



**UDL HOLDINGS LIMITED**  
**太元 太元集團有限公司**

(Incorporated in Bermuda with limited liability)

Stock Code: 00620

2010 INTERIM REPORT

**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**

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

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|   |              | (Unaudited)<br>At<br>31 January<br>2010<br><i>HK\$'000</i> | (Audited)<br>At<br>31 July<br>2009<br><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>   | 202,842   |
| <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>   | 168,177   |
| <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>  | 28,056  |
| <b>Net current assets</b>                           |              | <b>116,767</b>   | 140,121   |
| <b>Total assets less current liabilities</b>        |              | <b>329,471</b>   | 342,963   |
| <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>  | 44,997  |
| <b>NET ASSETS</b>                                   |              | <b>294,694</b>   | 297,966   |
| <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>   | 297,966   |
| <b>TOTAL EQUITY</b>                                 |              | <b>294,694</b>   | 297,966   |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|   | Share<br>capital | Share<br>premium | Share<br>option<br>reserve | Capital<br>redemption<br>reserve | Exchange<br>fluctuation<br>reserve | Revaluation<br>reserve | Scheme<br>reserve | Accumu-<br>lated<br>losses | Total    |
|---|------------------|------------------|----------------------------|----------------------------------|------------------------------------|------------------------|-------------------|----------------------------|----------|
|   | HK\$'000         | HK\$'000         | HK\$'000                   | HK\$'000                         | HK\$'000                           | HK\$'000               | HK\$'000          | HK\$'000                   | HK\$'000 |
| 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)            | 100,900          | 309,140          | 1,330                      | 1,264                            | 2,195                              | 6,981                  | 1,054,095         | (1,181,211)                | 294,694  |
| 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)            | 100,900          | 306,833          | -                          | 1,264                            | (4,324)                            | 3,297                  | 1,054,095         | (1,143,703)                | 318,362  |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

|   | (Unaudited)      |                 |
|---|------------------|-----------------|
|   | Six months ended |                 |
|   | 31 January       |                 |
|   | 2010             | 2009            |
|   | <i>HK\$'000</i>  | <i>HK\$'000</i> |
| <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>33,685</b>    | 64,450          |
| <b>Analysis of the balances of cash and cash equivalents</b>  |                  |                 |
| Bank and cash balances  | <b>33,685</b>    | 64,450          |

## 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).

## 1. BASIS OF PREPARATION (Continued)

- 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:

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



## 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<br>HK\$'000            | 2009<br>HK\$'000 | 2010<br>HK\$'000                              | 2009<br>HK\$'000 | 2010<br>HK\$'000 | 2009<br>HK\$'000 | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
| Segment revenue:              |                             |                  |   |                  |                  |                  |                  |                  |
| Sales to external customers   | 47,396                      | 42,716           | 13,369  | 16,487           | 6,800            | –                | 67,565           | 59,203           |
| Segment results               | 6,347                       | 6,580            | 1,148   | 5,246            | 1,034            | –                | 8,529            | 11,826           |
| 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  |                             |                  |   |                  |                  |                  | (5,396)          | 3,875            |

## (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<br>HK\$'000            | 2009<br>HK\$'000 | 2010<br>HK\$'000 | 2009<br>HK\$'000 | 2010<br>HK\$'000 | 2009<br>HK\$'000 | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
| Segment revenue:            |                             |                  |                  |                  |                  |                  |                  |                  |
| Sales to external customers | 20,845                      | 12,615           | 45,248           | 42,700           | 1,472            | 3,888            | 67,565           | 59,203           |
|                             |                             |                  |                  |                  |                  |                  | 67,565           | 59,203           |

#### 4. PROFIT AND LOSS FROM OPERATING ACTIVITIES

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

|   | <b>(Unaudited)</b>      |                 |
|---|-------------------------|-----------------|
|   | <b>Six months ended</b> |                 |
|   | <b>31 January</b>       |                 |
|   | <b>2010</b>             | 2009            |
|   | <b>HK\$'000</b>         | <b>HK\$'000</b> |
| <hr/>   |                         |                 |
| <i>Crediting:</i>                               |                         |                 |
| Foreign exchange gain, net                      | –                       | (4,480)         |
| <i>Charging:</i>                                |                         |                 |
| Depreciation                                    | <b>5,245</b>            | 4,605           |
| Staff costs (including directors' remuneration) |                         |                 |
| – contributions to mandatory provident fund     | <b>211</b>              | 292             |
| – salaries, wages and other benefits            | <b>7,277</b>            | 8,081           |
| Operating leases                                | <b>645</b>              | 616             |
| Legal and professional fees                     | <b>1,019</b>            | 128             |

#### 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<br>shipyard and<br>buildings | Leasehold<br>improvements | Floating<br>craft and<br>vessels | Furniture,<br>fixtures<br>and office<br>equipment | Plant,<br>machinery<br>and<br>workshop<br>equipment | Motor<br>vehicles | Total    |
|--|--|---------------------------|----------------------------------|---|---|-------------------|----------|
|  | HK\$'000                               | HK\$'000                  | HK\$'000                         | HK\$'000  | HK\$'000  | HK\$'000          | 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<br>(Unaudited)                  | 63,253                                 | 773                       | 39,594                           | 3,582   | 15,753  | 1,295             | 124,250  |
| <b>Accumulated depreciation<br/>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<br>(Unaudited)                  | 1,423                                  | 84                        | 2,293                            | 2,362   | 4,877   | 471               | 11,510   |
| <b>Net book value</b>                              |  |                           |                                  |   |   |                   |          |
| At 31 January 2010<br>(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**

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

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**

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

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

## 9. INTEREST IN AN ASSOCIATE (Continued)

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

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

## 12. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

**14. OBLIGATIONS UNDER FINANCE LEASES**

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

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

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



**15. TRADE AND OTHER PAYABLES (Continued)**

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

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

**16. LOAN FROM A RELATED COMPANY**

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

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

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.

