



(Incorporated in Bermuda with limited liability)

Stock Code: 00620

Interim Report 2014

## 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 2014 together with comparative figures as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited)	
		Six months ended	
		31 January	
	Note	2014 HK\$'000	2013 HK\$'000
<b>Turnover</b>	2	66,289	34,784
Cost of sales		(55,465)	(31,071)
<b>Gross profit</b>		10,824	3,713
Other income		10,214	757
General and administrative expenses		(17,345)	(18,190)
Gain on deconsolidation of subsidiaries in liquidation	16	28,545	–
<b>Profit/(Loss) from operations</b>	4	32,238	(13,720)
Finance costs	5	(647)	(11,672)
Share of profits of associates		–	36
Share of losses of jointly controlled entities		(2,083)	(2,335)
<b>Profit/(Loss) before taxation</b>		29,508	(27,691)
Income tax	6	–	261
<b>Profit/(Loss) for the period</b>		29,508	(27,430)
<b>Attributable to:</b>			
Owners of the Company		29,508	(27,353)
Non-controlling interests		–	(77)
		29,508	(27,430)
<b>Earnings/(Loss) per share</b>	7		
Basic		10.73 Cent	(11.25 Cent)
Diluted		10.73 Cent	(11.25 Cent)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited)

Six months ended

31 January

	2014 HK\$'000	2013 HK\$'000
<b>Profit/(Loss) for the period</b>	<b>29,508</b>	(27,430)
<b>Other comprehensive income</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations and jointly controlled entities	<b>94</b>	6,966
Release of exchange reserve upon deconsolidation of subsidiaries in liquidation (note 16)	<b>(7,780)</b>	–
<b>Total comprehensive income/(loss) for the period</b>	<b>21,822</b>	(20,464)
<b>Attributable to:</b>		
Owners of the Company	<b>21,822</b>	(21,434)
Non-controlling interests	–	970
	<b>21,822</b>	(20,464)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) At 31 January 2014 HK\$'000	(Audited) At 31 July 2013 HK\$'000
	Note		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	47,610	64,412
Lease prepayments	9	589	620
Club membership		200	200
Interests in jointly controlled entities	10(a)	56,147	58,094
		<b>104,546</b>	123,326
<b>Current assets</b>			
Inventories	11	80,488	87,119
Lease prepayments	9	77	76
Trade and other receivables	12	34,152	12,122
Amounts due from jointly controlled entities	10(b)	10,959	–
Amounts due from customers for contract works		1,023	2,521
Amounts due from related parties		36	24
Cash and cash equivalents		2,476	3,799
		<b>129,211</b>	105,661
Assets of disposal group classified as held for sale		–	256,545
Interests in associates classified as held for sale		–	6,358
		<b>129,211</b>	368,564
<b>Current liabilities</b>			
Trade and other payables	13	31,258	19,940
Obligations under finance leases	14	63	62
Amounts due to related parties		7,956	7,763
Amounts due to associates		–	4,332
Amounts due to jointly controlled entities	10(b)	–	18,286
Amounts due to customers for contract works		2,494	1,252
Amounts due to directors		1,308	1,211
Loan from related companies	15	920	–
Provision for taxation		–	–
		<b>43,999</b>	52,846
Liabilities of disposal group classified as held for sale		–	247,967
		<b>43,999</b>	300,813
<b>Net current assets</b>		<b>85,212</b>	67,751
<b>Total assets less current liabilities</b>		<b>189,758</b>	191,077

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

		(Unaudited) At 31 January 2014 <i>HK\$'000</i>	(Audited) At 31 July 2013 <i>HK\$'000</i>
	<i>Note</i>		
<b>Non-current liabilities</b>			
Obligations under finance leases	14	198	230
Loan from related companies	15	19,049	13,643
Other borrowings		1,424	–
		<b>20,671</b>	13,873
<b>NET ASSETS</b>		<b>169,087</b>	177,204
<b>CAPITAL AND RESERVES</b>			
Share capital	17	137,558	137,558
Reserves		31,529	9,707
<b>Equity attributable to owners of the Company</b>		<b>169,087</b>	147,265
<b>Non-controlling interests</b>		–	29,939
<b>TOTAL EQUITY</b>		<b>169,087</b>	177,204

