



太元

UDL HOLDINGS LIMITED

太元集團有限公司

(Incorporated in Bermuda with limited liability)

Stock code : 620



Interim Report

2007

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## INTERIM RESULTS

The board of directors (the "Directors") 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 2007 together with comparative figures as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited)	
		Six months ended	
		31 January	
	Note	2007 HK\$'000	2006 HK\$'000
Turnover	3	9,273	10,057
Other revenue and income		110	3,785
Total revenue and income		9,383	13,842
Staff costs		(2,114)	(2,934)
Marine engineering and structural steel engineering costs and cost of vessels		(3,564)	(7,169)
Depreciation and amortisation		(693)	(9,957)
Other operating expenses		(2,128)	(4,654)
Profit/(Loss) from operating activities	5	884	(10,872)
Finance costs		(1,640)	(5,675)
Loss before taxation		(756)	(16,547)
Taxation	6	-	-
Loss attributable to shareholders		(756)	(16,547)
Loss per share – Basic (Hong Kong dollars)	7	(HK\$0.00)	(HK\$0.02)

## CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) 31 January 2007 HK\$'000	(Audited) 31 July 2006 HK\$'000
	<i>Note</i>		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	28,497	28,392
Land use rights	9	885	888
Investments in associates		92	86
		<b>29,474</b>	<b>29,366</b>
<b>Current assets</b>			
Inventories	10	35,735	34,908
Land use rights	9	60	58
Trade and other receivables	11	14,538	13,251
Amounts due from related companies		13,263	15,281
Cash and bank balances		924	1,038
		<b>64,520</b>	<b>64,536</b>
<b>Current liabilities</b>			
Other borrowings	12	5,823	5,633
Trade and other payables	13	9,899	13,321
Promissory notes	14, 20	15,126	7,500
Amount due to ultimate holding company	15	28,307	25,692
Amounts due to related companies		6,809	6,241
Amounts due to directors		898	920
Provision for taxation		46	84
		<b>66,908</b>	<b>59,391</b>
<b>Net current assets/(liabilities)</b>		<b>(2,388)</b>	<b>5,145</b>
<b>Total assets less current liabilities</b>		<b>27,086</b>	<b>34,511</b>
<b>Non-current liabilities</b>			
Promissory notes	14	15,000	22,500
<b>NET ASSETS</b>		<b>12,086</b>	<b>12,011</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	16	33,634	33,634
Reserves		(21,548)	(21,623)
<b>NET EQUITY</b>		<b>12,086</b>	<b>12,011</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Option Reserve HK\$'000	Revaluation reserve HK\$'000	Capital reserve HK\$'000	Scheme reserve HK\$'000	Accumu- lated losses HK\$'000	Total HK\$'000
At 31 July 2006 (Audited)	33,634	56,056	1,264	405	-	357	-	1,061,544	(1,141,249)	12,011
Exchange realignment – subsidiaries	-	-	-	831	-	-	-	-	-	831
Net loss attributable to shareholders	-	-	-	-	-	-	-	-	(756)	(756)
At 31 January 2007 (Unaudited)	33,634	56,056	1,264	1,236	-	357	-	1,061,544	(1,142,005)	12,086
At 31 July 2005 (Audited)	9,717	8,179	1,264	(4,444)	330	52,590	717	1,096,502	(1,220,472)	(55,617)
Issue of shares by exercise of options	175	725	-	-	(330)	-	-	-	-	570
Exchange realignment – subsidiaries	-	-	-	(604)	-	-	-	-	-	(604)
Net loss attributable to shareholders	-	-	-	-	-	-	-	-	(16,547)	(16,547)
At 31 January 2006 (Unaudited)	9,892	8,904	1,264	(5,048)	-	52,590	717	1,096,502	(1,237,019)	(72,198)

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited)	
	Six months ended	
	31 January	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash outflow from operating activities	(3,060)	(13,205)
Net cash inflow/(outflow) from investing activities	(25)	570
Net cash (outflow) before financing activities	(3,085)	(12,635)
Net cash inflow from financing activities	2,930	15,241
Effects of exchange rate changes on cash and cash equivalents	41	(2,811)
Net decrease in cash and cash equivalents	(114)	(205)
Cash and cash equivalents at beginning of period	1,038	238
Cash and cash equivalents at end of period	924	33
Analysis of balances of cash and cash equivalents		
Cash and bank balances	924	650
Bank overdrafts	-	(617)
	924	33

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimate and assumption 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.

