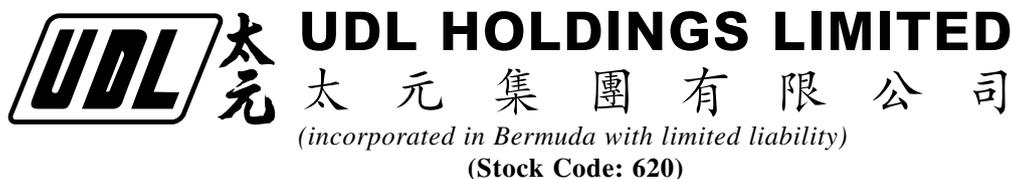


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## INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2013

### INTERIM RESULTS

The board of directors (the “Board”) of UDL Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 January 2013 together with comparative figures as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited) Six months ended 31 January	
	Note	2013 HK\$'000	2012 HK\$'000
<b>Turnover</b>	2	<b>34,784</b>	32,915
Cost of sales		<u>(31,071)</u>	<u>(30,708)</u>
<b>Gross profit</b>		<b>3,713</b>	2,207
Other income		757	1,346
General and administrative expenses		(18,190)	(21,931)
Gain on disposal of subsidiaries		–	4,928
<b>Loss from operations</b>	4	<b>(13,720)</b>	(13,450)
Finance costs		(11,672)	(2,077)
Share of profits/(losses) of associates		36	(2,159)
Share of losses of jointly controlled entities		<u>(2,335)</u>	<u>–</u>
<b>Loss before taxation</b>		<b>(27,691)</b>	(17,686)
Income tax	5	261	–
<b>Loss for the period</b>		<b><u>(27,430)</u></b>	<b><u>(17,686)</u></b>
<b>Attributable to:</b>			
Owners of the Company		(27,353)	(16,608)
Non-controlling interests		(77)	(1,078)
		<b><u>(27,430)</u></b>	<b><u>(17,686)</u></b>
			<b>Restated</b>
<b>Loss per share</b>	6		
Basic		(11.25 Cent)	(8.31 Cent)
Diluted		<b><u>(11.25 Cent)</u></b>	<b><u>(8.31 Cent)</u></b>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>31 January</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Loss for the period</b>	<b>(27,430)</b>	<b>(17,686)</b>
<b>Other comprehensive income</b>		
Exchange differences on translation of foreign operations and jointly controlled entities	<b>6,966</b>	4,400
Adjustment for realised exchange reserve included in gain on disposal of subsidiaries	<b>–</b>	(4,318)
	<hr/>	<hr/>
<b>Total comprehensive loss for the period</b>	<b>(20,464)</b>	<b>(17,604)</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Attributable to:</b>		
Owners of the Company	<b>(21,434)</b>	(17,200)
Non-controlling interests	<b>970</b>	(404)
	<hr/>	<hr/>
	<b>(20,464)</b>	<b>(17,604)</b>
	<hr/> <hr/>	<hr/> <hr/>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) At 31 January 2013 HK\$'000	(Audited) At 31 July 2012 HK\$'000
	<i>Note</i>		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	185,941	185,533
Lease prepayments	8	114,468	113,773
Club membership		200	200
Interests in associates	9(a)	5,536	5,500
Interests in jointly controlled entities	10(a)	59,329	28,574
		<b>365,474</b>	<b>333,580</b>
<b>Current assets</b>			
Inventories	11	114,500	108,543
Lease prepayments	8	3,729	3,645
Trade and other receivables	12	20,712	14,064
Amounts due from associates	9(b)	–	431
Amounts due from jointly controlled entities	10(b)	2,597	63,987
Amounts due from customers for contract works		1,871	–
Amounts due from related companies		12	4
Cash and cash equivalents		3,987	5,841
		<b>147,408</b>	<b>196,515</b>
<b>Current liabilities</b>			
Secured bank loans	13	7,730	9,994
Promissory note	16	177,042	–
Trade and other payables	14	26,364	23,240
Amounts due to related parties		11,664	9,797
Loan from related companies	15	–	1,149
Amount due to an associate	9(c)	330	–
Amounts due to jointly controlled entities	10(c)	1,955	–
Amounts due to directors		260	507
Provision for taxation		20	804
		<b>225,365</b>	<b>45,491</b>
<b>Net current (liabilities)/assets</b>		<b>(77,957)</b>	<b>151,024</b>
