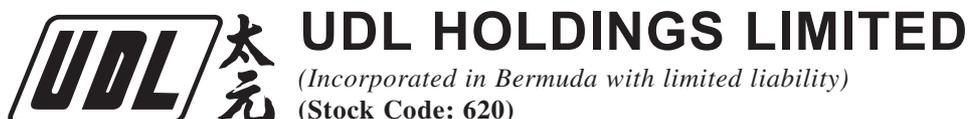


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**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 JANUARY 2011**

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 2011 together with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited)	
		Six months ended 31 January	
		2011	2010
		HK\$'000	HK\$'000
	Note		
Turnover	2	45,619	67,565
Cost of sales		<u>(44,433)</u>	<u>(59,036)</u>
Gross profit		1,186	8,529
Other income		167	625
General and administrative expenses		<u>(13,708)</u>	<u>(13,731)</u>
Loss from operations	4	(12,355)	4,577
Finance costs		(951)	(819)
Share of profit of an associate		<u>1,504</u>	<u>–</u>
Loss before taxation		(11,802)	(5,396)
Income tax	5	<u>–</u>	<u>–</u>
Loss for the period		<u>(11,802)</u>	<u>(5,396)</u>
Attributable to owners of the Company		<u>(11,802)</u>	<u>(5,396)</u>
Loss per share	6		
Basic		<u>(0.12 Cents)</u>	(0.05 Cents)
Diluted		<u>(0.12 Cents)</u>	<u>(0.05 Cents)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

			(Unaudited) At 31 January 2011 <i>HK\$'000</i>	(Audited) At 31 July 2010 <i>HK\$'000</i>
	<i>Note</i>			
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	7	119,841	106,509	
Lease prepayments	8	57,023	56,401	
Club membership		200	200	
Interest in an associate	9	6,843	5,334	
		183,907	168,444	
Current assets				
Inventories	10	62,092	64,949	
Lease prepayments	8	2,034	1,976	
Trade and other receivables	11	35,658	29,648	
Amount due from an associate	9	–	2,991	
Amounts due from customers for contract work	12	17,677	16,226	
Amounts due from related companies		4,348	2,083	
Cash and bank balances		12,366	37,569	
		134,175	155,442	
Current liabilities				
Obligations under finance leases	13	18	52	
Trade and other payables	14	21,779	28,721	
Amounts due to related parties		3,717	3,652	
Loan from a related company	15	40,099	35,658	
Amount due to an associate	9	198	–	
Amounts due to directors		60	180	
Provision for taxation		2,015	1,860	
		67,886	70,123	
Net current assets		66,289	85,319	
NET ASSETS		250,196	253,763	
CAPITAL AND RESERVES				
Share capital	16	101,909	100,900	
Reserves		148,287	152,863	
Equity attributable to owners of the Company		250,196	253,763	
TOTAL EQUITY		250,196	253,763	

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Scheme reserve <i>HK\$'000</i>	Revaluation reserve <i>HK\$'000</i>	Accumu- lated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 July 2010 (Audited)	100,900	309,140	1,330	1,264	4,181	1,054,095	6,981	(1,224,128)	253,763
Issue of shares upon exercise of share options	1,009	2,744	(1,330)	-	-	-	-	-	2,423
Total comprehensive loss for the period	-	-	-	-	5,812	-	-	(11,802)	(5,990)
At 31 January 2011 (Unaudited)	<u>101,909</u>	<u>311,884</u>	<u>-</u>	<u>1,264</u>	<u>9,993</u>	<u>1,054,095</u>	<u>6,981</u>	<u>(1,235,930)</u>	<u>250,196</u>
At 31 July 2009 (Audited)	100,900	309,140	1,330	1,264	71	1,054,095	6,981	(1,175,815)	297,966
Total comprehensive loss for the period	-	-	-	-	2,124	-	-	(5,396)	(3,272)
At 31 January 2010 (Unaudited)	<u>100,900</u>	<u>309,140</u>	<u>1,330</u>	<u>1,264</u>	<u>2,195</u>	<u>1,054,095</u>	<u>6,981</u>	<u>(1,181,211)</u>	<u>294,694</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited)	
	Six months ended 31 January	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(18,923)	(10,759)
Net cash used in investing activities	(15,320)	(11,895)
Net cash generated from/(used in) financing activities	6,829	(10,235)
Net (decrease) in cash and cash equivalents	(27,414)	(32,889)
Cash and cash equivalents at beginning of period	37,569	65,109
Effects of foreign exchange rate changes	2,211	1,465
Cash and cash equivalents at end of period	<u>12,366</u>	<u>33,685</u>
Analysis of the balances of cash and cash equivalents		
Bank and cash balances	<u>12,366</u>	<u>33,685</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 31 January 2011 have 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 condensed consolidated financial statements have been prepared under the historical cost basis, except for the floating crafts and vessels and leasehold buildings which are stated at fair value.