### 2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in these condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 July 2006.

The Group has not early applied the following new standard, amendment and interpretations that have been issued but are not yet effective. The Group is still not yet in the position to reasonably estimate the impact that may arise from the application of these standard, amendment and interpretations.

HKAS 1 (Amendment)	Capital Disclosures <sup>a</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>a</sup>
HK (IFRIC) – INT 10	Interim Financial Reporting and Impairment <sup>b</sup>
HK (IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions <sup>c</sup>

<sup>a</sup> Effective for annual periods beginning on or after 1 January 2007.

<sup>b</sup> Effective for annual periods beginning on or after 1 November 2006.

<sup>c</sup> Effective for annual periods beginning on or after 1 March 2007.

### 3. TURNOVER

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

	(Unaudited)	
	Six months ended	
	31 January	
	2007	2006
	HK\$'000	HK\$'000
Sales of vessels	–	6,224
Marine engineering income	4,950	1,951
Structural steel engineering income	4,323	1,882
	<b>9,273</b>	<b>10,057</b>

#### 4. SEGMENT INFORMATION

##### a. Business segments

For management purposes, the Group is currently organised into three operating divisions – marine engineering, structural steel engineering and sales of vessels. These principal operating activities are the basis on which the Group reports its primary segmental information.

	Marine engineering		Structural steel engineering		Sales of vessels		Consolidated	
	(Unaudited)							
	Six months ended 31 January							
	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	4,950	1,951	4,323	1,882	–	6,224	9,273	10,057
Segment results	1,541	1,113	4,168	1,715	–	60	5,709	2,888
Unallocated other income							110	3,785
Unallocated expenses							(4,935)	(17,545)
Profit/(loss) from operations							884	(10,872)
Finance costs							(1,640)	(5,675)
Loss before and after taxation							(756)	(16,547)



**b. Geographical segments**

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

	Hong Kong		Singapore		PRC		Consolidated	
	(Unaudited)							
	Six months ended 31 January							
	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	5,049	9,631	4,224	426	–	–	9,273	10,057
Other income	52	666	58	3,119	–	–	110	3,785
							9,383	13,842

**5. PROFIT AND LOSS FROM OPERATING ACTIVITIES**

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

	(Unaudited)	
	Six months ended	
	31 January	
	2007	2006
	HK\$'000	HK\$'000
<i>Crediting:–</i>		
Foreign exchange gain, net	55	2,216
Recovery of bad debts	–	597
<i>Charging:–</i>		
Depreciation	693	9,928
Staff cost (including directors' remuneration)		
– contribution to mandatory provident fund	127	68
– salaries, wages and other benefits	1,987	2,866
Operating leases	632	588
Legal and professional fees	75	1,534

## 6. TAXATION

No Hong Kong and Singapore profit tax has been provided in the financial statements for the current period as the Group did not derive any assessable profit for the period (2006: Nil).

## 7. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders of HK\$756,000 (January 2006: net loss of HK\$16,547,000) and the adjusted weighted average number of 3,363,355,826 (January 2006: 984,272,717) ordinary shares in issue during the period.