<b>Total assets less current liabilities</b>		<b>287,517</b>	<b>484,604</b>
<b>Non-current liabilities</b>			
Promissory note	16	–	166,500
Loan from related companies	15	8,551	71,082
Deferred tax liabilities		52,593	51,667
		<b>61,144</b>	<b>289,249</b>
<b>NET ASSETS</b>		<b>226,373</b>	<b>195,355</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	17	137,557	102,109
Reserves		55,498	60,898
<b>Equity attributable to owners of the Company</b>		<b>193,055</b>	<b>163,007</b>
<b>Non-controlling interests</b>		<b>33,318</b>	<b>32,348</b>
<b>TOTAL EQUITY</b>		<b>226,373</b>	<b>195,355</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Scheme reserve HK\$'000	Revaluation reserve HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 31 July 2012 (Audited)	102,109	312,815	332	1,264	11,616	1,054,095	12,270	5,223	(1,336,717)	163,007	32,348	195,355
Issue of new shares under rights issue	34,037	13,615	-	-	-	-	-	-	-	47,652	-	47,652
Expenses for rights issue	-	(1,140)	-	-	-	-	-	-	-	(1,140)	-	(1,140)
Issue of new shares upon exercise of share options	1,411	1,528	(1,189)	-	-	-	-	-	-	1,750	-	1,750
Equity settled share-based transactions	-	-	3,220	-	-	-	-	-	-	3,220	-	3,220
Loss for the period	-	-	-	-	-	-	-	-	(27,353)	(27,353)	(77)	(27,430)
Exchange differences on translation of foreign operations	-	-	-	-	5,919	-	-	-	-	5,919	1,047	6,966
Total comprehensive income/(loss) for the period	-	-	-	-	5,919	-	-	-	(27,353)	(21,434)	970	(20,464)
At 31 January 2013 (Unaudited)	<u>137,557</u>	<u>326,818</u>	<u>2,363</u>	<u>1,264</u>	<u>17,535</u>	<u>1,054,095</u>	<u>12,270</u>	<u>5,223</u>	<u>(1,364,070)</u>	<u>193,055</u>	<u>33,318</u>	<u>226,373</u>
At 31 July 2011 (Audited)	102,109	312,815	332	1,264	13,297	1,054,095	6,981	-	(1,296,201)	194,692	30,866	225,558
Loss for the period	-	-	-	-	-	-	-	-	(16,608)	(16,608)	(1,078)	(17,686)
Exchange differences on translation of foreign operations	-	-	-	-	3,726	-	-	-	-	3,726	674	4,400
Adjustment for realised exchange reserve included in gain on disposal of subsidiaries	-	-	-	-	(4,318)	-	-	-	-	(4,318)	-	(4,318)
Total comprehensive loss for the period	-	-	-	-	(592)	-	-	-	(16,608)	(17,200)	(404)	(17,604)
At 31 January 2012 (Unaudited)	<u>102,109</u>	<u>312,815</u>	<u>332</u>	<u>1,264</u>	<u>12,705</u>	<u>1,054,095</u>	<u>6,981</u>	<u>-</u>	<u>(1,312,809)</u>	<u>177,492</u>	<u>30,462</u>	<u>207,954</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited)	
	Six months ended	
	31 January	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(26,593)	(17,698)
Net cash generated from investing activities	31,987	24,320
Net cash used in financing activities	(7,140)	(21,779)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(1,746)	(15,157)
Cash and cash equivalents at beginning of period	5,841	20,071
Effects of foreign exchange rate changes	(108)	(1,371)
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<u>3,987</u>	<u>3,543</u>
	<hr/>	<hr/>
Analysis of the balances of cash and cash equivalents		
Bank and cash balances	<u>3,987</u>	<u>3,543</u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 31 January 2013 has been prepared in accordance with the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies used in the condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's audited annual financial statements for the year ended 31 July 2012.