**17. SHARE CAPITAL (Continued)**

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                   | Number of share options |                           |                             |                    |
|------------------|-----------------------------------|-------------------------|---------------------------|-----------------------------|--------------------|
|                  |                                   | At 1 August 2009        | Granted during the period | Exercised during the period | At 31 January 2010 |
| Leung Yat Tung   | 23 March 2009<br>to 22 March 2010 | 100,900,674             | –                         | –                           | 100,900,674        |

**18. SIGNIFICANT RELATED PARTY TRANSACTIONS**

|  | (Unaudited)                 |                  |
|--|-----------------------------|------------------|
|  | Six months ended 31 January |                  |
|  | 2010<br>HK\$'000            | 2009<br>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.

**20. CONTINGENCIES AND LIGATIONS (Continued)**

- (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.

### DIRECTORS' INTERESTS IN SHARES

As at 31 January 2010, the interests and short positions of the Directors and their associates in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be maintained by the Company pursuant to Section 352 of the SFO were as follows:

#### Interests in the Company

| Name of Directors       | Notes      | Number of Shares and<br>nature of interest |               | Total<br>Shareholding<br>Interest |
|-------------------------|------------|--|---------------|-----------------------------------|
|                         |            | Personal                                   | Other         |                                   |
| Leung Yat Tung          | 1, 3, 4, 6 | 100,900,674                                | 7,229,484,634 | 72.65%                            |
| Leung Yu Oi Ling, Irene | 1, 3, 4, 6 | 800,000                                    | 7,329,585,308 | 72.65%                            |
| Leung Chi Yin, Gillian  | 1, 2, 3    | 22,239,200                                 | 7,228,404,634 | 71.86%                            |
| Leung Chi Hong, Jerry   | 1, 2, 3    | 16,506,774                                 | 7,228,404,634 | 71.80%                            |
| Yuen Ming Fai, Matthew  | 5          | –  | 4,800         | 0.00%                             |

*Note 1:* Harbour Front Limited held 7,228,233,221 shares of which 44,436 shares were held by Bugsy Development Company Limited, which was a wholly owned subsidiary of Harbur Front Limited, 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 Yu Oi Ling, Irene and her children, namely, Miss Leung Chi Yin, Gillian, Mr. Leung Chi Hong, Jerry and Mr. Leung Kai Hong, Kaiser. Mr. Leung Yat Tung is the founder of the discretionary trust.

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

Note 3: 51,413 shares are held by Vital Strategic Corporate Consultancy Limited, which is beneficially owned by Harbour Front Limited, Mrs. Leung Yu Oi Ling, Irene, Miss Leung Chi Yin, Gillian, Mr. Leung Chi Hong, Jerry and Mr. Leung Kai Hong, Kaiser 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 Yu Oi Ling, Irene.

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.

Note 6: The Company has granted 100,900,674 share options of the Company to Mr. Leung Yat Tung, spouse of Mrs. Leung Yu Oi Ling, Irene.

Save as disclosed above, none of the Directors or chief executives or their associates had any interests or short positions in any shares, underlying shares or debt securities of the Company or any of its associated corporations as defined in the SFO as at 31 January 2010; or would require, pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies (the "Model Code"), 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 in December 2002, no option has been granted and in issue during the period under review.

Save as disclosed in note 17 above, at no time during the period under review was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

#### **SUBSTANTIAL SHAREHOLDERS**

As at 31 January 2010, the interests of the substantial shareholders (other than the Directors of the Company) in the shares of the Company as recorded in the register as required to be kept by the Company under Section 336 of the SFO were as follows:

##### **Interests in Shares**

| <b>Name of shareholder</b> | <b>Number of Shares held</b> | <b>Shareholding Percentage</b> |
|----------------------------|------------------------------|--------------------------------|
| Harbour Front Limited      | 7,228,233,221                | 71.64%                         |



Harbour Front Limited held 7,228,233,221 shares of which 44,436 shares were held by Bugsy Development Company Limited, which was a wholly owned subsidiary of Harbur Front Limited, 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 Yu Oi Ling, Irene and her children, namely, Miss Leung Chi Yin, Gillian, Mr. Leung Chi Hong, Jerry and Mr. Leung Kai Hong, Kaiser. Mr. Leung Yat Tung is the founder of the discretionary trust.

Other than as disclosed above, the Company has not been notified of any other interests or short positions in any shares, underlying shares or debt securities of the Company as required to be recorded in the register under Section 336 of the SFO as at 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

*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