UDL HOLDINGS LIMITED
太 元 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 620)

FINAL RESULTS FOR THE YEAR ENDED 31 JULY 2012

The board of directors (the "Board") of UDL Holdings Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 July 2012 together with the comparative figures for the year ended 31 July 2011 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 July 2012

	Note	2012 HK$'000	2011 HK$'000
Turnover	2	**52,987**	60,254
Other revenue and net income	4	**505**	1,507
Staff costs	6(a)	**(24,287)**	(24,177)
Marine, construction and structural steel engineering costs	6(b)	**(20,156)**	(42,901)
Hotel operation costs	6(c)	**(10,442)**	(525)
Depreciation and amortisation	6(d)	**(18,580)**	(14,234)
Reversal of impairment/(impairment loss) on amounts due from customers for contract works	14	**8,380**	(23,511)
Impairment loss on trade and other receivables		**(6,544)**	(18,060)
Write-down of inventories		**(3,285)**	–
Gain on bargain purchase on acquisition of subsidiaries		**–**	3,681
Other operating expenses		**(12,104)**	(13,298)
Loss from operations		**(33,526)**	(71,264)
Finance costs	5	**(23,045)**	(2,557)
Gain on restructuring of promissory note	16	**20,020**	–
Share of (losses)/profits of associates	10(e)	**(1,625)**	1,786
Share of losses of jointly controlled entities	11(d)	**(3,110)**	–
Loss before taxation	6	**(41,286)**	(72,035)
Income tax credit	7	**435**	–
Loss for the year		**(40,851)**	(72,035)
Attributable to:			
Owners of the Company		**(40,516)**	(72,073)
Non-controlling interests		**(335)**	38
		(40,851)	(72,035)
			Restated
Loss per share			
– Basic	8(a)	**(19.84) cent**	(35.51) cent
– Diluted	8(b)	**(19.84) cent**	(35.51) cent

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 July 2012

	Note	2012 HK$'000	2011 HK$'000
Loss for the year		**(40,851)**	(72,035)
Other comprehensive income for the year			
Exchange differences on translation of financial statements of foreign subsidiaries and jointly controlled entities		**2,423**	8,982
Release of exchange reserve upon disposal of subsidiaries		**–**	134
Revaluation surplus arising from hotel properties		**7,615**	–
Total comprehensive loss for the year, net of tax		**(30,813)**	(62,919)
Attributable to:			
Owners of the Company		**(32,295)**	(62,957)
Non-controlling interests		**1,482**	38
		(30,813)	(62,919)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2012

	Note	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**185,533**	247,184
Lease prepayments		**113,773**	176,929
Intangible assets	9	**–**	–
Club membership		**200**	200
Interests in associates	10(a)	**5,500**	7,125
Interests in jointly controlled entities	11(a)	**28,574**	–
		333,580	431,438
Current assets			
Inventories	12	**108,543**	95,731
Lease prepayments		**3,645**	2,087
Trade and other receivables	13	**14,064**	30,678
Amount due from an associate	10(b)	**431**	–
Amount due from a jointly controlled entity	11(b)	**63,987**	–
Amounts due from customers for contract works	14	**–**	–
Amounts due from related parties		**4**	5,836
Cash and cash equivalents		**5,841**	20,071
		196,515	154,403
Current liabilities			
Secured bank loans		**9,994**	15,497
Trade and other payables	15	**23,240**	37,083
Amounts due to related parties		**9,797**	4,757
Amount due to an associate	10(c)	**–**	1,718
Amounts due to directors		**507**	122
Loan from a related company		**1,149**	755
Current taxation		**804**	673
		45,491	60,605
Net current assets		**151,024**	93,798
Total assets less current liabilities		**484,604**	525,236
Non-current liabilities			
Promissory note	16	**166,500**	167,856
Loan from a related company		**71,082**	82,586
Deferred tax liabilities		**51,667**	49,236
		289,249	299,678
NET ASSETS		**195,355**	225,558
CAPITAL AND RESERVES			
Share capital		**102,109**	102,109
Reserves		**60,898**	92,583
Equity attributable to owners of the Company		**163,007**	194,692
Non-controlling interests		**32,348**	30,866
TOTAL EQUITY		**195,355**	225,558

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2012

1. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(b) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Amendments to HKAS 1, HKAS 34, HKFRS 7 and HK(IFRIC)-Int 13 as part of Improvements to HKFRSs issued in 2010
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
Amendments to HKFRS 7	Financial Instruments: Disclosures-Transfers of Financial Assets
HKAS 24 (Revised 2009)	Related Party Disclosures

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or the disclosures set out in these financial statements.