A number of new or revised Standards, Amendments and Interpretations are effective for the Group's financial period beginning on or after 1 August 2012. The adoption of the new and revised Standards, Amendments and Interpretations had no material effect on how the results and financial position for the current and prior accounting periods have been prepared and presented.

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 period beginning 1 August 2012.

### 2. TURNOVER

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

	(Unaudited)	
	Six months ended 31 January	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from marine engineering work	9,946	8,380
Revenue from construction and structural steel engineering work	7,636	9,535
Revenue from sale of vessels	-	160
Revenue from hotel operation	17,202	14,840
	<hr/>	<hr/>
	<u>34,784</u>	<u>32,915</u>

### 3. SEGMENT INFORMATION

#### (a) Business segments

The Group manages its business by four operating divisions – marine engineering, construction and structural steel engineering, sale of vessels and hotel operation. The following is an analysis of the Group's revenue and results by reportable segments for the period:

	(Unaudited)									
	Six months ended 31 January									
	Marine engineering		Construction and structural steel engineering		Sale of vessels		Hotel operation		Consolidated	
2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Revenue from external customers	<u>9,946</u>	<u>8,380</u>	<u>7,636</u>	<u>9,535</u>	<u>-</u>	<u>160</u>	<u>17,202</u>	<u>14,840</u>	<u>34,784</u>	<u>32,915</u>
Segment results	<u>(2,930)</u>	<u>(679)</u>	<u>(823)</u>	<u>4,869</u>	<u>-</u>	<u>(1,140)</u>	<u>(30)</u>	<u>(3,770)</u>	<u>(3,783)</u>	<u>(720)</u>
Unallocated other income									86	178
Unallocated expenses									(12,322)	(15,067)
Unallocated finance costs									(11,672)	(2,077)
Loss before taxation									<u>(27,691)</u>	<u>(17,686)</u>

#### (b) Geographical information

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

	(Unaudited)					
	Six months ended 31 January					
	Hong Kong		PRC		Consolidated	
2013	2012	2013	2012	2013	2012	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers					<u>34,784</u>	<u>32,915</u>
		<u>16,797</u>	<u>16,074</u>	<u>17,987</u>	<u>16,841</u>	<u>32,915</u>
					<u>34,784</u>	<u>32,915</u>

### 4. LOSS FROM OPERATIONS

The Group's loss from operations has been arrived at after charging:

	(Unaudited)	
	Six months ended 31 January	
	2013	2012
	HK\$'000	HK\$'000
Depreciation	6,425	8,184
Staff costs (including directors' remuneration)		
– contributions to mandatory provident fund	140	152
– salaries, wages and other benefits	7,778	8,295
Equity settled share-based transactions	3,220	-
Operating leases	687	774
Legal and professional fees	<u>1,051</u>	<u>1,898</u>

### 5. INCOME TAX

Income tax in the condensed consolidated income statement represents:

	(Unaudited)	
	Six months ended 31 January	
	2013	2012
	HK\$'000	HK\$'000
Current tax	-	-
Deferred taxation	<u>(261)</u>	<u>-</u>
	<u>(261)</u>	<u>-</u>

No provision for Hong Kong Profits Tax has been made as the Group did not derive any assessable profits for both periods. No provision for Singapore income tax has been made as the Group's subsidiaries in Singapore did not have any assessable profits for both periods. No provision for PRC corporate income tax has been made as the Group's PRC subsidiaries did not generate any assessable profits for both periods.

## 6. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$27,353,000 (31 January 2012: loss of HK\$16,608,000) and on the weighted average number of 243,110,376 ordinary shares (31 January 2012: 204,219,363 (restated) ordinary shares) in issue during the period, after taking into account the effects of the share consolidation, the rights issue and the exercise of share options (note 17).

There were no dilutive potential shares in existence for the periods ended 31 January 2012 and 2013. Therefore, the diluted loss per share is the same as the basic loss per share for both periods.

## 7. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties 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 2012 (Audited)	143,819	772	34,944	2,855	8,188	1,941	192,519
Additions	-	-	2,796	258	371	-	3,425
Disposals	-	-	-	-	-	-	-
Exchange realignments	3,313	-	-	46	153	16	3,528
At 31 January 2013 (Unaudited)	<u>147,132</u>	<u>772</u>	<u>37,740</u>	<u>3,159</u>	<u>8,712</u>	<u>1,957</u>	<u>199,472</u>
<b>Accumulated depreciation and impairment</b>							
At 31 July 2012 (Audited)	-	277	-	1,243	4,698	768	6,986
Charge for the period	2,910	38	2,911	91	331	144	6,425
Disposals	-	-	-	-	-	-	-
Exchange realignments	32	-	-	9	74	5	120
At 31 January 2013 (Unaudited)	<u>2,942</u>	<u>315</u>	<u>2,911</u>	<u>1,343</u>	<u>5,103</u>	<u>917</u>	<u>13,531</u>
<b>Net book value</b>							
At 31 January 2013 (Unaudited)	<u>144,190</u>	<u>457</u>	<u>34,829</u>	<u>1,816</u>	<u>3,609</u>	<u>1,040</u>	<u>185,941</u>
At 31 July 2012 (Audited)	<u>143,819</u>	<u>495</u>	<u>34,944</u>	<u>1,612</u>	<u>3,490</u>	<u>1,173</u>	<u>185,533</u>

At the period end date, Group's hotel properties and plant and machinery with an aggregate carrying value of HK\$144,190,000 (31 July 2012: HK\$143,819,000) were pledged to a bank to secure for bank borrowings granted to the Group (note 13).