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company											
	Share capital	Share premium	Share		Capital		Exchange		Accumulated		Non-controlling interests	Total equity
			option reserve	redemption reserve	fluctuation reserve	Scheme reserve	Revaluation reserve	Capital reserve	lated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 July 2013 (Audited)	137,558	326,824	2,363	1,264	20,435	1,054,095	12,270	5,223	(1,412,767)	147,265	29,939	177,204
Profit for the period	-	-	-	-	-	-	-	-	29,508	29,508	-	29,508
Exchange differences on translation of foreign operations and jointly controlled entities	-	-	-	-	94	-	-	-	-	94	-	94
Release of exchange reserve upon deconsolidation of subsidiaries in liquidation (note 16)	-	-	-	-	(7,780)	-	-	-	-	(7,780)	-	(7,780)
Total comprehensive income/(loss) for the period	-	-	-	-	(7,686)	-	-	-	29,508	21,822	-	21,822
Transfer of revaluation reserve upon deconsolidation of subsidiaries in liquidation	-	-	-	-	-	-	(6,091)	-	6,091	-	-	-
Deconsolidation of subsidiaries in liquidation (note 16)	-	-	-	-	-	-	-	-	-	-	(29,939)	(29,939)
At 31 January 2014 (Unaudited)	137,558	326,824	2,363	1,264	12,749	1,054,095	6,179	5,223	(1,377,168)	169,087	-	169,087
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
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)
Issuance of shares by 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
At 31 January 2013 (Unaudited)	137,557	326,818	2,363	1,264	17,535	1,054,095	12,270	5,223	(1,364,070)	193,055	33,318	226,373

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)  
Six months ended  
31 January

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Net cash used in operating activities</b>	<b>(20,778)</b>	(26,593)
<b>Net cash generated from investing activities</b>	<b>11,647</b>	31,987
<b>Net cash generated from/(used in) financing activities</b>	<b>7,722</b>	(7,140)
<b>Net decrease in cash and cash equivalents</b>	<b>(1,409)</b>	(1,746)
Cash and cash equivalents at beginning of period	<b>3,799</b>	5,841
Effects of foreign exchange rate changes	<b>86</b>	(108)
<b>Cash and cash equivalents at end of period</b>	<b>2,476</b>	3,987
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank and cash balances	<b>2,476</b>	3,987

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 31 January 2014 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 2013.

A number of new or revised Standards, Amendments and Interpretations are effective for the Group's financial period beginning on or after 1 August 2013. 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 2013.

### 2. TURNOVER

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

	(Unaudited)	
	Six months ended	
	31 January	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from marine engineering	39,252	9,946
Revenue from construction and structural steel engineering	11,837	7,636
Revenue from sale of vessels	15,200	–
Revenue from hotel operation	–	17,202
	<b>66,289</b>	<b>34,784</b>



### 3. SEGMENT INFORMATION

#### (a) Business segments

The Group manages its business by four operating divisions – marine engineering, construction and structural steel engineering and sale of vessels. During this period, hotel operation was excluded by deconsolidation of subsidiaries in liquidation. 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	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	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	39,252	9,946	11,837	7,636	15,200	–	–	17,202	66,289	34,784
Segment results	6,068	(2,930)	1,062	(823)	6,587	–	–	(30)	13,717	(3,783)
Unallocated other income									253	86
Unallocated gain on deconsolidation of subsidiaries in liquidation									28,545	–
Unallocated expenses									(12,360)	(12,322)
Unallocated finance costs									(647)	(11,672)
Profit/(Loss) before taxation									29,508	(27,691)

#### (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	
	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	66,289	16,797	–	17,987	66,289	34,784
					66,289	34,784

#### 4. PROFIT/(LOSS) FROM OPERATIONS

The Group's profit/(loss) from operations has been arrived at after charging:

	(Unaudited) Six months ended 31 January	
	2014	2013
	HK\$'000	HK\$'000
Depreciation	5,133	6,425
Staff costs (including directors' remuneration)		
– contributions to mandatory provident fund	137	140
– salaries, wages and other benefits	6,471	7,778
Equity settled share-based transactions	–	3,220
Operating leases	1,117	687
Legal and professional fees	315	1,051

#### 5. FINANCE COSTS

Finance costs in the condensed consolidated income statement represents:

	(Unaudited) Six months ended 31 January	
	2014	2013
	HK\$'000	HK\$'000
Interest on secured bank loans	–	404
Interest on loans from related companies	627	726
Interest on other borrowings	13	–
Finance charges on obligations under finance leases	7	–
Imputed interest on promissory note	–	10,542
	647	11,672

#### 6. INCOME TAX

Income tax in the condensed consolidated income statement represents:

	(Unaudited) Six months ended 31 January	
	2014	2013
	HK\$'000	HK\$'000
Current tax	–	–
Deferred taxation	–	(261)
	–	(261)

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.

