

# 2012 Interim Report

 **UDL HOLDINGS LIMITED**  
**太元集團有限公司**

(Incorporated in Bermuda with limited liability)

Stock Code: 00620

## 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 2012 together with comparative figures as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited)	
		Six months ended	
		31 January	
	Note	2012 HK\$'000	2011 HK\$'000
<b>Turnover</b>	2	<b>32,915</b>	45,619
Cost of sales		<b>(30,708)</b>	(44,433)
<b>Gross profit</b>		<b>2,207</b>	1,186
Other income		<b>1,346</b>	167
General and administrative expenses		<b>(21,931)</b>	(13,708)
Gain on disposal of subsidiaries		<b>4,928</b>	–
<b>Loss from operations</b>	4	<b>(13,450)</b>	(12,355)
Finance costs		<b>(2,077)</b>	(951)
Share of (loss)/profit of associates		<b>(2,159)</b>	1,504
<b>Loss before taxation</b>		<b>(17,686)</b>	(11,802)
Income tax	5	–	–
<b>Loss for the period</b>		<b>(17,686)</b>	(11,802)
<b>Attributable to:</b>			
Owners of the Company		<b>(16,608)</b>	(11,802)
Non-controlling interests		<b>(1,078)</b>	–
		<b>(17,686)</b>	(11,802)
<b>Loss per share</b>	6		
Basic		<b>(0.16 cent)</b>	(0.12 cent)
Diluted		<b>(0.16 cent)</b>	(0.12 cent)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited)  
Six months ended  
31 January

	2012 HK\$'000	2011 HK\$'000
<b>Loss for the period</b>	<b>(17,686)</b>	(11,802)
<b>Other comprehensive income</b>		
Exchange differences on translation of foreign operations	4,400	5,812
Adjustment for realised exchange reserve included in gain on disposal of subsidiaries	(4,318)	–
<b>Total comprehensive loss for the period</b>	<b>(17,604)</b>	(5,990)
<b>Attributable to:</b>		
Owners of the Company	(17,200)	(5,990)
Non-controlling interests	(404)	–
	<b>(17,604)</b>	(5,990)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited)	(Audited)
		At	At
		31 January	31 July
		2012	2011
	Note	HK\$'000	HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	180,223	247,184
Lease prepayments	8	116,396	176,929
Club membership		200	200
Interests in associates	9(a)	36,966	7,125
		<b>333,785</b>	431,438
<b>Current assets</b>			
Inventories	10	96,140	95,731
Lease prepayments	8	3,817	2,087
Trade and other receivables	11	30,319	30,678
Amounts due from associates	9(b)	67,622	–
Amounts due from related companies		1,028	5,836
Cash and cash equivalents		3,543	20,071
		<b>202,469</b>	154,403
<b>Current liabilities</b>			
Secured bank loans	12	13,524	15,497
Trade and other payables	13	22,451	37,083
Amounts due to related parties		4,797	4,757
Loan from a related company	14	1,122	755
Amount due to an associate	9(c)	5,607	1,718
Amounts due to directors		58	122
Provision for taxation		472	673
		<b>48,031</b>	60,605
<b>Net current assets</b>		<b>154,438</b>	93,798
<b>Total assets less current liabilities</b>		<b>488,223</b>	525,236

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**

		(Unaudited)	(Audited)
		At	At
		31 January	31 July
		2012	2011
	Note	HK\$'000	HK\$'000
<b>Non-current liabilities</b>			
Promissory note	15	167,856	167,856
Loan from a related company	14	62,414	82,586
Deferred tax liabilities		49,999	49,236
		<b>280,269</b>	299,678
<b>NET ASSETS</b>			
		<b>207,954</b>	225,558
<b>CAPITAL AND RESERVES</b>			
Share capital	16	102,109	102,109
Reserves		75,383	92,583
<b>Equity attributable to owners of the Company</b>			
		<b>177,492</b>	194,692
<b>Non-controlling interests</b>			
		<b>30,462</b>	30,866
<b>TOTAL EQUITY</b>			
		<b>207,954</b>	225,558