## 8. LEASE PREPAYMENTS

	(Unaudited) 31 January 2013 HK\$'000	(Audited) 31 July 2012 HK\$'000
Leasehold land in the PRC		
Medium-term lease	<u>118,197</u>	<u>117,418</u>
Analysed for reporting purposes as:		
Current portion	3,729	3,645
Non-current portion	<u>114,468</u>	<u>113,773</u>
	<u>118,197</u>	<u>117,418</u>

The movements in the Group's lease prepayments during the period:

	(Unaudited) 31 January 2013 HK\$'000	(Audited) 31 July 2012 HK\$'000
At 1 August	117,418	179,016
Disposal for the period	-	(58,758)
Amortisation	(1,843)	(4,308)
Exchange realignment	<u>2,622</u>	<u>1,468</u>
	<u>118,197</u>	<u>117,418</u>

Lease prepayments represent payments for land use rights located in the PRC with expiry through 2022 and 2045.

Lease prepayments with aggregate carrying amount of HK\$117,473,000 (31 July 2012: HK\$116,676,000) were pledged to a bank to secure for bank borrowings granted to the Group (note 13).

## 9. ASSOCIATES

	(Unaudited) 31 January 2013 HK\$'000	(Audited) 31 July 2012 HK\$'000
(a) Interests in associates		
Share of net assets of associates:		
At 1 August	5,500	7,125
Share of profit/(loss), net of tax	36	(1,625)
	<u>5,536</u>	<u>5,500</u>
(b) Amounts due from associates	<u>–</u>	<u>431</u>
(c) Amount due to an associate	<u>330</u>	<u>–</u>

The amounts due from/(to) the associates are unsecured, interest-free and with no fixed term of repayment.

(d) Details of the associates as at 31 January 2013 are as follows:

Name of associate	Form of business structure	Place of incorporation/operation	Particulars of issued share capital	Proportion of ownership interest		Principal activities
				Group's effective interest	Held by a subsidiary	
Crown Asia Engineering Limited	Incorporated	Hong Kong	HK\$10,000,000	50%	50%	Marine engineering
Crown Asia Logistics Limited	Incorporated	Hong Kong	HK\$10,000	50%	50%	Provision of logistics services

## 10. JOINTLY CONTROLLED ENTITIES

	(Unaudited) 31 January 2013 HK\$'000	(Audited) 31 July 2012 HK\$'000
(a) Interests in jointly controlled entities		
Share of net assets-unlisted:		
At 1 August	28,574	–
Capital contribution	32,000	32,000
Share of loss	(2,335)	(3,110)
Exchange differences on translation	1,090	(316)
	<u>59,329</u>	<u>28,574</u>
(b) Amounts due from jointly controlled entities	<u>2,597</u>	<u>63,987</u>
(c) Amounts due to jointly controlled entities	<u>1,955</u>	<u>–</u>

The amounts due from/(to) jointly controlled entities are unsecured, interest-free and with no fixed term of repayment.

(d) Details of the jointly controlled entities as 31 January 2013 are as follows:

Name of company	Form of business structure	Place of incorporation/ operation	Particulars of issued share capital	Group's effective interest	Principal activities
Universal Harbour Investment Limited	Incorporated	Hong Kong	HK\$128,000,000	50%	Investment holding
Lead Ocean Assets Management Limited	Incorporated	British Virgin Islands	US\$100	50%	Investment holding
Argos Engineering (International) Company Limited	Incorporated	Hong Kong	HK\$2	50%	Investment holding
Cochrane Enterprises Limited	Incorporated	Hong Kong	HK\$10,000	50%	Investment holding
東莞振華建造工程有限公司	Wholly-foreign-owned enterprise	PRC	HK\$32,000,000	50%	Property holding
東莞興華造船有限公司	Wholly-foreign-owned enterprise	PRC	HK\$24,891,783	50%	Property holding
Penta-Ocean – Gitanes Joint Venture	Unincorporated joint venture	Hong Kong	<i>note</i>	49%	Contract works

*Note:* Under the joint venture agreement, each joint venture partner uses its assets and resources and bears its own costs and takes a share of the revenue and expenses for the joint venture project. The percentage of interest held by each joint venturer was solely for common cost allocation purposes.