## 7. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of approximately HK\$29,508,000 (31 January 2013: loss of HK\$27,353,000) and on the weighted average number of 275,115,408 ordinary shares (31 January 2013: 243,110,376 ordinary shares) in issue during the period.

There were no dilutive potential shares in existence for the periods ended 31 January 2013 and 2014. Therefore, the diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share for both periods.

## 8. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Floating craft and vessels <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Plant, machinery and workshop equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost or valuation</b>						
At 31 July 2013 (Audited)	772	62,684	1,133	5,736	1,653	71,978
Additions	–	–	20	–	–	20
Disposals	–	(12,088)	–	–	–	(12,088)
Exchange realignments	–	(8)	–	49	1	42
At 31 January 2014 (Unaudited)	772	50,588	1,153	5,785	1,654	59,952
<b>Accumulated depreciation and impairment</b>						
At 31 July 2013 (Audited)	356	–	1,072	5,234	904	7,566
Charge for the period	38	4,783	23	156	133	5,133
Disposals	–	(402)	–	–	–	(402)
Exchange realignments	–	–	–	44	1	45
At 31 January 2014 (Unaudited)	394	4,381	1,095	5,434	1,038	12,342
<b>Net book value</b>						
At 31 January 2014 (Unaudited)	378	46,207	58	351	616	47,610
At 31 July 2013 (Audited)	416	62,684	61	502	749	64,412

At the period end date, carrying amount of the motor vehicles held under a finance lease was HK\$272,000 (31 July 2013: HK\$304,000).

## 9. LEASE PREPAYMENTS

	(Unaudited) 31 January 2014 HK\$'000	(Audited) 31 July 2013 HK\$'000
Leasehold land in the PRC		
Medium-term lease	666	696
Analysed for reporting purposes as:		
Current portion	77	76
Non-current portion	589	620
	<b>666</b>	<b>696</b>

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

	(Unaudited) 31 January 2014 HK\$'000	(Audited) 31 July 2013 HK\$'000
At beginning of period	696	117,418
Amortisation	(38)	(3,714)
Impairment loss	–	(25,831)
Transfer to disposal group classified as held for sale	–	(91,084)
Exchange realignment	8	3,907
	<b>666</b>	<b>696</b>

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

## 10. JOINTLY CONTROLLED ENTITIES

	(Unaudited) 31 January 2014 HK\$'000	(Audited) 31 July 2013 HK\$'000
(a) Interests in jointly controlled entities		
Share of net assets - unlisted:		
At beginning of period	58,094	28,574
Capital contribution	–	32,000
Share of loss	(2,083)	(4,676)
Exchange differences on translation	136	2,196
	<b>56,147</b>	<b>58,094</b>
(b) Amounts due from/(to) jointly controlled entities	<b>10,959</b>	<b>(18,286)</b>

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

## 10. JOINTLY CONTROLLED ENTITIES (Continued)

(c) Details of the jointly controlled entities as 31 January 2014 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
HKPFH Joint Venture	Unincorporated joint venture	Hong Kong	–	39%	Contract works
HKPFH Limited	Incorporated	Hong Kong	HK\$1	50%	Contract works
HKPFH Operation Limited	Incorporated	Hong Kong	HK\$1	50%	Contract works

Note: Under the joint venture agreements, all operating and financial decisions of the above entities have to be jointly approved by the Group and the joint venture partners. Therefore these companies are classified as jointly controlled entities of the Group.