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

## 8. PROPERTY, PLANT AND EQUIPMENT

	Buildings <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 2006 (Audited)	21,487	5,570	46	2,725	96	29,924
Additions	–	–	7	–	–	7
Exchange realignments	727	–	1	87	3	818
At 31 January 2007 (Unaudited)	22,214	5,570	54	2,812	99	30,749
<b>Accumulated depreciation and impairment</b>						
At 31 July 2006 (Audited)	821	–	3	642	66	1,532
Charge for the year	196	290	20	148	10	664
Exchange realignments	30	–	1	23	2	56
At 31 January 2007 (Unaudited)	1,047	290	24	813	78	2,252
<b>Net book value</b>						
At 31 January 2007 (Unaudited)	21,167	5,280	30	1,999	21	28,497
At 31 July 2006 (Audited)	20,666	5,570	43	2,083	30	28,392

9. LAND USE RIGHTS

	<i>HK\$'000</i>
Carrying amount as at 31 July 2006 (Audited)	946
Amortisation for the period	(30)
Exchange realignments	29
	<hr/>
At 31 January 2007 (Unaudited)	945
Classified under current assets	(60)
	<hr/>
Classified under non-current assets	885
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Prepaid lease payments represent payments for land use rights held under short term leases in China.

10. INVENTORIES

	<b>(Unaudited)</b>	(Audited)
	<b>31 January</b>	31 July
	<b>2007</b>	2006
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
At cost:		
Finished goods	<b>35,735</b>	34,908

All finished goods are vessels which are stated at cost.

11. TRADE AND OTHER RECEIVABLES

	(Unaudited) 31 January 2007 HK\$'000	(Audited) 31 July 2006 HK\$'000
Trade receivables	2,713	3,736
Retention money receivable	1,098	1,098
Prepayments, deposits and other receivables	10,727	8,417
	<b>14,538</b>	<b>13,251</b>

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

	(Unaudited) 31 January 2007 HK\$'000	(Audited) 31 July 2006 HK\$'000
Current	1,471	354
1-3 months	58	1,247
4-6 months	667	683
7-12 months	53	1,057
Over 1 year	464	395
	<b>2,713</b>	<b>3,736</b>

Trading terms with customers are largely on credit, where trade deposits, advances and payment in advance are normally required. Invoices are normally payable within 30 days of issuance, except for certain well-established customers, where the terms are extended beyond 30 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by the senior management.

## 12. OTHER BORROWINGS

	<b>(Unaudited)</b> <b>31 January</b> <b>2007</b> <i>HK\$'000</i>	(Audited) 31 July 2006 <i>HK\$'000</i>
Amount due within one year and shown under current liabilities :		
Other loans	5,823	5,633

Notes:

As at 31 January 2007, unsecured loans of approximately HK\$5,823,000 (31 July 2006: HK\$5,633,000) were borrowed from related parties which are used to finance the Group's operation. Those loans were unsecured, repayable on demand and bear interest at Hong Kong prime rate plus 2% per annum.

## 13. TRADE AND OTHER PAYABLES

	<b>(Unaudited)</b> <b>31 January</b> <b>2007</b> <i>HK\$'000</i>	(Audited) 31 July 2006 <i>HK\$'000</i>
Trade payables	459	258
Other payables and accruals	9,440	13,063
	<b>9,899</b>	<b>13,321</b>

The aged analysis of trade payables was as follows:

	<b>(Unaudited)</b> <b>31 January</b> <b>2007</b> <i>HK\$'000</i>	(Audited) 31 July 2006 <i>HK\$'000</i>
Current	128	94
1-3 months	113	61
4-6 months	63	1
7-12 months	79	10
Over 1 year	76	92
	<b>459</b>	<b>258</b>

#### 14. PROMISSORY NOTES

	(Unaudited) 31 January 2007 HK\$'000	(Audited) 31 July 2006 HK\$'000
Principal with interest repayable:		
Within 1 year	15,126	7,500
Payable after 1 year but within 2 years	15,000	15,000
After 2 years but within 5 years	–	7,500
Total	30,126	30,000
Amount due to noteholders	30,126	30,000
Classified under current liabilities	(15,126)	(7,500)
Classified under non-current liabilities	15,000	22,500

The promissory notes are unsecured, interest bearing at 1% per annum and with maturity dates on 28 February 2007, 31 August 2007, 29 February 2008 and 31 August 2008.