## 11. INVENTORIES

	(Unaudited) 31 January 2013 HK\$'000	(Audited) 31 July 2012 HK\$'000
Vessels held for trading	107,640	101,650
Raw materials	3,366	3,290
Hotel low-valued consumables	3,494	3,603
	<u>114,500</u>	<u>108,543</u>

## 12. TRADE AND OTHER RECEIVABLES

	(Unaudited) 31 January 2013 HK\$'000	(Audited) 31 July 2012 HK\$'000
Trade debtors	11,101	7,761
Retention money receivable	560	331
Prepayments, deposits and other receivables	9,051	5,972
	<u>20,712</u>	<u>14,064</u>

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

	(Unaudited) 31 January 2013 HK\$'000	(Audited) 31 July 2012 HK\$'000
0 – 30 days	4,427	3,557
31 – 90 days	204	3,311
91 – 180 days	3,044	226
181 – 360 days	1,732	667
Over 360 days	11,365	9,671
	<u>20,772</u>	<u>17,432</u>
Less: Allowance for doubtful debts	(9,671)	(9,671)
	<u>11,101</u>	<u>7,761</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 60 days of issuance, except for certain well established customers, where the terms are extended beyond 60 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management.

### 13. SECURED BANK LOANS

(a) The analysis of the carrying amount of the secured bank loans is as follows:

	(Unaudited) 31 January 2013 HK\$'000	(Audited) 31 July 2012 HK\$'000
Current liabilities		
– Secured bank loans subject to repayment on demand clause	<u>7,730</u>	<u>9,994</u>

(b) As at 31 January 2013, secured bank loans were due for repayment as follows:

	(Unaudited) 31 January 2013 HK\$'000	(Audited) 31 July 2012 HK\$'000
Carrying amount repayable*:		
Within one year or on demand	7,730	7,435
After one year but within two years	<u>–</u>	<u>2,559</u>
	<u>7,730</u>	<u>9,994</u>

\* The amounts due are based on scheduled repayment dates set out in the loan agreements.

(c) As at 31 January 2013, the Group's borrowings were secured by the hotel properties, land use rights and plant and machinery with an aggregate carrying value of HK\$261,663,000 (31 July 2012: HK\$260,495,000) and the guarantee given by a director of a subsidiary.

Certain of the Group's banking facilities are subject to the fulfillment of covenants relating to profitability ratios, total equity and the amount of capital expenditure incurred, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the facilities drawn down would become repayable on demand. The Group regularly monitors its compliance with these covenants. As at 31 January 2013, none of the bank covenants relating to draw down facilities had been breached.

(d) The secured bank loans are fixed-rate borrowings, bearing interest ranging from 7.24% to 7.57% per annum.

(e) The secured bank loans of the Group are denominated in Renminbi.

### 14. TRADE AND OTHER PAYABLES

	(Unaudited) 31 January 2013 HK\$'000	(Audited) 31 July 2012 HK\$'000
Trade creditors	4,039	3,500
Deposits received from customers	1,598	1,895
Provision for re-instatement costs of leasehold shipyard in Singapore	3,894	3,877
Other payables and accruals	<u>16,833</u>	<u>13,968</u>
	<u>26,364</u>	<u>23,240</u>

The aging analysis of trade creditors at the end of the reporting period is as follows:

	(Unaudited) 31 January 2013 HK\$'000	(Audited) 31 July 2012 HK\$'000
0 – 30 days	1,680	1,097
31 – 90 days	1,002	440
91 – 180 days	89	81
181 – 360 days	81	124
Over 360 days	<u>1,187</u>	<u>1,758</u>
	<u>4,039</u>	<u>3,500</u>

## 15. LOANS FROM RELATED COMPANIES

	(Unaudited) 31 January 2013 HK\$'000	(Audited) 31 July 2012 HK\$'000
Non-current liabilities		
Harbour Front Assets Investments Limited ( <i>note</i> )	8,551	71,082
Current liabilities		
Multi-Ventures Limited	–	1,149
	<u>8,551</u>	<u>72,231</u>

*Note:* The loan is unsecured, bearing interest at prevailing prime rate offered by The Hongkong and Shanghai Banking Corporation Limited and repayable originally on 31 December 2013, which has been extended to 31 December 2014. The actual weighted average interest rate charged for the period is 5% per annum (31 July 2012: 5%).