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Share capital	Share premium	Share	Capital	Exchange	Scheme reserve	Revaluation reserve	Accumu-	Total	Non-controlling interests	Total equity
			option	redemption	fluctuation			lated			
	reserve	reserve	reserve	reserve	reserve	reserve	losses	HK\$'000	HK\$'000	HK\$'000	
At 31 July 2011 (Audited)	102,109	312,815	332	1,264	13,297	1,054,095	6,981	(1,296,201)	194,692	30,866	225,558
Loss for the period	-	-	-	-	-	-	-	(16,608)	(16,608)	(1,078)	(17,686)
Exchange differences on translation of foreign operations	-	-	-	-	3,726	-	-	-	3,726	674	4,400
Adjustment for realised exchange reserve included in gain on disposal of subsidiaries	-	-	-	-	(4,318)	-	-	-	(4,318)	-	(4,318)
Total comprehensive loss for the period	-	-	-	-	(592)	-	-	(16,608)	(17,200)	(404)	(17,604)
At 31 January 2012 (Unaudited)	102,109	312,815	332	1,264	12,705	1,054,095	6,981	(1,312,809)	177,492	30,462	207,954
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	-	253,763
Issue of shares upon exercise of share options	1,009	2,744	(1,330)	-	-	-	-	-	2,423	-	2,423
Total comprehensive income/(loss) for the period	-	-	-	-	5,812	-	-	(11,802)	(5,990)	-	(5,990)
At 31 January 2011 (Unaudited)	101,909	311,884	-	1,264	9,993	1,054,095	6,981	(1,235,930)	250,196	-	250,196

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)  
Six months ended  
31 January

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<b>Net cash used in operating activities</b>	<b>(17,698)</b>	(18,923)
<b>Net cash generated from/(used in) investing activities</b>	<b>24,320</b>	(15,320)
<b>Net cash (used in)/generated from financing activities</b>	<b>(21,779)</b>	6,829
<b>Net decrease in cash and cash equivalents</b>	<b>(15,157)</b>	(27,414)
Cash and cash equivalents at beginning of period	20,071	37,569
Effects of foreign exchange rate changes	(1,371)	2,211
<b>Cash and cash equivalents at end of period</b>	<b>3,543</b>	12,366
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank and cash balances	3,543	12,366

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 31 January 2012 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 2011.

A number of new or revised Standards, Amendments and Interpretations are effective for the Group's financial period beginning on or after 1 August 2011. 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 2011.

### 2. TURNOVER

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

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>31 January</b>	
	<b>2012</b>	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from marine engineering work	<b>8,380</b>	37,066
Revenue from construction and structural steel engineering work	<b>9,535</b>	7,303
Revenue from sale of vessels	<b>160</b>	1,250
Revenue from hotel operation	<b>14,840</b>	–
	<b>32,915</b>	45,619



### 3. SEGMENT INFORMATION

#### (a) Business segments

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

	Marine engineering		Construction and structural steel engineering		Sale of vessels		Hotel operation		Consolidated	
	(Unaudited)									
	Six months ended 31 January									
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	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	8,380	37,066	9,535	7,303	160	1,250	14,840	–	32,915	45,619
Segment results	(679)	4,702	4,869	(862)	(1,140)	(1,150)	(3,770)	–	(720)	2,690
Unallocated other income									178	167
Unallocated expenses									(15,067)	(13,708)
Unallocated finance costs									(2,077)	(951)
Loss before taxation									(17,686)	(11,802)

#### (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:

	Hong Kong		Singapore		PRC		Consolidated	
	(Unaudited)							
	Six months ended 31 January							
	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	16,074	8,119	–	35,536	16,841	1,964	32,915	45,619
							32,915	45,619

#### 4. LOSS FROM OPERATIONS

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

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>31 January</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Depreciation	<b>8,184</b>	5,589
Staff costs (including directors' remuneration)		
– contributions to mandatory provident fund	<b>152</b>	198
– salaries, wages and other benefits	<b>8,295</b>	7,234
Operating leases	<b>774</b>	670
Legal and professional fees	<b>1,898</b>	1,816

#### 5. INCOME TAX

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

#### 6. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$16,608,000 (31 January 2011: loss of HK\$11,802,000) and on the weighted average number of 10,210,968,152 ordinary shares (31 January 2011: 10,096,647,957 ordinary shares) in issue during the period.

There were no dilutive potential shares in existence for the periods ended 31 January 2011 and 2012. Therefore, the diluted loss per share is the same as the basic loss per share for both periods.