The Group has not applied any new standard or interpretation that is not effective for the current accounting period.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 7	Disclosures-Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendment to HKAS 12	Deferred Tax- Recovery of Underlying Assets[4]
HKAS 19 (Revised in 2011)	Employee Benefits[1]
HKAS 27 (Revised in 2011)	Separate Financial Statements[1]
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1 January 2013
[2] Effective for annual periods beginning on or after 1 January 2015
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 January 2014

(c) Basis of preparation of the financial statements

The financial statements have been prepared under the historical cost convention except for the hotel properties, floating crafts and vessels and shipyard and leasehold buildings which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. TURNOVER AND REVENUE

The principal activity of the Company is investment holding. The principal activities of the subsidiaries which materially affected the results or assets of the Group during the year include sale of vessels, marine engineering work, construction and structural steel engineering work and hotel operations.

An analysis of the amount of each significant category of turnover and revenue from principal activities during the year is as follows:

	2012	2011
	HK$'000	*HK$'000*
Revenue from:		
Marine engineering	**12,020**	42,250
Sale of vessels	**–**	1,350
Construction and structural steel engineering	**12,335**	15,242
Hotel operations		
– Room rentals	**19,192**	943
– Food and beverage	**9,440**	469
	28,632	1,412
Turnover	**52,987**	60,254

3. SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by business line in a manner consistent with the way in which information is reported internally to the Group's Chief Operating Decision Maker ("CODM"), being the Executive Directors of the Company, for the purpose of resource allocation and performance assessment, the Group has four reportable segments as below. No operating segments have been aggregated to form the following reportable segments.

- Marine engineering
- Construction and structural steel engineering
- Sale of vessels
- Hotel operations

(a) Segment results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the Group's CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated and the expenses incurred by those segments or which would otherwise arise from the depreciation or amortisation of assets attributable to those segments. The measure used for reporting segment profit/loss is gross profit/loss. No inter-segment sales have occurred for the years ended 31 July 2012 and 2011. The Group's other income and expense items, such as general and administrative expenses and share of (loss)/profit of associates/jointly controlled entities are not measured under individual segment.

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates and jointly controlled entities and other corporate asset. Segment liabilities include trade and other payables attributable to the individual segment.

	Marine engineering		Construction and structural steel engineering		Sale of vessels		Hotel operations		Consolidated	
	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*
Reportable segment revenue:										
Revenue from external customers	**12,020**	42,250	**12,335**	15,242	**–**	1,350	**28,632**	1,412	**52,987**	60,254
Reportable segment results	**(16,232)**	(51,017)	**(1,867)**	(6,293)	**(3,285)**	(1,150)	**(967)**	4,567	**(22,351)**	(53,893)
Unallocated head office and corporate other revenue and income									**505**	1,507
Unallocated head office and corporate expenses									**(15,059)**	(17,092)
Unallocated finance costs									**(4,381)**	(2,557)
Loss before taxation									**(41,286)**	(72,035)
Income tax credit									**435**	–
Loss for the year									**(40,851)**	(72,035)