## 16. PROMISSORY NOTE

On 15 July 2011, Sunfill Limited, a wholly-owned subsidiary of the Company issued, as settlement for the acquisition of subsidiaries, a zero coupon promissory note with the principal amount of HK\$188,271,000 to the vendor, with maturity date due on 15 August 2012. The fair value of promissory note was determined at HK\$167,856,000 as at the issue date, based on a professional valuation performed by an independent valuer, BMI Appraisals Limited with an effective interest rate of 11.137% per annum.

Based on an agreement made between the promissory note holder and the Group on 31 January 2012, the promissory note with principal value of HK\$188,271,000 was restructured with an extended maturity from 15 August 2012 to 15 August 2013. The fair value of the restructured promissory note at 31 January 2012 was determined by BMI Appraisals Limited at the effective interest rate of 12.559% per annum. The promissory note is carried at amortised cost, using the effective interest rate of 12.559% per annum.

## 17. SHARE CAPITAL

Ordinary shares	Number of ordinary shares	Nominal value HK\$'000
Authorised:		
At 1 August 2012		
Ordinary shares of HK\$0.01 each	24,000,000,000	240,000
Share consolidation ( <i>note i</i> )	(23,520,000,000)	–
At 31 January 2013		
Ordinary shares of HK\$0.50 each	<u>480,000,000</u>	<u>240,000</u>
Issued and fully paid:		
At 1 August 2012		
Ordinary shares of HK\$0.01 each	10,210,968,152	102,109
Share consolidation ( <i>note i</i> )	(10,006,748,789)	–
Issue of ordinary shares under rights issue ( <i>note ii</i> )	68,073,121	34,037
Issue of ordinary shares upon exercise of share options ( <i>note iii</i> )	2,822,924	1,411
At 31 January 2013		
Ordinary shares of HK\$0.50 each	<u>275,115,408</u>	<u>137,557</u>

*Notes:*

- i.* Pursuant to an ordinary resolution passed by the shareholders of the Company at a special general meeting on 13 September 2012, every 50 issued and unissued shares of the Company of HK\$0.01 each were consolidated into one consolidated share of HK\$0.50 each (the “Share Consolidation”).
- ii.* On 17 October 2012, 68,073,121 ordinary shares of HK\$0.50 each were issued at the subscription price of HK\$0.70 per share by way of a rights issue on the basis of one rights share for every three consolidated shares held by the shareholders on 20 September 2012 (the “Rights Issue”).
- iii.* A new share option scheme was adopted by the Company on 6 December 2012. On 28 January 2013 and 31 January 2013, share options to subscribe for 2,722,924 and 100,000 shares respectively were exercised at the exercise price of HK\$0.62 per share.

### Share options

The Company adopted a share option scheme (the “Share Option Scheme 2002”) on 31 December 2002 with a life of 10 years. In anticipation of the expiry of the Share Option Scheme 2002, the Company adopted a new share option scheme (the “Share Option Scheme 2012”) at the annual general meeting of the Company held on 6 December 2012 and terminated the operation of the Share Option Scheme 2002. Any share options which were granted under the Share Option Scheme 2002 prior to such termination shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme 2002.

(a) **Share Option Scheme 2002**

Details of share options outstanding under the Share Option Scheme 2002 are as follows:

	Exercise period	Exercise price (note)	At 1 August 2012 (note)	Number of share options			At 31 January 2013
				Granted during the period	Exercised during the period	Lapsed during the period	
Employee	22 March 2011 to 21 March 2021	HK\$2.02	396,000	-	-	-	396,000

*Note:* In respect of the alteration in the capital structure of the Company as a result of the Share Consolidation and the Rights Issue, the exercise price of and the number of share options have been adjusted from HK\$0.04 to HK\$2.02 and from 20,000,000 to 396,000 shares respectively.

(b) **Share Option Scheme 2012**

The Company has adopted the Share Option Scheme 2012 on 6 December 2012 with a life of 10 years whereby the directors of the Company are authorised, at their discretion, to invite eligible participants as described in definitions of the circular of the Company dated 7 November 2012, including employees, directors and consultants 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 shall not be less than the highest of (i) the closing price of the Shares as quoted on the Stock Exchange on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the closing prices of the Shares as quoted on the Stock Exchange for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a Share. The Share Option Scheme 2012 shall be valid and effective until 5 December 2022. Options under the Share Option Scheme 2012 are exercisable during such period as determined by the Board provided that such period shall not be more than 10 years from the date of grant.

