

INTERIM REPORT
2009

Stock Code: 620

 **UDL Holdings Limited**
太元 太元集團有限公司

(Incorporated in Bermuda with limited liability)

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 ending 31 January 2009 together with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited)	
		Six months ending	
		31 January	
	Notes	2009 HK\$'000	2008 HK\$'000
Turnover	2	59,203	28,248
Other revenue and income		5,721	1,466
Staff costs		(8,373)	(4,410)
Marine engineering and construction costs		(42,204)	(19,799)
Depreciation and amortization		(5,173)	(944)
Other operating expenses		(4,258)	(2,920)
Profit from operating activities	4	4,916	1,641
Finance costs		(1,041)	(17)
Profit before taxation		3,875	1,624
Taxation	5	–	(8)
Profit attributable to shareholders		3,875	1,616
Earnings per share – Basic and diluted	6	HK\$0.00	HK\$0.00

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) At 31 January 2009 HK\$'000	(Audited) At 31 July 2008 HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	128,235	34,752
Prepaid lease payments	13	58,740	901
Investments in associates		–	1,081
Intangible assets	14	27,969	–
Other investments		200	–
		215,144	36,734
Current assets			
Inventories	7	59,610	36,957
Prepaid lease payments	13	1,955	68
Trade and other receivables	8	31,542	20,260
Amounts due from customers for contract work	10	4,040	2,765
Amounts due from related companies		1,974	16,248
Cash and bank balances		64,450	57,600
		163,571	133,898
Current liabilities			
Hire Purchase leases		189	–
Trade and other payables	9	13,897	11,023
Amounts due to customers for contract work	10	2,316	–
Loan from related company	15	33,034	–
Amounts due to related companies		9,847	4,595
Amounts due to directors		63	176
Amount due to an associate		–	1,076
Provision for taxation		1,007	1,118
		60,353	17,988
Net current assets		103,218	115,910
NET ASSETS		318,362	152,644
CAPITAL AND RESERVES			
Share capital	16	100,901	50,450
Reserves		217,461	102,194
TOTAL EQUITY		318,362	152,644

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Capital redemption reserve	Exchange fluctuation reserve	Scheme reserve	Revaluation reserve	Accumu- lated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 July 2008 (Audited)	50,450	185,810	1,264	5,306	1,054,095	3,297	(1,147,578)	152,644
Issue of shares by rights issue	50,451	121,022	-	-	-	-	-	171,473
Exchange realignment – subsidiaries	-	-	-	(9,630)	-	-	-	(9,630)
Net profit attributable to shareholders	-	-	-	-	-	-	3,875	3,875
At 31 January 2009 (Unaudited)	100,901	306,832	1,264	(4,324)	1,054,095	3,297	(1,143,703)	318,362
At 31 July 2007 (Audited)	50,450	185,810	1,264	1,798	1,054,095	2,182	(1,145,590)	150,009
Exchange realignment – subsidiaries	-	-	-	2,251	-	-	-	2,251
Net profit attributable to shareholders	-	-	-	-	-	-	1,616	1,616
At 31 January 2008 (Unaudited)	50,450	185,810	1,264	4,049	1,054,095	2,182	(1,143,974)	153,876

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Unaudited)
Six months ending
31 January

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Net cash (outflow) from operating activities	14,652	(10,577)
Net cash (outflow) from investing activities	(239,945)	(1,164)
Net cash (outflow) before financing activities	(225,293)	(11,741)
Net cash inflow/(outflow) from financing activities	238,383	(3,934)
Effect of exchange rate changes on cash and cash equivalents	(6,240)	1,496
Net (decrease) in cash and cash equivalents	6,850	(14,179)
Cash and cash equivalents at beginning of period	57,600	83,606
Cash and cash equivalents at end of period	64,450	69,427
Analysis of balances of cash and cash equivalents		
Cash and bank balances	64,450	69,427
	64,450	69,427

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The accounting policies and methods of computation used in the interim financial statements are consistent with those applied in the financial statements for the year ended 31 July 2008.

With respect to initial recognition of intangible assets, intangible assets acquired separately and from business combinations are recognised at cost and at fair value respectively. After initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Amortisation of intangible assets are charged to income statement within administrative expenses. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

The adoption of any new Hong Kong Accounting standards, amendments and interpretations ("HKFRSs") had no material effect on the results or financial position of the Group for the current or prior periods. Accordingly, no prior period adjustment is required.