	Marine engineering		Construction and structural steel engineering		Sale of vessels		Hotel operations		Consolidated	
	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*
ASSETS										
Reportable segment assets	**56,498**	68,904	**93,778**	139,832	**101,634**	101,281	**276,090**	273,238	**528,000**	583,255
Unallocated head office and corporate assets									**2,095**	2,586
Total consolidated assets									**530,095**	585,841
LIABILITIES										
Reportable segment liabilities	**69,106**	109,267	**1,281**	10,762	**30,687**	1,333	**233,640**	238,895	**334,714**	360,257
Unallocated head office and corporate liabilities									**26**	26
Total consolidated liabilities									**334,740**	360,283
OTHER INFORMATION										
Capital expenditure incurred during the year	**2,638**	14,287	**32,159**	–	**87**	357	**883**	–	**35,767**	14,644
Depreciation and amortisation	**6,613**	5,584	**2,227**	8,650	**–**	–	**9,740**	–	**18,580**	14,234
Gain on bargain purchase of acquisition of subsidiaries	**–**	–	**–**	–	**–**	–	**–**	(3,681)	**–**	(3,681)
Write-down of inventories	**–**	–	**–**	–	**3,285**	–	**–**	–	**3,285**	–
Impairment loss on trade and other receivables	**6,208**	8,246	**200**	7,909	**–**	1,905	**136**	–	**6,544**	18,060
(Reversal of impairment)/ impairment loss on amounts due from customers for contract works	**(8,380)**	22,403	**–**	1,108	**–**	–	**–**	–	**(8,380)**	23,511

(b) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, lease prepayments, intangible assets ("specified non-current assets"). The geographical location of customers is based on the location at which services were provided. The geographical location of the specified non-current assets are based on the physical location of the assets.

	Hong Kong		Singapore		PRC		Consolidated	
	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	**22,995**	18,590	**121**	37,476	**29,871**	4,188	**52,987**	60,254
Specified non-current assets	**38,122**	48,576	**9**	276	**295,249**	382,386	**333,380**	431,238

(c) **Information about major customers**

Revenue from customers contributing 10% or more of the total revenue of the Group is as follows:

	2012	2011
	HK$'000	*HK$'000*
Revenue from marine engineering:		
– Customer A	**–**	6,938
– Customer B	**–**	6,512
– Customer C	**5,892**	6,466
– Customer D	**–**	6,450
– Customer E	**–**	6,113
– Customer F	**8,380**	–
	14,272	32,479

4. OTHER REVENUE AND NET INCOME

	2012	2011
	HK$'000	*HK$'000*
Other revenue:		
Interest income	**4**	17
Total interest income on financial assets not at fair value through profit or loss	**4**	17
Other net income:		
Gain on disposal of a subsidiary	**–**	992
Gain on disposal of property, plant and equipment	**49**	206
Scrap sales	**–**	15
Rental income	**337**	–
Others	**115**	277
	501	1,490
	505	1,507

5. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest on secured bank loans	**922**	45
Interest on loans from related companies	**3,459**	2,510
Imputed interest on promissory note	**18,664**	–
Interest on finance leases	**–**	2
Total interest expense on financial liabilities not at fair value through profit or loss	**23,045**	2,557

6. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging/(crediting):

		2012	2011
		HK$'000	*HK$'000*
(a)	Staff costs (including directors' emoluments)		
	Salaries, wages and other benefits	**24,033**	23,121
	Equity-settled share-based payment expenses	**–**	664
	Contributions to defined contribution retirement plans	**254**	392
		24,287	24,177
(b)	Marine, construction and structural steel engineering costs		
	Subcontracting, direct engineering and material costs	**15,759**	32,548
	Cost of vessels	**–**	2,500
	Rental charges	**368**	2,804
	Plant and operational costs	**583**	1,127
	Direct overheads	**77**	953
	Repairs, maintenance and vessel security	**3,369**	2,086
	Consultancy fees	**–**	883
		20,156	42,901
(c)	Hotel operation costs (other than staff costs and depreciation)		
	Consumables	**3,369**	169
	Electricity and water	**1,946**	55
	Food and beverage	**5,127**	301
		10,442	525
(d)	Depreciation and amortisation		
	Depreciation of property, plant and equipment	**14,272**	12,203
	Amortisation of lease prepayments	**4,308**	2,031
		18,580	14,234
(e)	Other items		
	Auditor's remuneration		
	– Audit services	**939**	1,024
	Operating lease charges in respect of land and buildings	**2,608**	2,516
	Impairment loss on trade and other receivables	**6,544**	18,060
	Gain on disposal of property, plant and equipment	**(49)**	(206)
	Write-down of inventories	**3,285**	–
	Net foreign exchange loss	**220**	–

7. INCOME TAX

(a) Income tax in the consolidated income statement represents:

	2012	2011
	HK$'000	*HK$'000*
Current tax-overseas		
– Income tax	**–**	–
Deferred taxation	**(435)**	–
	(435)	–

The Company and subsidiaries of the Group incorporated in Bermuda and the British Virgin Islands, respectively are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profit for the year. No provision has been made for Hong Kong Profits Tax as the Group did not derive any assessable profits subject to Hong Kong Profits Tax during both years.