## 7. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties	Shipyard and leasehold buildings	Leasehold improvements	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	HK\$'000	HK\$'000
<b>Cost or valuation</b>								
At 31 July 2011 (Audited)	138,310	57,056	772	38,396	2,546	19,009	1,809	257,898
Additions	-	-	-	-	296	333	612	1,241
Disposals	-	(57,716)	-	-	-	(10,826)	(240)	(68,782)
Exchange realignments	2,143	660	-	-	(3)	169	3	2,972
At 31 January 2012 (Unaudited)	140,453	-	772	38,396	2,839	8,685	2,184	193,329
<b>Accumulated depreciation and impairment</b>								
At 31 July 2011 (Audited)	-	-	200	-	951	8,752	811	10,714
Charge for the period	3,484	1,051	39	2,434	158	833	185	8,184
Disposals	-	(1,057)	-	-	-	(4,649)	(136)	(5,842)
Exchange realignments	27	6	-	-	(26)	48	(5)	50
At 31 January 2012 (Unaudited)	3,511	-	239	2,434	1,083	4,984	855	13,106
<b>Net book value</b>								
At 31 January 2012 (Unaudited)	136,942	-	533	35,962	1,756	3,701	1,329	180,223
At 31 July 2011 (Audited)	138,310	57,056	572	38,396	1,595	10,257	998	247,184

At the period end date, Group's hotel properties and plant and machinery with an aggregate carrying value of HK\$139,358,000 (31 July 2011: HK\$138,943,000) were pledged to a bank to secure for bank borrowings granted to the Group (note 12).

## 8. LEASE PREPAYMENTS

	(Unaudited) 31 January 2012 HK\$'000	(Audited) 31 July 2011 HK\$'000
Leasehold land in the PRC		
Medium-term lease	<b>120,213</b>	179,016
Analysed for reporting purposes as:		
Current portion	<b>3,817</b>	2,087
Non-current portion	<b>116,396</b>	176,929
	<b>120,213</b>	179,016

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

	(Unaudited) 31 January 2012 HK\$'000	(Audited) 31 July 2011 HK\$'000
At 1 August	<b>179,016</b>	58,377
Acquisition of subsidiaries	–	119,447
Disposal for the period	<b>(58,758)</b>	–
Amortisation	<b>(2,569)</b>	(2,031)
Exchange realignment	<b>2,524</b>	3,223
	<b>120,213</b>	179,016

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

Lease prepayments with aggregate carrying amount of HK\$119,426,000 (31 July 2011: HK\$119,447,000) were pledged to a bank to secure for bank borrowings granted to the Group (note 12).

## 9. ASSOCIATES

	(Unaudited) 31 January 2012 HK\$'000	(Audited) 31 July 2011 HK\$'000
(a) Interests in associates		
Share of net assets of associates:		
At 1 August	7,125	5,334
Capital contribution to an associate	32,000	3,500
Dividend received	–	(3,495)
Share of (loss)/profit, net of tax	(2,159)	1,786
	<b>36,966</b>	<b>7,125</b>
(b) Amounts due from associates	<b>67,622</b>	–
(c) Amount due to an associate	<b>(5,607)</b>	<b>(1,718)</b>

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

(d) Details of the associates as at 31 January 2012 are as follows:

Name of associate	Form of business structure	Place of incorporation/ operation	Particulars of issued share capital	Proportion of ownership interest		Principal activities
				Group's effective interest	Held by a subsidiary	
Crown Asia Engineering Limited	Incorporated	Hong Kong	HK\$10,000,000	50%	50%	Marine engineering
Crown Asia Logistics Limited	Incorporated	Hong Kong	HK\$10,000	50%	50%	Provision of logistics services
Universal Harbour Investment Limited	Incorporated	Hong Kong	HK\$64,000,000	50%	50%	Investment holdings

## 10. INVENTORIES

	(Unaudited) 31 January 2012 HK\$'000	(Audited) 31 July 2011 HK\$'000
Vessels held for trading	89,516	89,424
Raw materials	3,319	3,269
Hotel low-valued consumables	3,305	3,038
	<b>96,140</b>	<b>95,731</b>

## 11. TRADE AND OTHER RECEIVABLES

	(Unaudited) 31 January 2012 HK\$'000	(Audited) 31 July 2011 HK\$'000
Trade debtors	15,602	16,822
Retention money receivable	911	1,085
Prepayments, deposits and other receivables	13,806	12,771
	<b>30,319</b>	<b>30,678</b>