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 2010.

A number of new or revised Standards, Amendments and Interpretations are effective for the Group’s financial period beginning on or after 1 August 2010. Except as described below, 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.

HK-Int 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time (“repayment on demand clause”) should be classified by the borrower as current liabilities. In the past, the Group determined the classification of such term loans based on the agreed scheduled repayment dates set out in the loan agreements.

The Group has applied HK-Int 5 for the first time in the current interim period and the prior year retrospectively. Accordingly, the long-term portion of the Group’s borrowings of approximately HK\$40,099,000 was reclassified from non-current liabilities to current liabilities in the condensed consolidated statement of financial position as at 31 January 2011 (31 July 2010: HK\$35,658,000).

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 2010.

2. TURNOVER

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

	(Unaudited)	
	Six months ended 31 January	
	2011	2010
	HK\$’000	HK\$’000
Revenue from marine engineering work	37,066	47,396
Revenue from construction and structural steel engineering work	7,303	13,369
Revenue from sale of vessels	1,250	6,800
	<u>45,619</u>	<u>67,565</u>

3. SEGMENT INFORMATION

(a) Business segments

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

	Marine engineering		Construction and structural steel engineering		Sale of Vessels		Consolidated	
	(Unaudited)							
	Six months ended 31 January							
	2011	2010	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Revenue from external customers	<u>37,066</u>	<u>47,396</u>	<u>7,303</u>	<u>13,369</u>	<u>1,250</u>	<u>6,800</u>	<u>45,619</u>	<u>67,565</u>
Segment results	<u>4,702</u>	<u>6,347</u>	<u>(862)</u>	<u>1,148</u>	<u>(1,150)</u>	<u>1,034</u>	<u>2,690</u>	<u>8,529</u>
Unallocated other income							155	96
Unallocated expenses							<u>(13,708)</u>	<u>(13,731)</u>
Loss from operations							(10,863)	(5,106)
Interest income							12	529
Interest expense							<u>(951)</u>	<u>(819)</u>
Loss before taxation							(11,802)	(5,396)
Income tax							-	-
Loss attributable to owners of the Company							<u>(11,802)</u>	<u>(5,396)</u>

(b) Geographical information

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

	Hong Kong		Singapore		PRC		Consolidated	
	(Unaudited)							
	Six months ended 31 January							
	2011	2010	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<u>8,119</u>	<u>20,845</u>	<u>35,536</u>	<u>45,248</u>	<u>1,964</u>	<u>1,472</u>	<u>45,619</u>	<u>67,565</u>
							<u>45,619</u>	<u>67,565</u>

4. LOSS FROM OPERATIONS

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

	(Unaudited)	
	Six months ended 31 January	
	2011	2010
	HK\$'000	HK\$'000
Charging:		
Depreciation	5,589	5,245
Staff costs (including directors' remuneration)		
– contributions to mandatory provident fund	198	211
– salaries, wages and other benefits	7,234	7,277
Operating leases	670	645
Legal and professional fees	<u>1,816</u>	<u>1,019</u>

5. INCOME TAX

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

6. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$11,802,000 (31 January 2010: loss of HK\$5,396,000) and on the weighted average number of 10,096,647,957 ordinary shares (31 January 2010: 10,090,067,478 ordinary shares) in issue during the period.

There were no dilutive potential shares in existence for the periods ended 31 January 2010 and 2011, therefore diluted earnings per share are same as basic earnings per share for both the current and prior period.