## 11. INVENTORIES

	(Unaudited) 31 January 2014 HK\$'000	(Audited) 31 July 2013 HK\$'000
Vessels held for trading	78,544	122,920
Raw materials	1,944	1,920
Hotel low-valued consumables	–	4,062
Vessels transferred to property, plant and equipment	–	(37,721)
Inventories reclassified as assets of a disposal group held for sale	–	(4,062)
	<b>80,488</b>	<b>87,119</b>

## 12. TRADE AND OTHER RECEIVABLES

	(Unaudited) 31 January 2014 HK\$'000	(Audited) 31 July 2013 HK\$'000
Trade receivables	5,193	8,679
Retention money receivables	2,939	1,610
Prepayments, deposits and other receivables	26,020	11,316
Trade and other receivables reclassified as assets of a disposal group held for sale	–	(9,483)
	<b>34,152</b>	<b>12,122</b>

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

	(Unaudited) 31 January 2014 HK\$'000	(Audited) 31 July 2013 HK\$'000
0 – 30 days	508	3,099
31 – 90 days	3,267	3,611
91 – 180 days	–	233
181 – 360 days	–	1,736
Over 360 days	10,326	8,908
	<b>14,101</b>	<b>17,587</b>
Less: Allowance for doubtful debts	<b>(8,908)</b>	<b>(8,908)</b>
	<b>5,193</b>	<b>8,679</b>

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. TRADE AND OTHER PAYABLES**

	<b>(Unaudited)</b> <b>31 January</b> <b>2014</b> <b>HK\$'000</b>	(Audited) 31 July 2013 <i>HK\$'000</i>
Trade creditors	<b>3,820</b>	7,861
Advances received from customers	<b>8,237</b>	1,322
Provision for re-instatement costs of leasehold shipyard in Singapore	<b>6,076</b>	3,784
Other payables and accruals	<b>13,125</b>	13,302
Trade and other payables reclassified as liabilities of a disposal group held for sale	–	(6,329)
	<b>31,258</b>	19,940

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

	<b>(Unaudited)</b> <b>31 January</b> <b>2014</b> <b>HK\$'000</b>	(Audited) 31 July 2013 <i>HK\$'000</i>
0 – 30 days	<b>236</b>	2,700
31 – 90 days	<b>1,605</b>	3,244
91 – 180 days	<b>667</b>	127
181 – 360 days	<b>197</b>	120
Over 360 days	<b>1,115</b>	1,670
	<b>3,820</b>	7,861

#### 14. OBLIGATIONS UNDER FINANCE LEASES

At 31 January 2014, the Group had obligations under finance leases repayable as follows:

	(Unaudited) 31 January 2014		(Audited) 31 July 2013	
	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000
Within 1 year	63	75	62	75
After 1 year but within 2 years	67	75	65	75
After 2 year but within 5 years	131	137	165	174
	198	212	230	249
	261	287	292	324
Less: total future interest expenses		(26)		(32)
Present value of lease obligations		261		292

At 31 January 2014, motor vehicles were held under finance leases and the effective borrowing rate is 2.5% per annum. Interest rate is fixed at the contract date.

The Group's obligations under finance leases are secured by the lessor's title to the leased assets (note 8).

#### 15. LOAN FROM RELATED COMPANIES

	(Unaudited) 31 January 2014 HK\$'000	(Audited) 31 July 2013 HK\$'000
Non-current liabilities		
Harbour Front Assets Investments Limited (note i)	19,049	13,643
Current liabilities		
Multi-Ventures Limited (note ii)	920	–
	19,969	13,643

Note:

- i) 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 2013: 5%).
- ii) On 16 October 2013, a wholly owned subsidiary of the Company, UDL Ship Management Limited and Multi-Ventures Limited entered into a finance agreement, under which Multi-Ventures Limited has agreed to provide a loan of HK\$1,200,000. The loan is unsecured, bearing interest at 12% per annum and repayable by 12 monthly installments commencing from November 2013.



## 16. DECONSOLIDATION OF SUBSIDIARIES IN LIQUIDATION

On 4 October 2013, a winding-up petition was filed against Sunfill Limited by Culture Resources Development Company Limited. Pursuant to the winding-up order issued by the High Court of Hong Kong at the hearing of the winding-up petition on 11 December 2013, Sunfill Limited and its subsidiaries ("Sunfill Group") was deconsolidated. Sunfill Group was principally engaged in hotel operation.

