Costs of the case and another claim of UDL Argos for painting work have all been settled amicably.
- (f) The Company has commenced legal actions under HCA 4409 of 2002 against two of its previous directors in respect for a claim for breach of fiduciary duties of these two previous directors. Trial of action was heard in September 2008 and judgment was handed down in October 2008 wherein the Company's claims were dismissed with costs awarded to the defendants. The application to the Court of Final Appeal for leave to appeal has been proceeded after dismissal of its first appeal.

## **DIVIDEND**

The Board does not recommend any payment of dividend for the six months ended 31 January 2010 (31 January 2009: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business review and future prospects**

The Group reported an unaudited revenue for the six months ended 31 January 2010 to be HK\$67.6 million (31 January 2009: HK\$59.2 million) with an unaudited consolidated loss of HK\$5.4 million (31 January 2009: profit of HK\$3.8 million).

### **Marine engineering**

The marine engineering sector gradually picks up as the global and local economy slowly recovers. Enquiries on new buildings and modification work of vessels and offshore engineering projects resume. With this, for the six months ended 31 January 2010, the Group shared a revenue of HK\$47.4 million (31 January 2009: HK\$42.7 million) and a total profit of HK\$6.3 million (31 January 2009: HK\$6.6 million) from the marine engineering division. Orders for the period remained at about the same level though profit margin has yet return to the level prior to the financial turmoil.

### **Construction and structural steel engineering**

For the six months ended 31 January 2010, the Group's construction and structural steel engineering sector recorded a revenue of HK\$13.4 million (31 January 2009: HK\$16.5 million) with a total profit of HK\$1.1 million (31 January 2009: HK\$5.2 million). The Hong Kong construction market is reviving. During the second half of 2009, the Group had geared up its resources to tender new infrastructure projects. A decrease in profit, due to increase in marketing and tendering costs, was thus observed. Nevertheless, since the six months ended 31 January 2010, the Group has secured several projects and is preparing on bidding the forthcoming ones. The Group is also forming strategic partnerships with other contractors to ensure its competitiveness. To this end, during the interim period, the Group together with a local contractor has formed an associated company, named Crown Asia Engineering Limited providing services ranging from transportation of cargo and marine engineering construction materials to port works improvement projects.

### **Sales of vessels**

In the light of various major infrastructure projects underway in the regional market, demand for engineering work vessels surged, leading to an improvement of the Group's vessels sales division. For the six months ended 31 January 2010, a total of HK\$6.8 million (31 January 2009: Nil) from sale of vessels attributed to the Group's revenue. Profit was recorded at HK\$1.0 million (31 January 2009: Nil).

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 January 2010, the Group has cash and bank equivalents of about HK\$33.7 million (31 July 2009: HK\$65.1 million).

The finance cost of the period is increased to HK\$0.8 million (31 January 2009: HK\$1.0 million).

The gearing ratio of the Group as a result, calculated by dividing total liabilities by total assets value, increased to 22.7% (31 July 2009: 19.7%).

## **EXPOSURE OF FOREIGN EXCHANGE**

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

## **EMPLOYEES AND REMUNERATION POLICY**

The Group has about 120 technical and working staff in Hong Kong, Singapore and PRC 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 based on individual performance.

## **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 2010.

## **CORPORATE GOVERNANCE**

During the period under review, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. 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 required standard set out in the Model Code.

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

The Company has established an Audit Committee in accordance with the requirements of the CG Code. The Audit Committee consists of three Independent Non-Executive Directors, namely Mr. Pao Ping Wing, JP, Prof. Yuen Ming Fai, Matthew and Ms. Tse Mei Ha, in which Ms. Tse Mei Ha is the chairman of the Audit Committee.

The Audit Committee and the management have reviewed the accounting policies and practices adopted by the Group and discussed internal control. This interim results of the Company for six months ended 31 January 2010 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, 22 April 2010

*The Directors as at the date of this announcement are as follows:*

*Executive Directors*

Mr. Leung Yat Tung  
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