Details of the movement of share options granted under the Share Option Scheme 2012 during the period and outstanding as at 31 January 2013 are as follows:

	Exercise period	Exercise price	At 1 August 2012	Number of share options			At 31 January 2013
				Granted during the period	Exercised during the period	Lapsed during the period	
<b>Employees</b>	23 January 2013 to 22 January 2023	HK\$0.62	-	3,410,000	(100,000)	(550,000)	2,760,000
<b>Directors</b>							
Leung Yat Tung	23 January 2013 to 22 January 2023	HK\$0.62	-	2,722,924	(2,722,924)	-	-
Leung Yu Oi Ling, Irene	23 January 2013 to 22 January 2023	HK\$0.62	-	1,000,000	-	-	1,000,000
Leung Chi Yin, Gillian	23 January 2013 to 22 January 2023	HK\$0.62	-	1,000,000	-	-	1,000,000
Leung Chi Hong, Jerry	23 January 2013 to 22 January 2023	HK\$0.62	-	1,000,000	-	-	1,000,000

The estimate of the fair value of the share options granted is measured based on the Binomial Option Pricing Model (the “Model”). The contractual life of the share options is used as an input into this model. Expectations of early exercise are incorporated into the Model.

Fair value of share options and assumptions were as follows:

Date granted	23 January 2013
Fair value (per option value)	HK\$0.35
Share price	HK\$0.62
Exercise price	HK\$0.62
Expected volatility	122.66%
Option life	10 years
Risk-free rate	0.975%
Expected dividend yield	-

The expected volatility was based on the historic volatility (the Company’s share price over one year prior to the grant date and in contrast to companies with similar businesses), adjusted for any expected changes to future volatility due to publicly available information.

## 18. SIGNIFICANT RELATED PARTY TRANSACTIONS

	(Unaudited)	
	Six months ended	
	31 January	
	2013	2012
	HK\$'000	HK\$'000
Marine engineering related income from an associate	38	–
Sub-contracting income from an associate	1,276	–
Rental income from a related company	–	106
Car hiring income from an associate	66	66
Rental charges paid to related companies	112	114
Management fee paid to a related company	239	3,515
Consultancy fee paid to related companies	40	30
Sub-contracting cost paid to an associate	–	4,457
Sub-contracting cost paid to a jointly controlled entity	2,736	–
Finance costs payable to related companies	726	1,912
Maine engineering cost paid to an associate	493	178
Sale proceeds for disposal of Lead Ocean Group to a jointly controlled entity	–	127,574
	<u>–</u>	<u>127,574</u>

## 19. CONTINGENCIES AND LITIGATIONS

- (a) On 31 July 2002, Charterbase Management Limited, one of the petitioners, issued a writ in Bermuda (“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 special general meeting on 17 May 2001. Mr. Wong Pui Fai and Mr. Chan Kim Leung resigned as the directors of the Company on 28 April 2002 and on 27 September 2002, respectively. The Bermuda Writ recited the basis of the petitioners’ complaint with respect of Charterbase Management Limited, namely, that the circular regarding the subscription of 100,922,478 shares of the Company by Harbour Front Limited (the “Subscription”) mis-described 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 mis-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 for HCA 624 of 2005 dated 28 September 2005. The Group’s solicitor is of the view that there are three claims which duplicate partly with each other: the Fonfair Company Limited (“Fonfair”) claim against the defendants for the amount of HK\$19,568,644.66 together with interest and costs, the Money Facts Limited (“Money Facts”) claim for 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 the Leung Yuet Keung claim for 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 Limited, 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 court will place 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 is unlikely to incur any liability save for legal costs. The legal costs of the first defendant have been settled amicably upon the claim against the first defendant having been stayed to arbitration. No substantial action has been taken by the second defendant. UDL Contracting is considering further actions on the case. No asset is recognised in respect of this claim, and the recovery of this claim is a Scheme Asset. Based on an irrevocable letter of undertaking dated 23 October 2008 provided by Harbour Front Limited, UDL Contracting is entitled to the reimbursement of the recovery costs upon success in the Scheme Asset recovery action.
- (d) UDL Marine (Singapore) Pte Ltd (“UMSG”), a wholly-owned subsidiary of the Company, commenced proceedings against Jurong Town Corporation (“JTC”) in relation to an application for renewal of the lease at 3 Benoi Road, Singapore 629877, Civil Suit 502 of 2010. This claim against JTC seeks for a renewal of the lease be granted. UMSG also commenced proceedings against Economic Development Bureau (“EDB”), Civil Suit 156 of 2011, for damages for negligent mis-statement in relation to the renewal of the aforesaid lease. JTC has also commenced proceedings against UMSG, Civil Suit 98 of 2010, for repossession of the land and double value of rent for the period of holding over. All of the three aforesaid cases had been consolidated into one action, Civil Suit 502 of 2010, by court order. The trial was held in March 2013 and the case is still pending further court process.