7. PROPERTY, PLANT AND EQUIPMENT

	Leasehold shipyard and buildings HK\$'000	Leasehold improvements HK\$'000	Floating craft and vessels HK\$'000	Furniture, fixtures and office equipment HK\$'000	Plant, machinery and workshop equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation							
At 31 July 2010 (Audited)	63,578	772	42,909	1,057	15,885	1,301	125,502
Additions	-	-	17,000	5	-	-	17,005
Disposals	-	-	-	-	-	-	-
Exchange realignments	1,726	-	-	39	464	23	2,252
At 31 January 2011 (Unaudited)	65,304	772	59,909	1,101	16,349	1,324	144,759
Accumulated depreciation and impairment							
At 31 July 2010 (Audited)	6,588	123	4,587	714	6,373	608	18,993
Charge for the period	1,453	59	2,860	87	998	132	5,589
Disposals	-	-	-	-	-	-	-
Exchange realignments	91	-	5	37	189	14	336
At 31 January 2011 (Unaudited)	8,132	182	7,452	838	7,560	754	24,918
Net book value							
At 31 January 2011 (Unaudited)	<u>57,172</u>	<u>590</u>	<u>52,457</u>	<u>263</u>	<u>8,789</u>	<u>570</u>	<u>119,841</u>
At 31 July 2010 (Audited)	<u>56,990</u>	<u>649</u>	<u>38,322</u>	<u>343</u>	<u>9,512</u>	<u>693</u>	<u>106,509</u>

At the period end date, the net book value of motor vehicles held under finance leases of the Group was HK\$56,000 (31 July 2010: HK\$84,000). These assets are pledged to secure the Group's obligations under finance leases (note 13).

8. LEASE PREPAYMENTS

	(Unaudited) 31 January 2011 <i>HK\$'000</i>	(Audited) 31 July 2010 <i>HK\$'000</i>
Leasehold land in the PRC:		
Medium-term lease	<u>59,057</u>	<u>58,377</u>
Analysed for reporting purposes as:		
Current portion	2,034	1,976
Non-current portion	<u>57,023</u>	<u>56,401</u>
	<u>59,057</u>	<u>58,377</u>

Lease prepayments represent payments for land use rights located in the PRC with expiry through 2022 and 2040.

9. INTEREST IN AN ASSOCIATE

	(Unaudited) 31 January 2011 <i>HK\$'000</i>	(Audited) 31 July 2010 <i>HK\$'000</i>
Unlisted shares, at cost	5,000	1,500
Group's share of profit, net	<u>1,843</u>	<u>3,834</u>
Group's share of net assets of an associate	<u>6,843</u>	<u>5,334</u>
Amount due from/(to) an associate	<u>(198)</u>	<u>2,991</u>

The amount due from an associate is unsecured, interest-free and with no fixed terms of repayment.

Details of the associate as at 31 January 2011 are as follows:

Name of associate	Place of incorporation	Issued share capital	Percentage of equity interest attributable to the Group	Principal activities
Crown Asia Engineering Limited	Hong Kong	HK\$10,000,000	50%	Marine engineering and contract work

10. INVENTORIES

	(Unaudited) 31 January 2011 <i>HK\$'000</i>	(Audited) 31 July 2010 <i>HK\$'000</i>
Vessels held for trading	58,502	61,295
Raw materials	<u>3,590</u>	<u>3,654</u>
	<u>62,092</u>	<u>64,949</u>

11. TRADE AND OTHER RECEIVABLES

	(Unaudited) 31 January 2011 <i>HK\$'000</i>	(Audited) 31 July 2010 <i>HK\$'000</i>
Trade debtors	9,869	9,725
Retention money receivable	1,607	1,475
Prepayments, deposits and other receivables	24,182	18,448
	<u>35,658</u>	<u>29,648</u>

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

	(Unaudited) 31 January 2011 <i>HK\$'000</i>	(Audited) 31 July 2010 <i>HK\$'000</i>
0 – 30 days	2,296	3,526
31 – 90 days	4,194	2,433
91 – 180 days	100	1,969
181 – 360 days	297	1,514
Over 360 days	5,182	2,483
	<u>12,069</u>	<u>11,925</u>
Less: Allowance for doubtful debts	<u>(2,200)</u>	<u>(2,200)</u>
	<u>9,869</u>	<u>9,725</u>

Trading terms with customers are largely on credit, where trade deposits, advances and payments in advance are normally required. Invoices are normally payable within 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.

12. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	(Unaudited) 31 January 2011 <i>HK\$'000</i>	(Audited) 31 July 2010 <i>HK\$'000</i>
Contract costs incurred plus recognized profits less recognized losses to date	69,947	63,457
Less: Progress billings	(52,270)	(47,231)
	<u>17,677</u>	<u>16,226</u>
Amounts due from customers for contract work	17,677	16,226
Amounts due to customers for contract work	–	–
	<u>17,677</u>	<u>16,226</u>

13. OBLIGATIONS UNDER FINANCE LEASES

As at 31 January 2011, the Group had the following obligations under finance leases:

	(Unaudited) 31 January 2011		(Audited) 31 July 2010	
	Present value of the minimum lease payments <i>HK\$'000</i>	Total minimum lease payments <i>HK\$'000</i>	Present value of the minimum lease payments <i>HK\$'000</i>	Total minimum lease payments <i>HK\$'000</i>
Within 1 year	<u>18</u>	<u>18</u>	<u>52</u>	<u>54</u>
After 1 year but within 2 years	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>18</u>	<u>18</u>	<u>52</u>	<u>54</u>
Less: Total future finance charges		<u>–</u>		<u>(2)</u>
Present value of lease obligations		<u>18</u>		<u>52</u>

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets (Note 7).

14. TRADE AND OTHER PAYABLES

	(Unaudited) 31 January 2011 <i>HK\$'000</i>	(Audited) 31 July 2010 <i>HK\$'000</i>
Trade creditors	4,201	5,340
Other payables and accruals	<u>17,578</u>	<u>23,381</u>
	<u>21,779</u>	<u>28,721</u>

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

	(Unaudited) 31 January 2011 <i>HK\$'000</i>	(Audited) 31 July 2010 <i>HK\$'000</i>
0 – 30 days	1,788	3,069
31 – 90 days	499	388
91 – 180 days	3	188
181 – 360 days	974	944
Over 360 days	<u>937</u>	<u>751</u>
	<u>4,201</u>	<u>5,340</u>

15. LOAN FROM A RELATED COMPANY

	(Unaudited) 31 January 2011 <i>HK\$'000</i>	(Audited) 31 July 2010 <i>HK\$'000</i>
Harbour Front Assets Investments Limited	<u>40,099</u>	<u>35,658</u>

The loan is unsecured, bearing interest at prevailing prime rates offered by The Hongkong and Shanghai Banking Corporation Limited and repayable on 30 May 2012. The actual weighted average interest rate charged for the period is 5% per annum (31 July 2010: 5%).

16. SHARE CAPITAL

Ordinary shares	Number of ordinary shares of HK\$0.01 each	Amount HK\$'000
Authorised:		
At 1 August 2010 and 31 January 2011	<u>24,000,000,000</u>	<u>240,000</u>
Issued and fully paid:		
Balance at 1 August 2010	10,090,067,478	100,900
Issue of ordinary shares upon exercise of share options	<u>100,900,674</u>	<u>1,009</u>
Balance at 31 January 2011	<u>10,190,968,152</u>	<u>101,909</u>

On 18 January 2011, 100,900,674 ordinary shares of HK\$0.01 each were issued at a price of HK\$0.024 per share upon exercise of share options for a total cash consideration of HK\$2,421,616. These shares rank pari passu in all respects with the then existing ordinary shares of the Company.

Share options

The Company has a share option scheme (the "Share Option Scheme") which was adopted on 31 December 2002 whereby the directors of the Company are authorised, at their discretion, to invite eligible participants as described in definitions of the circular dated 6 December 2002 issued by the Company, including employees and directors of the Group, to take up options to subscribe for shares of the Company (the "Shares"). The exercise price of the options shall be determined by the Board and will not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealings in securities; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share. Under the Share Option Scheme, the total number of shares in respect of which options may be granted shall be 1,009,006,747 shares, representing 10% of the then issued share capital of the Company as at the date of adoption of the Share Option Scheme. The Share Option Scheme will remain in force until 30 December 2012.