The Group has not early applied any new HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new HKFRSs will have no material impacts on the financial statements of the Group.

The interim report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 2008 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

2. TURNOVER

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

	(Unaudited)	
	Six months ending	
	31 January	
	2009	2008
	HK\$'000	<i>HK\$'000</i>
Marine engineering	42,716	27,727
Construction	16,487	521
	59,203	28,248

3. SEGMENT INFORMATION

(a) Business segments

In the light of businesses and assets acquired during the period (note 18), the Group has re-organized its operation into two core divisions – marine engineering and construction. The vessels sale and structural steel divisions have been reclassified under marine engineering and construction respectively.

	Marine engineering		Construction		Consolidated	
	(Unaudited)					
	Six months ending 31 January					
	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	42,716	27,727	16,487	521	59,203	28,248
Other income	4,584	–	890	–	5,474	–
Segment results	6,918	7,290	4,602	226	11,520	7,516
Unallocated other income					247	1,466
Unallocated expenses					(6,851)	(7,341)
Profit from operations					4,916	1,641
Finance costs					(1,041)	(17)
Profit before taxation					3,875	1,624
Taxation					–	(8)
Profit after taxation					3,875	1,616

(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		Mainland		Consolidated	
	(Unaudited)							
	Six months ending 31 January							
	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	12,615	7,798	42,700	20,450	3,888	–	59,203	28,248
Other income	1,179	1,430	4,532	36	10	–	5,721	1,466
							64,924	29,714

4. PROFIT AND LOSS FROM OPERATING ACTIVITIES

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

	(Unaudited)	
	Six months ending 31 January	
	2009	2008
	HK\$'000	HK\$'000
<i>Crediting:</i>		
Foreign exchange gain, net	4,480	88
Interest income	1,241	1,352
<i>Charging:</i>		
Depreciation	4,605	913
Staff costs (including directors' remuneration)		
– contributions to mandatory provident fund	292	171
– salaries, wages and other benefits	8,081	4,239
Operating leases	616	528
Legal and professional fees	128	191

5. TAXATION

No Hong Kong and Singapore tax has been provided in the financial statements for the current period (January 2008: HK\$8,000).

6. EARNINGS PER SHARE

The calculation of earnings per share is based on gain attributable to equity holders of the Company of approximately HK\$3,875,000 (January 2008: HK\$1,616,000) and on the weighted average number of 7,338,506,076 ordinary shares (January 2008: 4,586,440,172 ordinary shares as adjusted) in issue during the period as adjusted to reflect the rights issue completed during the period.

There were no dilutive potential shares in existence during the period ending 31 January 2008 and 2009, therefore diluted earnings per share are same as basic earnings per share for both the current and prior period.

7. INVENTORIES

	(Unaudited)	(Audited)
	31 January	31 July
	2009	2008
	HK\$'000	HK\$'000
Vessels held for trading	59,091	36,957
Raw materials	519	–
	59,610	36,957

8. TRADE AND OTHER RECEIVABLES

	(Unaudited)	(Audited)
	31 January	31 July
	2009	2008
	HK\$'000	HK\$'000
Trade receivables	12,084	9,390
Retention money receivable	1,142	897
Prepayments, deposits and other receivables	18,316	9,973
	31,542	20,260

8. TRADE AND OTHER RECEIVABLES (Continued)

The aging analysis of trade receivables of the Group as at the balance sheet date is as follows:

	(Unaudited)	(Audited)
	31 January	31 July
	2009	2008
	HK\$'000	HK\$'000
Current	3,928	6,046
1 – 3 months	3,723	1,527
4 – 6 months	1,586	1,252
7 – 12 months	2,432	41
Over 1 year	1,712	1,821
	13,381	10,687
Less: Allowance for doubtful debts	(1,297)	(1,297)
	12,084	9,390

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 senior management.