The net assets of Sunfill Group at the date of deconsolidation were as follows:

	<i>HK\$'000</i>
Net assets derecognised:	
Property, plant and equipment	150,262
Land use rights	91,084
Inventories	4,062
Trade and other receivables	9,483
Cash and cash equivalents	1,654
Secured bank loans	(7,843)
Promissory note payable	(187,410)
Trade and other payables	(13,803)
Tax payable	(515)
Deferred tax liabilities	(45,870)
	<u>1,104</u>
Provision of bad debts from the Group	<u>8,070</u>
	9,174
Release of exchange reserve upon deconsolidation of subsidiaries in liquidation	(7,780)
Non-controlling interests	<u>(29,939)</u>
Gain on deconsolidation of subsidiaries in liquidation	<u>(28,545)</u>

## 17. SHARE CAPITAL

<b>Ordinary shares</b>	<b>Number of ordinary shares</b>	<b>Nominal value <i>HK\$'000</i></b>
Authorised:		
At 1 August 2013 and 31 January 2014		
Ordinary shares of HK\$0.50 each	<u>480,000,000</u>	<u>240,000</u>
Issued and fully paid:		
At 1 August 2013 and 31 January 2014		
Ordinary shares of HK\$0.50 each	<u>275,115,408</u>	<u>137,558</u>

### Share options

The Company had adopted a share option scheme (the "Share Option Scheme 2002") on 31 December 2002 with a life of 10 years. Upon expiration of the Share Option Scheme 2002, the Company adopted a new share option scheme (the "Share Option Scheme 2012") 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.

**17. SHARE CAPITAL (Continued)**  
**(a) Share Option Scheme 2002**

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

Exercise period	Exercise price	Number of share options				At 31 January 2014	
		At 1 August 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

**(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 2014 are as follows:

Exercise period	Exercise price	Number of share options				At 31 January 2014	
		At 1 August 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	2,760,000	-	-	-	2,760,000
<b>Directors</b>							
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

**17. SHARE CAPITAL (Continued)**  
**(b) Share Option Scheme 2012 (Continued)**

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 interest rate	0.975%
Expected dividend yield	-

The expected volatility was based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

**18. SIGNIFICANT RELATED PARTY TRANSACTIONS**

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>31 January</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Marine engineering related income from an associate	-	38
Sub-contracting income from an associate	-	1,276
Services fee from a related company	<b>11</b>	-
Car hiring income from an associate	-	66
Rental charges paid to related companies	<b>220</b>	112
Management fee paid to a related company	-	239
Consultancy fee paid to related companies	<b>90</b>	40
Car hiring fee paid to a jointly controlled entity	<b>57</b>	-
Sub-contracting cost paid to a jointly controlled entity	-	2,736
Finance costs payable to related companies	<b>627</b>	726
Maine engineering cost paid to an associate	-	493

## 19. CONTINGENCIES AND LITIGATIONS

- (a) 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 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) 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.
- (b) 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.
- (c) 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, 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 2011, for repossession of the land and double value of rent for the period of holding over. All of the three aforesaid cases have been ordered to be consolidated and proceeded as one action by order of court dated 28 November 2011. A judgement was issued on 7 November 2013 and ordered that UMSG to pay JTC the sum of S\$1,109,420. An appeal against the judgement was filed and it was fixed to be heard before the Court of Appeal in late May 2014.

## INTERIM DIVIDEND

The Board does not recommend any payment of interim dividend for the six months ended 31 January 2014 (31 January 2013: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND FUTURE PROSPECTS

The Group reports an unaudited revenue for the six months ended 31 January 2014 to be HK\$66.3 million (31 January 2013: HK\$34.8 million) with an unaudited consolidated profit of HK\$29.5 million (31 January 2013: loss of HK\$27.4 million).

**Construction and Structural Steel Engineering** sector reports a revenue of HK\$11.8 million (31 January 2013: HK\$7.6 million) with a profit of HK\$1.1 million (31 January 2013: loss of HK\$0.8 million). The Group continues to participate in the tendering of civil engineering contracts either in joint venture with major contractors or as specialist port works contractor. During this period, the Group was awarded by the Hong Kong Government a contract of approximately HK\$2,450 million where the Group has less than 50% share in a joint venture with a major local contractor and another international contractor. Works under that contract has just commenced and is at initial preparation stage.

**Marine Engineering** sector derives a revenue of HK\$39.3 million (31 January 2013: HK\$9.9 million) and a profit of HK\$6.1 million (31 January 2013: loss of HK\$3.0 million). Projects commenced in 2013 progress with positive results and new contracts were awarded during the first half of this financial year. The Group expects to see a continuing sales growth in 2014.

**Sale of Vessels** sector reports a revenue of HK\$15.2 million (31 January 2013: Nil) and a profit of HK\$6.6 million (31 January 2013: Nil). The increasing regional marine engineering work drives the demand of work vessels and marine equipments. The Group will continue to observe the market demand in the region.