During the period under review, there is movement in the share options. The terms and movement of the options during the period are as follows, whereby all options are settled by physical delivery of shares:

	Exercise Price	Number of share options			At 31 January 2011
		At 1 August 2010	Granted during the period	Exercised during the period	
Options granted to a director:					
Mr. Leung Yat Tung	HK\$0.024	100,900,674	-	100,900,674	-
- on 23 March 2009					

17. SIGNIFICANT RELATED PARTY TRANSACTIONS

	(Unaudited)	
	Six months ended 31 January 2011	2010
	HK\$'000	HK\$'000
Marine engineering related income from an associate	1,930	1,920
Sub-contracting income from an associate	1,908	-
Vessels sold to an associate	-	6,800
Maine craft building income from a related company	8,198	-
Interest received from an associate	-	424
Rental charges paid to related companies	-	274
Rental charges paid to a director	-	99
Consultancy fee paid to related companies	30	30
Sub-contracting cost paid to an associate	2,341	1,914
Finance costs payable to a related company	949	814
Maine engineering cost paid to an associate	331	-
Loan facility granted to an associate	-	8,150

18. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to current period presentation. These adjustments have no effect on the overall results or financial position of the Group.

19. CONTINGENCIES AND LITIGATIONS

(a) On 31 July 2002, Charterbase Management Limited, one of the Petitioners, issued the Bermuda Writ against the Company and against Mrs. Leung Yu Oi Ling, Irene, Mr. Chan Kim Leung, Miss Leung Chi Yin, Gillian, Mr. Pao Ping Wing, JP and Mr. Wong Pui Fai who were directors of the Company in April 2001, at the time of the Subscription SGM. Mr. Wong Pui Fai and Mr. Chan Kim Leung resigned as the directors of the Company on 28 April 2002 and on 27 September 2002, respectively. The Bermuda Writ recited the basis of the Petitioners' Complaint with respect of Charterbase Management Limited, namely, that the circular regarding the Subscription 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 mis-describing the Scheme Administrator's voting capacity in the circular regarding the Subscription. The Bermuda Writ claimed HK\$3,000,000 being Charterbase Management Limited's estimated costs of the Petitioners' Complaint. On 15 August 2002 the Company entered an appearance to the Bermuda Writ, and the Company filed its defence on 12 September 2002. The Company has been advised by its Bermuda lawyers that it has good grounds to resist the Bermuda Writ. Charterbase Management Limited has taken no further steps in the proceedings since the defence was filed.

- (b) The Company and the Group had pending litigation in respect of the Statement of Claim for HCA 624 of 2005 dated 28 September 2005. The Group's solicitor is of the view that there are three claims which duplicated partly with each others: the Fonfair Company Limited ("Fonfair") claim against the defendants for the amount of HK\$19,568,644.66 together with interest and costs, the Money Facts Limited ("Money Facts") claim for the amount of HK\$13,334,211.42 (HK\$12,874,121.48 of which is pleaded by Money Facts as part of its loss and damage suffered by virtue of its 7,900/12,008th interest held in Fonfair) together with interest and costs, and the Leung Yuet Keung claim for the amount of HK\$15,190,409.54 (HK\$6,667,105.71 of which is pleaded by Mr. Leung Yuet Keung as part of his loss and damage suffered by virtue of his 3,950/7,900th interest held in Money Facts) together with interest and costs. As pleaded by the plaintiffs, (a) Harbour Front Limited, which is the majority shareholder of the Company, holds 3,958 out of the 12,008 issued ordinary shares of Fonfair and 3,950 out of the 7,900 issued ordinary shares of Money Facts; (b) Money Facts holds 7,900 out of the 12,008 issued ordinary shares of Fonfair; and (c) Leung Yuet Keung holds 3,950 out of the 7,900 issued ordinary shares of Money Facts. Based on legal advice, the directors of the Company do not believe it probable that the court will place judgement against the Company and the Group, and therefore, no provision has therefore been made in respect of these claims.
- (c) UDL Contracting Limited ("UDL Contracting"), a wholly-owned subsidiary of the Company commenced legal action under HCA 1209 of 2007 against two defendants on 8 June 2007 to claim damages in relation to the construction of a printing workshop carried out by UDL Contracting. Default judgement in the sum of approximately HK\$162 million was awarded by the court in favour of UDL Contracting on 27 June 2007. However, one defendant took out a Summons to apply to set aside the default judgement which has been consented by UDL Contracting. The legal counsels are of the opinion that UDL Contracting is unlikely to incur any liability save for legal costs. The legal costs of the first defendant have been settled amicably upon the claim against the first defendant having been stayed to arbitration. No substantial action has been taken by the second defendant. UDL Contracting is considering further actions on the case. No asset is recognised in respect of this claim, and the recovery of this claim is a Scheme Asset. Based on an irrevocable letter of undertaking dated 23 October 2008 provided by Harbour Front Limited, UDL Contracting is entitled to the reimbursement of the scheme asset recovery costs.
- (d) UDL Dredging Limited ("UDL Dredging"), a wholly-owned subsidiary of the Company, has on 17 March 2010 filed a claim against a contractor, Leighton Contractors (Asia) Limited under arbitration to recover a sum of approximately HK\$14.6 million in respect of construction works services rendered relating to an aviation fuel facility in Hong Kong. UDL Dredging has also filed a claim under HCCT 54 of 2010 against this contractor to recover a sum of approximately HK\$4.8 million in respect of other services rendered on the same project. This action has subsequently been stayed to arbitration by consent. UDL Dredging is currently formulating further action on both claims.