The PRC subsidiaries of the Group are subject to PRC Corporate Income Tax rate of 25% (2011: 25%) for the year. No provision for PRC corporate income tax has been made, as the Group's PRC subsidiaries did not generate any assessable profits during both years.

Singapore income tax has been provided at the rate of 17% (2011: 17%) for the year. No provision for Singapore income tax has been made, as the Group's Singapore subsidiaries did not generate any assessable profits during both years.

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2012	2011
	HK$'000	*HK$'000*
Loss before income tax	**(41,286)**	(72,035)
Notional tax on loss before income tax, calculated at the rates applicable in the tax jurisdiction concerned	**(7,255)**	(12,135)
Tax effect of non-deductible expenses	**3,372**	7,744
Tax effect of non-taxable income	**(3,906)**	(1,406)
Tax effect of difference in depreciation between accounting and tax losses	**474**	(1,132)
Tax effect of tax losses ultilised	**(1,183)**	(2,146)
Tax effect of unused tax losses not recognised	**8,063**	9,075
Tax credit	**(435)**	–

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK$40,516,000 (2011: loss of HK$72,073,000) and the weighted average number of 204,219,363 (2011: 202,978,097 (restated)) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2012	2011
Issued ordinary shares	**10,210,968,152**	10,090,067,478
Effect of exercise of share options	**–**	58,837,347
Effect of share consolidation	**(10,006,748,789)**	(9,945,926,728)
Weighted average number of ordinary shares	**204,219,363**	202,978,097

The weighted average number of ordinary shares for the year ended 31 July 2012 and 2011 for purpose of basic and diluted loss per share has been adjusted and restated to reflect the effects of share consolidation and the rights issue completed on 14 September 2012 and 17 October 2012 respectively (Note 19 below). There would be no effect on the weighted number of ordinary shares in respect of the bonus element inherent in the rights issue completed on 17 October 2012 as the exercise price exceeded the average market price immediately prior to the exercise of the rights.

(b) Diluted loss per share

The Company had no dilutive potential ordinary shares in existence during the years ended 31 July 2012 and 2011 since the exercise of the Company's share options is anti-dilutive and would result in a reduction in loss per share. Therefore, the diluted loss per share is same as the basic loss per share for both years.

9. INTANGIBLE ASSETS

Port work and structural steel licenses

	The Group	
	2012	2011
	HK$'000	*HK$'000*
At beginning of the year	**30,912**	30,912
Disposal of subsidiaries *(note (18))*	**(9,972)**	–
	20,940	30,912
Impairment recognised	**(30,912)**	(30,912)
Disposal of subsidiaries *(note (18))*	**9,972**	–
At end of the year	**–**	–

The port work and structural steel licenses (the "Licences") are allocated to the Group's cash generated unit identified as the marine engineering business segment.

Impairment testing on intangible assets

For the purpose of impairment test, the recoverable amount of the Licences was determined based on value-in-use calculations. These calculations use cash flow projections covering a 10-year period based on financial forecasts approved by management, and discount rate of 10.85%. Key assumptions for the value-in-use calculations related to estimated cash inflows/outflows based on the unit's past performance and management's expectations for the market development. Management believed that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the Licences to exceed their aggregate recoverable amount.

10. ASSOCIATES

		2012 HK$'000	2011 HK$'000
(a)	Interest in associates		
	Share of net assets of associates:		
	At 1 August	**7,125**	5,334
	Capital contribution to an associate	**–**	3,500
	Share of post-acquisition (loss)/profit, net of tax	**(1,625)**	1,786
	Dividends received	**–**	(3,495)
	At 31 July	**5,500**	7,125
(b)	Amount due from an associate *(note (f))*	**431**	–
(c)	Amount due to an associate *(note (f))*	**–**	**(1,718)**

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

Name of associate	Form of business structure	Place of incorporation/ operation	Particulars of issued share capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by a Subsidiary	Principal activities
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

(e) Summary of the financial information of associates are as follows:

	2012 HK$'000	2011 HK$'000
Assets	**14,196**	27,420
Liabilities	**(3,196)**	(13,170)
Group's share of net assets of associates	**5,500**	7,125
Revenue	**25,074**	41,442
(Loss)/profit after tax	**(3,250)**	3,572
Group's share of (losses)/profits of associates for the year	**(1,625)**	1,786

(f) The amount due from/(to) an associate is unsecured, interest-free and with no fixed term of repayment.