The **Hotel Operation**, the Sunfill Group, had been deconsolidated. Pursuant to a winding-up order issued against Sunfill Limited by High Court on 11 December 2013, the company is in liquidation (note 16).

### LIQUIDITY AND FINANCIAL RESOURCES

As at 31 January 2014, the Group has cash and cash equivalents of about HK\$2.5 million (31 July 2013: HK\$3.8 million).

The finance costs of the period is decreased to HK\$0.6 million (31 January 2013: HK\$11.7 million).

The gearing ratio of the Group as a result, calculated by dividing total liabilities by total assets value, decreased to 27.67% (31 July 2013: 63.97%).

## 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 130 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 2014.

## OTHER INFORMATION

### DIRECTORS' INTERESTS IN SHARES

As at 31 January 2014, the interests and short positions of the Directors and their associates in the shares and underlying shares, if any, 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 Shares of the Company

Name of Directors	Notes	Number of ordinary shares of HK\$0.50 each and nature of interest		Approximate percentage of the Company's issued share capital
		Personal	Other	
Mr. Leung Yat Tung	1, 3, 4, 6, 7	5,413,608	185,583,375	69.42%
Mrs. Leung Yu Oi Ling, Irene	1, 3, 4, 6, 7	1,021,333	189,975,650	69.42%
Miss Leung Chi Yin, Gillian	1, 2, 3, 8	1,593,045	184,554,576	67.66%
Mr. Leung Chi Hong, Jerry	1, 2, 3, 9	1,440,180	184,554,576	67.61%
Prof. Yuen Ming Fai, Matthew, Ph.D.	5	–	96	0.00%

Notes :

1. 184,550,006 shares are held by Harbour Front Limited, the trustee of a unit trust. All of the units in the unit trust are held by Infiniti Trust (Asia) Limited, the trustee of 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.
2. 3,200 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.
3. 1,370 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.
4. 10,666 shares are held by Top Union Investments Limited, which is 100% beneficially owned by Mrs. Leung Yu Oi Ling, Irene.
5. 96 shares are held by Mrs. Yuen Chiu Yin May, May. Mrs. Yuen is the spouse of Prof. Yuen Ming Fai, Matthew, *Ph.D.*
6. 5,413,608 shares are held by Mr. Leung Yat Tung, spouse of Mrs. Leung Yu Oi Ling, Irene; whereas 21,333 shares are held by Mrs. Leung Yu Oi Ling, Irene, spouse of Mr. Leung Yat Tung.
7. The Company has granted 1,000,000 share options of the Company to Mrs. Leung Yu Oi Ling, Irene.
8. The Company has granted 1,000,000 share options of the Company to Miss Leung Chi Yin, Gillian.
9. The Company has granted 1,000,000 share options of the Company to Mr. Leung Chi Hong, Jerry.

Save as disclosed above, as at 31 January 2014, none of the Directors or chief executives of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO; or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

#### **DIRECTORS' RIGHTS TO ACQUIRE SHARES**

Save as disclosed in note 18 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' INTEREST IN SHARES

As at 31 January 2014, the interests and short positions 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 of the Company

Name of shareholder	Number of ordinary shares of HK\$0.50 each	Approximate percentage of the Company's issued share capital
Harbour Front Limited	184,550,006	67.08%

Note: 184,550,006 shares are held by Harbour Front Limited, the trustee of a unit trust. All of the units in the unit trust are held by Infiniti Trust (Asia) Limited, the trustee of 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.

Save 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 2014.

## 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 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 of the Company regarding any non-compliance with the Model Code during the period under review and they all have confirmed that they have fully complied with the required standards set out in the Model Code.



The Company has established the Remuneration Committee with written terms of reference in accordance with the requirements of the Listing Rules and the CG Code. The Remuneration Committee consists of four members, namely Mr. Pao Ping Wing, *JP*, Ms. Tse Mei Ha, Miss Leung Chi Yin, Gillian and Prof. Yuen Ming Fai, Matthew, *Ph.D.*, in which Prof. Yuen Ming Fai, Matthew, *Ph.D.* is the chairman of the Remuneration Committee.

The Company has established the Nomination Committee with 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, *Ph.D.* 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 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, *Ph.D.* 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 2014 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 2014

*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, *Ph.D.*  
Ms. Tse Mei Ha