INTERIM DIVIDEND

The Board does not recommend any payment of interim dividend for the six months ended 31 January 2011 (31 January 2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FUTURE PROSPECTS

The Group reports an unaudited revenue for the six months ended 31 January 2011 to be HK\$45.6 million (31 January 2010: HK\$67.6 million) with an unaudited consolidated loss of HK\$11.8 million (31 January 2010: loss of HK\$5.4 million).

Marine Engineering division reports a revenue of HK\$37.1 million (31 January 2010: HK\$47.4 million) and a profit of HK\$4.7 million (31 January 2010: HK\$6.3 million). The decline in revenue is mainly attributed to the effect from the transition of operations in the Group's shipyard in Singapore which leasehold was ended during the period. The Group continues its effort in locating alternative site in the region, while leveraging from its operation in the yards in China.

Construction and Structural Steel Engineering division reports a revenue of HK\$7.3 million (31 January 2010: HK\$13.4 million) with a loss of HK\$0.9 million (31 January 2010: profit of HK\$1.1 million). Various local infrastructural projects, such as the Hong Kong-Zhuhai-Macao Bridge project, are due to open for tender shortly, all of which require specialized engineering work and equipments. The Group is strategically positioning itself to meet these requirements and working towards in taking part in the forthcoming projects.

Revenue from **Sale of Vessels** totaled to HK\$1.3 million (31 January 2010: HK\$6.8 million) and recorded a loss of HK\$1.2 million (31 January 2010: profit of HK\$1.0 million). In view of the forthcoming major marine engineering works in Hong Kong and neighboring region and the adoption of new engineering methods required by these projects, the Group has begun to source unique type of vessels to meet our clients' demand while disposing the current inventory to other markets. A decline in revenue and profit during the period was observed as a result of this transition.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 January 2011, the Group has cash and cash equivalents of about HK\$12.4 million (31 July 2010: HK\$37.6 million).

The finance costs of the period is increased to HK\$1.0 million (31 January 2010: HK\$0.8 million).

The gearing ratio of the Group as a result, calculated by dividing total liabilities by total assets value, decreased to 21.3% (31 July 2010: 21.7%).

EXPOSURE OF FOREIGN EXCHANGE

The Group's assets and liabilities are mainly denominated in Hong Kong Dollars and Singapore Dollars. Income and expenses derived from the 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.

EMPLOYEES AND REMUNERATION POLICIES

The Group has about 120 technical and working staff in Hong Kong, Singapore and PRC during the period under review. Remuneration policies are reviewed regularly to ensure that compensation and benefit packages are in line with the market. In addition to basic salary, incentives in the form of bonuses and share options may also be offered to eligible employees based on individual performance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 January 2011.

CORPORATE GOVERNANCE

During the period under review, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

The Company has established the Remuneration Committee with adoption of written terms of reference in accordance with the requirements of the Listing Rules and the CG Code. The Remuneration Committee reviews and evaluates the remuneration policies of the directors and senior management of the Group and makes recommendations to the Board from time to time.

The Company has established the Audit Committee with adoption of written terms of reference in accordance with the requirements of the Listing Rules and the CG Code. The Audit Committee consists of three Independent Non-Executive Directors, namely Mr. Pao Ping Wing, *JP*, Prof. Yuen Ming Fai, Matthew and Ms. Tse Mei Ha, in which Ms. Tse Mei Ha is the chairman of the Audit Committee.

The Audit Committee and the management have reviewed the accounting policies and practices adopted by the Group and discussed internal control. This interim results of the Company for the six months ended 31 January 2011 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, 14 March 2011

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