#### 15. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

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

#### 16. SHARE CAPITAL

	Number of shares	HK\$'000
<i>Authorised</i>		
Ordinary shares of HK\$0.01 each at 1 August 2006 and 31 January 2007	120,000,000,000	120,000
<i>Issued and fully paid</i>		
Ordinary shares of HK\$0.01 each at 31 January 2007	3,363,355,826	33,634

## 17. CONTINGENT LIABILITIES

- (a) An amount of SGD358,982 (July 2006: SGD358,982 equivalent to HK\$1,766,335) relating to interest payable on banking facilities of a subsidiary. The directors of the subsidiary are disputing this amount and no provision has been made in the financial statements.
- (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 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 Leung Yuet Keung claims 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 Limited; (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.

## 18. OTHER COMMITMENTS

	<b>(Unaudited)</b>	(Audited)
	<b>31 July</b>	31 July
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Commitments in respect of capital contribution to a subsidiary in the People's Republic of China ("PRC")	<b>2,810</b>	4,810

The Company has no significant other commitment at the balance sheet date.

**19. RELATED PARTY TRANSACTIONS**

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

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>31 January</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Marine engineering related income from related companies	<b>721</b>	987
Rental charges paid to related companies	<b>736</b>	892
Management fee paid to related companies	–	430
Consultancy fee paid to related companies	<b>450</b>	747
Purchase of vessels from a related company	–	5,200
Finance costs payable to related companies	<b>1,514</b>	5,012

**20. POST BALANCE SHEET EVENT**

The first tranche of the promissory notes was matured on 28 February 2007 and the Company has settled in cash for approximately HK\$7,655,000 (inclusive of interest).



## **INTERIM DIVIDEND**

The Directors do not recommend the payment of any dividend for the six months ended 31 January 2007 (2006: nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

For the six months ended 31 January 2007, turnover of the Group amounted to approximately HK\$9.3 million (Jan 2006: HK\$10.1 million).

For the period under review, net loss attributable to shareholder amounted to HK\$0.8 million (Jan 2006: loss of HK\$16.5 million).

As at 31 January 2007, the Group has a gearing ratio (total liabilities over total assets) of 87.1% (July 2006: 87.2%).

### **Business Review and Prospects**

The Group's turnover for the period six months ended 31 January 2007 has lowered by 7.8% to HK\$9,273,000 (January 2006: HK\$10,057,000) whilst overall operating profit improved at HK\$884,000 (January 2006: loss of HK\$10,872,000) as a result of reduction of operating cost and administration expenses during the period.

Given the lasting upsurge market demand in the offshore engineering and related shipbuilding activities, sales was enhanced in the Marine Engineering sector. The Group continues its effort in further developing in this segment through aligning and utilising its building facilities from Singapore and PRC.

Growth in sales was also observed in the Structural Steel Engineering division. Deck assembly work for the stonecutters bridge as well as several other PRC highways related structural steel projects continue during the period. The Group remains actively pursuing business for structural steel in the region in collaboration with its business partners.

With a view to further improve prices of vessels, efforts were spent during the period to widen the customers base both in market spectrum and regional spread. The Group's marine division is in the process of negotiating with potential clients and expects returns in the next period.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The finance cost of the period is reduced to HK\$1,640,000 (January 2006: HK\$5,675,000) as a result of reduction in borrowing since the last financial year.

Working capital for the operation of the Group is largely financed by the substantial shareholder.

The management is reviewing various fund-raising options and corporate strategies corresponding to its business development in order to reduce the above financial burden, borrowing and financial support.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 January 2007, including the contract workers, the Group had about 50 technical and working staff in Hong Kong, Singapore and PRC.

Remuneration policies are reviewed regularly to ensure that compensation and benefit packages are in line with the market. Remuneration packages of Directors and senior management are reviewed and approved by the Remuneration Committee formed by three Independent Non-executive Directors and one Executive Director of the Company. In addition to basic salary, incentives in the form of bonuses and share options may also be offered to eligible employees on the basis of individual performances and at the discretion of the Board.