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

	(Unaudited) 31 January 2012 HK\$'000	(Audited) 31 July 2011 HK\$'000
0 – 30 days	4,814	3,468
31 – 90 days	3,230	6,726
91 – 180 days	1,992	2,661
181 – 360 days	4,806	4,764
Over 360 days	6,360	4,803
	<b>21,202</b>	<b>22,422</b>
Less: Allowance for doubtful debts	<b>(5,600)</b>	<b>(5,600)</b>
	<b>15,602</b>	<b>16,822</b>

## 11. TRADE AND OTHER RECEIVABLES (Continued)

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. SECURED BANK LOANS

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

	<b>(Unaudited)</b> <b>31 January</b> <b>2012</b> <b>HK\$'000</b>	(Audited) 31 July 2011 <i>HK\$'000</i>
Current liabilities		
– Secured bank loans subject to repayment on demand clause	<b>13,524</b>	15,497
Non-current liabilities		
– Secured bank loans	–	–

(b) As at 31 January 2012, secured bank loans were due for repayment as follows:

	<b>(Unaudited)</b> <b>31 January</b> <b>2012</b> <b>HK\$'000</b>	(Audited) 31 July 2011 <i>HK\$'000</i>
Carrying amount repayable*:		
Within one year or on demand	<b>8,360</b>	7,991
After one year but within two years	<b>5,164</b>	7,506
	<b>13,524</b>	15,497
Less: Amounts due within one year shown under current liabilities	<b>13,524</b>	15,497
	–	–

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

## 12. SECURED BANK LOANS (Continued)

- (c) As at 31 January 2012, the Group's borrowings were secured by the hotel properties, land use rights and plant and machinery with an aggregate carrying value of HK\$258,784,000 (31 July 2011: HK\$258,390,000) and the guarantee given by a director of a subsidiary.

Certain of the Group's banking facilities are subject to the fulfillment of covenants relating to profitability ratios, total equity and the amount of capital expenditure incurred, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the facilities drawn down would become repayable on demand. The Group regularly monitors its compliance with these covenants. As at 31 January 2012, none of the bank covenants relating to draw down facilities had been breached.

- (d) The secured bank loans are fixed-rate borrowings, bearing interest ranging from 7.24% to 7.57% per annum.
- (e) The secured bank loans of the Group are denominated in Renminbi.

## 13. TRADE AND OTHER PAYABLES

	<b>(Unaudited)</b>	(Audited)
	<b>31 January</b>	31 July
	<b>2012</b>	2011
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade creditors	<b>4,915</b>	6,431
Deposits received from customers	<b>1,084</b>	9,049
Provision for re-instatement costs of leasehold shipyard in Singapore	<b>3,855</b>	4,022
Other payables and accruals	<b>12,597</b>	17,581
	<b>22,451</b>	37,083



### 13. TRADE AND OTHER PAYABLES (Continued)

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

	(Unaudited) 31 January 2012 HK\$'000	(Audited) 31 July 2011 HK\$'000
0 – 30 days	140	2,855
31 – 90 days	1,110	570
91 – 180 days	219	45
181 – 360 days	1,111	1,672
Over 360 days	2,335	1,289
	<b>4,915</b>	<b>6,431</b>

### 14. LOANS FROM RELATED COMPANIES

	(Unaudited) 31 January 2012 HK\$'000	(Audited) 31 July 2011 HK\$'000
Non-current liabilities		
Harbour Front Assets Investments Limited ( <i>note i</i> )	62,414	82,586
Current liabilities		
Multi-Ventures Limited ( <i>note ii</i> )	1,122	755
	<b>63,536</b>	<b>83,341</b>

Notes:

- i.* The loan is unsecured, bearing interest at prevailing prime rate offered by The Hongkong and Shanghai Banking Corporation Limited and repayable on 30 November 2012. The actual weighted average interest rate charged for the period is 5% per annum (31 July 2011: 5%).
- ii.* The loan is unsecured, bearing interest at prevailing prime rate offered by The Hongkong and Shanghai Banking Corporation Limited and repayable on 31 December 2012. The actual weighted average interest rate charged for the period is 5% per annum (31 July 2011: 5%).