## **INTERIM DIVIDEND**

The Board does not recommend any payment of interim dividend for the six months ended 31 January 2013 (31 January 2012: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW AND FUTURE PROSPECTS**

The Group reports an unaudited revenue for the six months ended 31 January 2013 to be HK\$34.8 million (31 January 2012: HK\$32.9 million) with an unaudited consolidated loss of HK\$27.4 million (31 January 2012: loss of HK\$17.7 million).

**Construction and Structural Steel Engineering** sector reports a revenue of HK\$7.6 million (31 January 2012: HK\$9.5 million) with a loss of HK\$0.8 million (31 January 2012: profit of HK\$4.9 million). Work for the new contracts secured during the period had commenced. The Group continues to participate in the tendering of civil engineering contracts in both the public and private sectors.

Business development in shipbuilding and structural steel engineering had progressed under a joint venture company, Universal Harbour Investment Limited. Through this joint venture, the Group continues to explore opportunities to cooperate with other independent third parties including established market players in the near future.

**Marine Engineering** sector reports a revenue of HK\$9.9 million (31 January 2012: HK\$8.4 million) and a loss of HK\$3.0 million (31 January 2012: loss of HK\$0.7 million). During the period, a few major contracts on marine engineering work were awarded and work had commenced since. The Group expects to see a promising growth in revenue in the coming months.

#### **Sale of Vessels**

Capturing the high level of construction and marine engineering activities in the regional market, focus was shifted away from vessels trading. There was no revenue derived from sale of vessels, as compared to 2012 of HK\$0.2 million.

#### **Hotel Operation**

The hotel operation segment observed a steady growth with revenue of HK\$17.2 million (31 January 2012: HK\$14.8 million) and a loss of HK\$0.03 million (31 January 2012: HK\$3.8 million). The management is closely monitoring this market segment.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 January 2013, the Group has cash and cash equivalents of about HK\$4.0 million (31 July 2012: HK\$5.8 million).

The finance costs of the period is increased to HK\$11.7 million (31 January 2012: HK\$2.1 million).

The gearing ratio of the Group as a result, calculated by dividing total liabilities by total assets value, decreased to 55.86% (31 July 2012: 63.15%).

The Company is considering various options to cater for the zero coupon promissory note with the principal amount of HK\$188,271,000 with an extended maturity date due on 15 August 2013 with a view to secure the best interest of the Company and that of the shareholders as a whole.

## **EXPOSURE OF FOREIGN EXCHANGE**

The Group's assets and liabilities are mainly denominated in Hong Kong Dollars, Renminbi and Singapore Dollars. Income and expenses derived from the operations in PRC and Singapore are mainly denominated in Renminbi and Singapore Dollars respectively. There is no significant exposure to the fluctuation of foreign exchange rates, but the Group is closely monitoring the financial market and would consider appropriate measures if required. The Group has no hedging arrangement for foreign currencies and has not involved in the financial derivatives.

## **EMPLOYEES AND REMUNERATION POLICIES**

The Group has about 280 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 had purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 January 2013.

## **CORPORATE GOVERNANCE**

During the period under review, the Company has complied with the code provisions set out in the Corporate Governance Code (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 for Securities Transactions by Directors of Listed Issuers (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 of the Company 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 standards set out in the Model Code.

The Company has established the Remuneration Committee with adoption of written terms of reference in accordance with the requirements of the Listing Rules and the CG 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 the Nomination Committee with adoption of written terms of reference in accordance with the requirements of the Listing Rules and the CG Code. The Nomination Committee consists of three members, namely Mr. Pao Ping Wing, *JP*, Prof. Yuen Ming Fai, Matthew and Mrs. Leung Yu Oi Ling, Irene, in which Mrs. Leung Yu Oi Ling, Irene is the chairman of the Nomination Committee.

The Company has established the Audit Committee with adoption of written terms of reference in accordance with the requirements of the Listing Rules and 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 the six months ended 31 January 2013 is unaudited, and has been duly reviewed by the Audit Committee.

By order of the Board  
**UDL HOLDINGS LIMITED**  
**Leung Yu Oi Ling, Irene**  
*Chairman*

Hong Kong SAR, 25 March 2013

*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