## **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 2007.

## DIRECTORS' INTERESTS IN SHARES

As at 31 January 2007, the interests of the Directors and their associates in the shares of the Company (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be maintained under Section 352 of the SFO were as follows:

### Interests in the Company

Name of Directors	Notes	Number of Shares and nature of interest		Percentage of the issued share capital of the Company
		Personal interests	Other interests	
Leung Yu Oi Ling, Irene ("Mrs. Leung")	1, 2, 3, 4	64,503,900	2,378,290,675	72.63%
Leung Chi Yin, Gillian ("Miss Leung")	1, 2, 4	63,199,200	2,315,601,475	70.73%
Leung Chi Hong, Jerry ("Mr. Leung")	1, 2, 4	16,506,774	2,315,601,475	69.34%
Yuen Ming Fai, Matthew	5	–	4,800	0.00%

Note 1: 2,252,912,275 shares are held by Harbour Front Limited or its designated nominees, as the trustee of a unit trust. All of the units in the unit trust are beneficially owned by a discretionary trust, the beneficiaries of which are Mrs. Leung and her children, namely, Miss Leung Chi Yin, Gillian, Mr. Leung Chi Hong, Jerry and Mr. Leung Kai Hong (aged under 18).

Note 2: 30,882,200 shares are held by Buggy Development Company Limited ("Buggy"). Miss. Leung Chi Yin, Gillian and Mr. Leung Chi Hong, Jerry hold shares in Buggy on trust for Harbour Front Limited.

Note 3: 62,689,200 shares are held by Decorling Limited, which is 100% beneficially owned by Mrs. Leung.

Note 4: 31,807,000 shares held by Vital Strategic Consultancy Limited (formerly known as YTL Strategic Corporate Consultancy Limited), which is beneficially owned by Harbour Front Limited, Mrs. Leung, Miss. Leung Chi Yin, Gillian, Mr. Leung Chi Hong, Jerry and Mr. Leung Kai Hong as to 18%, 20%, 22%, 20% and 20% respectively.

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

As at the date of this report, Mrs. Leung, Miss Leung and Mr. Leung have interest in 2,029,245,475 shares (60.33%), 2,092,444,675 shares (62.21%) and 2,045,752,249 shares (60.82%) respectively.

Save as disclosed above, none of the Directors or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO as at 31 January 2007; or would require, pursuant to Model Code for Securities Transactions by Directors of the Listed Companies, to be notified to the Company and the Stock Exchange.

## DIRECTORS' RIGHT TO ACQUIRE SHARES

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

During the period under review, there was no rights to acquire benefit by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 year of age, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

As at 31 January 2007, the interests of substantial shareholders (other than a Director of the Company) in the shares of the Company as recorded in the register as required to be kept under Section 336 of the SFO were as follows:

<b>Name of shareholder</b>	<b>Number of issued ordinary shares held (long position)</b>	<b>Percentage of the issued share capital of the Company</b>
Harbour Front Limited	2,315,601,475	68.8%

As at the date of this report, Harbour Front Limited has interest in 2,029,245,475 shares (60.33%).

Other than as disclosed above, the Company has not been notified of any other interests or short position and underlying shares of the Company as required to be recorded in the register under Section 336 of the SFO as at 31 January 2007.

## **CORPORATE GOVERNANCE**

During the period, the Company has been taking action to comply with the code provision set out in the Code of Corporate Governance Practices as contained in Appendix 14 of the Listing Rules, only with deviation that the independent non-executive directors of the Company are not appointed for a specified term, but are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's Articles of Association.

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

## **AUDIT COMMITTEE**

The Audit Committee was established for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls systems, and compliance with the relevant rules and regulations. The audit committee comprises three independent non-executive directors of the Company. The unaudited financial statement for six months ended 31 January 2007 has been reviewed by the Audit Committee.

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

Hong Kong SAR, 28 April 2007

### *Executive Directors*

Mrs. Leung Yu Oi Ling, Irene (*Chairman*)

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