9. TRADE AND OTHER PAYABLES

	(Unaudited)	(Audited)
	31 January	31 July
	2009	2008
	HK\$'000	HK\$'000
Trade payables	2,344	5,272
Other payables and accruals	11,553	5,751
	13,897	11,023

The aging analysis of trade payables at the balance sheet date is as follows:

	(Unaudited)	(Audited)
	31 January	31 July
	2009	2008
	HK\$'000	HK\$'000
Current	278	3,585
1 – 3 months	171	1,586
4 – 6 months	605	–
7 – 12 months	595	12
Over 1 year	695	89
	2,344	5,272

10. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	(Unaudited) 31 January 2009 HK\$'000	(Audited) 31 July 2008 HK\$'000
Contracts in progress at the balance sheet date:		
Contract costs incurred plus recognized profits		
less recognized losses to date	42,411	11,734
Less: Progress billings	(40,687)	(8,969)
	1,724	2,765
Amounts due from customers for contract work	4,040	2,765
Amounts due to customers for contract work	(2,316)	–
	1,724	2,765

11. SIGNIFICANT RELATED PARTY TRANSACTIONS

	(Unaudited) Six months ending 31 January 2009 HK\$'000	2008 HK\$'000
Marine engineering related income from related companies	17	866
Interest Received from a related company	840	–
Rental charges paid to related companies	292	360
Consultancy fee paid to related companies	238	449
Hiring of vessels from a related company	–	307
Finance costs payable to a related company	1,031	17
Loan facility from a related company	67,873	–
Right issues underwriting commission paid to a related company	1,569	–

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings	Floating craft and vessels	Furniture, fixtures and office equipment	Plant, machinery and workshop equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation						
At 31 July 2008 (Audited)	26,045	5,740	2,043	3,246	317	37,391
Acquisition	68,782	28,732	802	41,689	863	140,868
Additions	–	144	719	61	–	924
Disposals	–	–	(144)	(88)	(19)	(251)
Exchange realignments	(2,946)	–	(199)	(255)	(13)	(3,413)
At 31 January 2009 (Unaudited)	91,881	34,616	3,221	44,653	1,148	175,519
Accumulated depreciation and impairment						
At 31 July 2008 (Audited)	18	–	1,036	1,453	132	2,639
Acquisition	828	958	639	37,738	382	40,545
Charge for the year	1,468	1,802	414	815	106	4,605
Disposals	–	–	(78)	(48)	(2)	(128)
Exchange realignments	(19)	–	(99)	(257)	(2)	(377)
At 31 January 2009 (Unaudited)	2,295	2,760	1,912	39,701	616	47,284
Net book value						
At 31 January 2009 (Unaudited)	89,586	31,856	1,309	4,952	532	128,235
At 31 July 2008 (Audited)	26,027	5,740	1,007	1,793	185	34,752

13. PREPAID LEASE PAYMENTS

	(Unaudited)	(Audited)
	31 January	31 July
	2009	2008
	HK\$'000	HK\$'000
Land use rights outside Hong Kong:		
Medium-term lease	930	969
Medium-term lease on Acquisition	59,765	–
	60,695	969
Analysed for reporting purposes as:		
Current portion	1,955	68
Non-current portion	58,740	901
	60,695	969

Prepaid lease payments represent payments for the land use rights in Mainland China expiring in 2022 and 2041.

14. INTANGIBLE ASSETS

	License
	<i>HK\$'000</i>
<hr/>	
Cost	
At 31 July 2008	–
Acquisition of subsidiaries	27,969
	<hr/>
At 31 January 2009	27,969
	<hr/>
Accumulated amortisation and impairment	
At 31 July 2008	–
Charge for the period	–
	<hr/>
At 31 January 2009	–
	<hr/>
Carrying value	
As at 31 January 2009	27,969
	<hr/>
As at 31 July 2008	–
	<hr/>

For the purpose of impairment testing, intangible assets with indefinite useful lives, and are allocated, at acquisition, to the projects that are expected to benefit from such intangible assets. The respective carrying amounts had been allocated as follows:

	License
	<i>HK\$'000</i>
<hr/>	
Construction and engineering:	
– Port works & structural steel	27,969
	<hr/>

The Group tests intangible assets with indefinite lives annually for impairment, or more frequently if there are indications that they might be impaired.

15. LOAN FROM RELATED COMPANY

The Company has secured a financing facility from the ultimate holding company to finance the Acquisition and working capital as mentioned in note 18. The Loan was unsecured, interest bearing at Hong Kong prime rate per annum and repayable on demand.