## 15. PROMISSORY NOTE

Sunfill Limited, a wholly-owned subsidiary issued, as settlement for the acquisition of subsidiaries, a zero coupon promissory note with the principal amount of HK\$188,271,000 with maturity date due on 15 August 2012 which was subsequently extended to 15 August 2013. The fair value of promissory note before maturity date extension was determined at HK\$167,856,000 as at 31 July 2011, based on a professional valuation performed by an independent valuer, which value would be updated in the coming annual results for 2012.

## 16. SHARE CAPITAL

Ordinary shares	Number of ordinary shares of HK\$0.01 each	Amount <i>HK\$'000</i>
Authorised:		
At 1 August 2011 and 31 January 2012	24,000,000,000	240,000
Issued and fully paid:		
Balance at 1 August 2011 and 31 January 2012	10,210,968,152	102,109

### 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 shall 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. The Share Option Scheme will remain in force until 30 December 2012.

A total number of 40,000,000 issuable share options were granted to an employee of the Company on 22 March 2011 and the exercise price for each share was HK\$0.04.

As at 31 January 2012, the maximum number of shares issuable under the Share Option Scheme is 868,106,073 shares, representing 8.5% of the issued share capital of the Company.

## 16. SHARE CAPITAL (Continued)

During the period under review, there is no movement in the share options. The terms and conditions of the grants that existed during the period are as follows, whereby all options are settled by physical delivery of shares:

	Exercise Period	Exercise Price	Number of share options			At 31 January 2012
			At 1 August 2011	Granted during the period	Exercised during the period	
Employee	22 March 2011 to 21 March 2021	HK\$0.04	20,000,000	-	-	20,000,000

## 17. SIGNIFICANT RELATED PARTY TRANSACTIONS

	(Unaudited)	
	Six months ended 31 January	
	2012	2011
	HK\$'000	HK\$'000
Marine engineering related income from an associate	-	1,930
Sub-contracting income from an associate	-	1,908
Rental income from a related company	106	-
Maine craft building income from a related company	-	8,198
Car hiring income from an associate	66	-
Rental charges paid to related companies	114	-
Management fee paid to a related company	3,515	-
Consultancy fee paid to related companies	30	30
Sub-contracting cost paid to an associate	4,457	2,341
Finance costs payable to related companies	1,912	949
Maine engineering cost paid to an associate	178	331
Sale proceeds for disposal of Lead Ocean Group to an associate	127,574	-

## 18. 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 duplicate 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) Mr. Leung Yuet Keung holds 3,950 out of the 7,900 issued ordinary shares of Money Facts. Based on legal advice, the directors of the Company do not believe it probable that the court will place judgement against the Company and the Group, and therefore, no provision has therefore been made in respect of these claims.

## 18. CONTINGENCIES AND LIGATIONS (Continued)

- (c) UDL Contracting Limited (“UDL Contracting”), a wholly-owned subsidiary of the Company commenced legal action under HCA 1209 of 2007 against two defendants on 8 June 2007 to claim damages in relation to the construction of a printing workshop carried out by UDL Contracting. Default judgement in the sum of approximately HK\$162 million was awarded by the court in favour of UDL Contracting on 27 June 2007. However, one defendant took out a Summons to apply to set aside the default judgement which has been consented by UDL Contracting. The legal counsels are of the opinion that UDL Contracting is unlikely to incur any liability save for legal costs. The legal costs of the first defendant have been settled amicably upon the claim against the first defendant having been stayed to arbitration. No substantial action has been taken by the second defendant. UDL Contracting is considering further actions on the case. No asset is recognised in respect of this claim, and the recovery of this claim is a Scheme Asset. Based on an irrevocable letter of undertaking dated 23 October 2008 provided by Harbour Front Limited, UDL Contracting is entitled to the reimbursement of the recovery costs upon success in the Scheme Asset recovery actions.
- (d) UDL Dredging Limited (“UDL Dredging”), a wholly-owned subsidiary of the Company, has 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 work 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. The contractor and UDL Dredging has entered into a confidential settlement agreement after mediation and the results have been fully booked and reflected in these interim results.
- (e) UDL Marine (Singapore) Pte Ltd (“UMSG”), a wholly-owned subsidiary of the Company, commenced proceedings against Jurong Town Corporation (“JTC”) in relation to an application for renewal of the lease at 3 Benoi Road, Singapore 629877, Civil Suit 502 of 2010. This claim against JTC seeks for a renewal of the lease be granted. UMSG also commenced proceedings against Economic Development Bureau (“EDB”), Civil Suit 156 of 2011, for damages for negligent mis-statement in relation to the renewal of the aforesaid lease. JTC has also commenced proceedings against UMSG, Civil Suit 98 of 2011, for repossession of the land and double value of rent for the period of holding over. All the three aforesaid cases have now been ordered to be consolidated and proceeded as one action, titled as Civil Suit 502 of 2010.