16. SHARE CAPITAL

	(Unaudited)	(Audited)
	31 January	31 July
	2009	2008
	HK\$'000	HK\$'000
<hr/>		
<i>Authorised</i>		
12,000,000,000 Ordinary shares of HK\$0.01 each at 1 August 2007 and 31 January 2008	120,000	120,000
<hr/>		
<i>Issued and fully paid</i>		
Ordinary shares of HK\$0.01 each	50,450	50,450
Issue of shares under rights issue	50,451	–
	100,901	50,450

The Company has raised approximately HK\$176,576,000 by way of a rights issue of 5,045,033,739 rights shares of HK\$0.01 each at a price of HK\$0.035 per share on the basis of one rights share for every one existing share held on the record date. The issue was underwritten by Harbour Front Limited and an independent third party.

The rights issue was completed on 10 October 2008 and 5,045,033,739 shares of HK\$0.01 each were issued at a price of HK\$0.035 per share by way of rights issue for a total cash consideration of approximately HK\$176,576,000. The market price of the shares of the Company immediately before the exercise of the rights issue was HK\$0.02 per share. Out of the net proceeds (after deducting share issue expenses of HK\$4,414,000) of approximately HK\$172,162,000, HK\$159,126,000 were applied towards payment for the Acquisition as mentioned in note 18 and the remaining balance was retained for working capital of the Group.

17. CONTINGENCIES AND LITIGATIONS

- (a) On 31 July 2002, Charterbase Management Limited, one of the Petitioners, issued the Bermuda Writ against the Company and against Mrs. Leung, Mr. Chan Kim Leung, Miss Leung, Mr. Pao Ping Wing JP and Mr. Wong Pui Fai who were directors of the Company in April 2001, at the time of the Subscription SGM. Mr. Wong Pui Fai and Mr. Chan Kim Leung resigned as directors of the Company on 28 April 2002 and on 27 September 2002, respectively. The Bermuda Writ recited the basis of the Petitioners' Complaint with respect of Charterbase Management Limited, namely, that the circular regarding the Subscription misdescribed the Scheme Administrator's voting capacity in respect of the Shares held by the Scheme Administrator under the Scheme. The Bermuda Writ alleged that the Company was negligent and its directors were negligent and/or in breach of their fiduciary duty in describing the Scheme Administrator's voting capacity in the circular regarding the Subscription. The Bermuda Writ claimed HK\$3,000,000 being Charterbase Management Limited's estimated costs of the Petitioners' Complaint. On 15 August 2002 the Company entered an appearance to the Bermuda Writ, and the Company filed its defence on 12 September 2002. The Company has been advised by its Bermuda lawyers that it has good grounds to resist the Bermuda Writ. Charterbase Management Limited has taken no further steps in the proceedings since the defence was filed.
- (b) The Company and the Group had pending litigation in respect of the Statement of Claim under HCA 624 of 2005 dated 28 September 2005. The Group's solicitor is of the view that three claims under the Statement of Claim duplicated partly with each others. Fonfair Company Limited ("Fonfair") claims against the defendants for the amount of HK\$19,568,644.66 together with interest and costs, Money Facts Limited ("Money Facts") claims the amount of HK\$13,334,211.42 (HK\$12,874,121.48 of which is pleaded by Money Facts as part of its loss and damage suffered by virtue of its 7,900/12,008th interest held in Fonfair) together with interest and costs, and 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, 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. Based on legal advice, the directors of the Company do not believe it probable that the Hong Kong High Court will pass judgement against the Company and the Group, and therefore, no provision has therefore been made in respect of these claims.