## INTERIM DIVIDEND

The Board does not recommend any payment of interim dividend for the six months ended 31 January 2012 (31 January 2011: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND FUTURE PROSPECTS

The Group reports an unaudited revenue for the six months ended 31 January 2012 to be HK\$32.9 million (31 January 2011: HK\$45.6 million) with an unaudited consolidated loss of HK\$17.7 million (31 January 2011: loss of HK\$11.8 million).

**Construction and Structural Steel Engineering** sector reports a revenue of HK\$9.5 million (31 January 2011: HK\$7.3 million) with a profit of HK\$4.9 million (31 January 2011: loss of HK\$0.9 million). While various local infrastructure projects have been rolled out in 2011, the numbers have yet able to provide a sustainable demand. In late 2011, the Hong Kong Government has commenced consultation on its 'Enhancing Land Supply Strategy' with a view to come to a long-term solution for shortage of land supply. This may translate to large scale of reclamation work in Hong Kong, hence a recurrent and continuous demand for our field of services.

Revenue from **Sale of Vessels** totaled to HK\$0.2 million (31 January 2011: HK\$1.3 million) and recorded a loss of HK\$1.1 million (31 January 2011: loss of HK\$1.2 million). The loss reflected the Group's continued process in transforming its inventories to cater for the changing engineering methods now demanded in the Hong Kong and neighbouring regions.

**Marine Engineering** sector reports a revenue of HK\$8.4 million (31 January 2011: HK\$37.1 million) and a loss of HK\$0.7 million (31 January 2011: profit of HK\$4.7 million). Revenue declined as a result of the suspension of shipbuilding operation in Singapore coupled with the downward slide of global demand for new building. In view of the current economic uncertainties and rise in material costs, a slow recovery may be expected.

The Group's recently acquired **Hotel Operation** reported a revenue of HK\$14.8 million with a loss of HK\$3.8 million. The management is closely monitoring this market segment.

### LIQUIDITY AND FINANCIAL RESOURCES

As at 31 January 2012, the Group has cash and cash equivalents of about HK\$3.5 million (31 July 2011: HK\$20.1 million).

The finance costs of the period is increased to HK\$2.1 million (31 January 2011: HK\$1.0 million).

The gearing ratio of the Group as a result, calculated by dividing total liabilities by total assets value, decreased to 61.22% (31 July 2011: 61.5%).

### 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 310 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 2012.

## OTHER INFORMATION

### DIRECTORS' INTERESTS IN SHARES

As at 31 January 2012, 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 Shares and nature of interest		Percentage of the Company's issued share capital
		Personal	Other	
Mr. Leung Yat Tung	1, 3, 4, 6	100,900,674	6,204,084,634	61.75%
Mrs. Leung Yu Oi Ling, Irene	1, 3, 4, 6	800,000	6,304,185,308	61.75%
Miss Leung Chi Yin, Gillian	1, 2, 3	22,239,200	6,203,004,634	60.97%
Mr. Leung Chi Hong, Jerry	1, 2, 3	16,506,774	6,203,004,634	60.91%
Prof. Yuen Ming Fai, Matthew	5	–	4,800	0.00%

Notes :

- 6,202,833,221 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.
- 120,000 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.
- 51,413 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.
- 400,000 shares are held by Top Union Investments Limited, which is 100% beneficially owned by Mrs. Leung Yu Oi Ling, Irene.
- 4,800 shares are held by Mrs. Yuen Chiu Yin May, May. Mrs. Yuen is the spouse of Prof. Yuen Ming Fai, Matthew.
- 100,900,674 shares are held by Mr. Leung Yat Tung, spouse of Mrs. Leung Yu Oi Ling, Irene.

Save as disclosed above, as at 31 January 2012, 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 Division 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").

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in note 16 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 2012, 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 Shares held	Percentage of the Company's issued share capital
Harbour Front Limited	6,202,833,221	60.75%

Note: 6,202,833,221 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 2012.

## 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 2012 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, 27 March 2012

*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