17. CONTINGENCIES AND LITIGATIONS (Continued)

- (c) UDL Contracting Limited ("UDL Contracting"), a wholly-owned subsidiary of the Company commenced legal action under HCA 1209 of 207 against two defendants on 8 June 2007 to claim damages in relation to the construction of a printing workshop carried out by UDL Contracting. Default judgement in the sum of approximately HK\$162 million was awarded by the Court in favour of UDL Contracting on 27 June 2007. However, one defendant took out a Summons to apply to set aside the default judgement which has been consented by UDL Contracting. The legal counsels are of the opinion that UDL Contracting has merits in its claims and, in the event of an unfavourable outcome, the losses which the Company may suffer are essentially the legal costs incurred in the proceedings as there is no counterclaim from the defendants. No asset is recognised in respect of this claim as the recovery of this claim is a Scheme Asset.
- (d) UDL Argos Engineering & Heavy Industries Co., Ltd ("UDL Argos"), a wholly-owned subsidiary of the Company, has commenced legal action under HCA1264 of 2007 against a contractor to recover the unsettled balance of approximately HK\$2.9 million from the contractor. This contractor applied for a stay of the proceedings to arbitration. By a judgement delivered on 29 August 2007, the Court ordered a stay of the action to arbitration and also made an order that UDL Argos do bear the costs of the application. In the subsequent arbitration dated 31 August 2007, the contractor succeeded in its application to bar by lapse of time and to dismiss the claim. UDL Argos is liable to pay for the contractor's costs to be taxed of a sum of approximately HK\$746,000 and payment of UDL Argos' own costs in the arbitration proceedings. There is no counterclaim from the defendant. Any recovery of this claim is a Scheme Asset.
- (e) The Company's wholly-owned subsidiary, UDL Argos, has filed a claim against another contractor to recover a sum of approximately HK\$6.9 million in respect of services rendered. This contractor also counterclaimed UDL Argos for liquidated damages of HK\$4.2 million. Arbitration hearing was completed in November 2007 with award made by the Arbitrator for a net amount of entitlement of HK\$3.9 million to UDL Argos. The award of HK\$3.9 million, as a Scheme Asset, was received in January 2008. UDL Argos' claim for legal costs has been awarded in the approximate amount of HK\$537,000 and it has paid the contractor's award for legal costs after off-setting UDL Argos' award in the approximate amount of HK\$596,000.
- (f) The Company has commenced legal actions under HCA 4409 of 2002 against two of its previous directors in respect for a claim for breach of fiduciary duties of these two previous directors. Trial of action was heard in September 2008 and judgment was handed down in October 2008 wherein the Company's claims were dismissed with costs awarded to the defendants. The Company is proceeding to an appeal. The legal counsels are of the opinion that the Company has merits in the claim and no provision has been made in the financial statements.

18. BUSINESS COMBINATION

On 1 August 2008, the Company entered into agreements to acquire 100% of the issued share capital of each of (i) Lead Ocean Assets Management Limited and its subsidiaries (namely "Argos Engineering (International) Company Limited", "Cochrane Enterprises Limited", "Dongguan Chun Wah Engineering and Heavy Industry Company Limited" and "Dongguan Hing Wah Shipbuilding Company Limited"), which holds certain land use rights in PRC, and (ii) Net Excel Management Limited and its subsidiaries (namely "Tonic Engineering & Construction Company Limited", "Gitanes Engineering Company Limited", "Guangdong Gitanes Engineering Company Limited" and "Chiu Hing Construction Company Limited", which holds certain marine crafts and Hong Kong public works licences, for an aggregate consideration of HK\$114,154,000 (the "Acquisition"), from Harbour Front Limited. The Acquisition was completed in October 2008.

Details of net assets acquired and goodwill are as follows:

	<i>HK\$'000</i>
Purchase consideration, net	114,154
Fair value of assets acquired	<u>(114,154)</u>
Goodwill	<u>–</u>

The assets and liabilities arising from the Acquisition, provisionally determined, are as follows:

	Fair value	Acquiree's carrying amount
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	99,917	100,320
Prepaid lease and licence payments	90,716	59,162
Available-for-sale investment	30	19
Club debenture	200	200
Trade and other receivables	6,371	7,887
Cash and bank balances	1,521	3,054
Trade and other payables	(5,926)	(8,047)
Hire purchases leases	(276)	(243)
Amount due to immediate holding company	(24,609)	–
Amount due to ultimate holding company	(49,290)	(68,927)
Amount due to related companies	(4,485)	(8,895)
Amount due to group companies	–	(5,924)
Amount due to a director	(15)	(10)
Net assets acquired	<u>114,154</u>	<u>78,596</u>

DIVIDEND

The Directors do not recommend any payment of dividend for the six months ending 31 January 2009 (January 2008: Nil).

RESULTS AND BUSINESS REVIEW

The second half of 2008 saw a dip in the global economy due to the financial turmoil and which led to a shaky start in 2009. Multi-billion dollars of government stimulus measures are in place and it remains to be seen whether the global economy is on its way to recovery.

With this backdrop, the Company and its subsidiaries (collectively the "Group"), for the six months ending 31 January 2009, reported turnover of approximately HK\$59.203 million (January 2008: HK\$28.248 million) and profit attributable to shareholder of HK\$3.8 million (January 2008: HK\$1.616 million). Turnover and profit increase by 110% and 135%, respectively. The two-fold increase in both turnover and profit was a result of additions to the existing fleet of vessels as well as acquisition of a yard facility in Dongguan, PRC and a group of civil engineering operators in late 2008, all of which beef up the Group's capacities in meeting market demands.

Marine Engineering, which includes shipbuilding, ship repairing & modification, and offshore engineering projects, has maintained a steady growth with turnover at HK\$42.716 million for this period (January 2008: HK\$27.7 million) in spite of the challenging environment. The Group continues to leverage through the combination of advantages of each of its facilities in PRC and Singapore, which enables the Group to remain its competitiveness and ride out the storm.

Turnover in the construction sector, which includes civil engineering, port works and structural steel projects amounted to HK\$16.487 million (January 2008: HK\$0.521 million). A more prominent recovery will be seen in this sector as more regional infrastructure projects will be underway. The Hong Kong Government has earmarked HK\$39.9 billion in capital works expenditure for 2009-10 and is keen to expedite the implementation of the ten major infrastructure projects. Early 2009 observed a growing number of projects open for tender. The Group is prepared to meet the forthcoming demand seize business opportunities.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 January 2009, the Group has cash and bank equivalents of about HK\$64.4 million (July 2008: HK\$57.6 million). Most of the bank balances were placed in Hong Kong Dollar time deposit with banks in Hong Kong.

The Company has secured a financing facility from the ultimate holding company to finance the Acquisition and working capital as mentioned in note 18 of this accounts. As such, the finance cost of the period is increased to HK\$1.0 million (January 2008: HK\$0.02 million).

The gearing ratio of the Group as a results, calculated by dividing total liabilities by total assets value, increased to 15.9% (July 2008: 10.5%).

EXPOSURE OF FOREIGN EXCHANGE

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

EMPLOYEES AND REMUNERATION POLICY

The Group has about 90 technical and working staff in Hong Kong, Singapore and Mainland China 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 on the basis of individual performances.

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 ending 31 January 2009.

DIRECTORS' INTERESTS IN SHARES

As at 31 January 2009, 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 Yat Tung ("Mr. Leung")	6	–	7,476,724,634	74.09%
Leung Yu Oi Ling, Irene ("Mrs. Leung")	1, 3, 4	800,000	7,475,924,634	74.09%
Leung Chi Yin, Gillian ("Gillian")	1, 2, 3	64,199,200	7,475,644,634	74.73%
Leung Chi Hong, Jerry ("Jerry")	1, 2, 3	16,506,774	7,475,644,634	74.25%
Leung Kai Hong, Kaiser ("Kaiser")	1, 3	–	7,475,524,634	74.09%
Yuen Ming Fai, Matthew	5	–	4,800	0.00%

Note 1: 7,475,473,221 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, Gillian, Jerry and Kaiser.

Note 2: 120,000 shares are held by YT Leung Trading Company Limited, which is beneficially owned by Gillian and Jerry.

Note 3: 51,413 shares held by Vital Strategic Consultancy Limited, which is beneficially owned by Harbour Front Limited, Mrs. Leung, Gillian, Jerry and Kaiser as to 18%, 20%, 22%, 20% and 20% respectively.

Note 4: 400,000 shares are held by Top Union Investments Limited, which is 100% beneficially owned by Mrs. Leung.

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

Note 6: Mr. Leung has a spouse interest of the shares.

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 2009; 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 2009, 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:

Name of shareholder	Number of issued ordinary shares held (long position)	Percentage of the issued share capital of the Company
Harbour Front Limited	7,475,473,221	74.09%

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 2009.

MATERIAL ACQUISITION

Details of the acquisition are set out in note 18 of the accounts.

CORPORATE GOVERNANCE

During the period, the Company has complied with the code provision set out in the Code of Corporate Governance Practices as contained in Appendix 14 of the Listing Rules.

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

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.

The Audit Committee consists of three Independent Non-Executive Directors, namely Prof. Yuen Ming Fai, Matthew, Mr. Pao Ping Wing, JP 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 financial statement for six months ending 31 January 2009 is unaudited, but has been reviewed by the Audit Committee.

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

Hong Kong SAR, 28 April 2009

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