(g) The directors of the Company are of the opinion that the estimated recoverable amount of the investments in associates exceeded the carrying amount and no impairment was considered necessary.

11. JOINTLY CONTROLLED ENTITIES

		The Group	
		2012	2011
		HK$'000	*HK$'000*
(a)	Interests in jointly controlled entities Share of net assets- unlisted	**28,574**	–
(b)	Amount due from a jointly controlled entity	**63,987**	–

The amount due from a jointly controlled entity was unsecured, interest-free and fully repaid on 16 October 2012.

(c) Details of the jointly controlled entities as at 31 July 2012 are as follows:

Name of company	Form of business structure	Place of incorporation/ operation	Particulars of issued share capital	Group's effective interest	Principal activities
Universal Harbour Investment Limited	Incorporated	Hong Kong	HK$64,000,000	50%	Investment holding
Lead Ocean Assets Management Limited	Incorporated	British Virgin Islands	US$100	50%	Investment holding
Argos Engineering (International) Company Limited	Incorporated	Hong Kong	HK$2	50%	Investment holding
Cochrane Enterprises Limited	Incorporated	Hong Kong	HK$10,000	50%	Investment holding
東莞振華建造工程有限公司	Wholly-foreign-owned enterprise	PRC	HK$32,000,000	50%	Property holding
東莞興華造船有限公司	Wholly-foreign-owned enterprise	PRC	HK$24,891,783	50%	Property holding

(d) Summary financial information on jointly controlled entities – Group's effective interest:

	2012	2011
	HK$'000	*HK$'000*
Non-current assets	**57,810**	–
Current assets	**4,800**	–
Current liabilities	**(34,036)**	–
Net assets	**28,574**	–
Income	**21**	–
Expenses	**(3,131)**	–
Loss for the year	**(3,110)**	–

(e) The directors of the Company are of the opinion that the estimated recoverable amount of the investments in jointly controlled entities exceeded the carrying amount and no impairment was considered necessary.

12. INVENTORIES

	2012	2011
	HK$'000	*HK$'000*
Vessels held for sale	**101,650**	89,424
Raw materials	**3,290**	3,269
Hotel low value consumables	**3,603**	3,038
	108,543	95,731

The analysis of the amount of inventories recognised as an expense is as follows:

	2012	2011
	HK$'000	*HK$'000*
Cost of inventories sold	**–**	2,500
Cost of materials consumed	**3,226**	385
Write-down of inventories	**3,285**	–
	6,511	2,885

13. TRADE AND OTHER RECEIVABLES

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Trade receivables *(note (a))*	**17,432**	22,422
Less: impairment loss	**(9,671)**	(5,600)
	7,761	16,822
Other receivables *(note (b))*	**20,863**	27,035
Less: impairment loss	**(14,891)**	(14,264)
	5,972	12,771
Retention money receivable	**1,008**	1,085
Less: impairment loss	**(677)**	–
	331	1,085
	14,064	30,678

(a) Trade receivables

(i) Ageing analysis

The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date as at the end of the reporting period is as follows:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
0 – 30 days	**3,557**	3,468
31 – 90 days	**3,311**	6,726
91 – 180 days	**226**	2,661
181 – 360 days	**667**	4,764
Over 360 days	**9,671**	4,803
	17,432	22,422
Less: Allowance for doubtful debts	**(9,671)**	(5,600)
	7,761	16,822

Except for retention receivables, credit terms granted by the Group to customers generally range from 120 to 150 days.

(ii) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movements in the allowance for doubtful debts during the year are as follows:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
At 1 August	**5,600**	2,200
Impairment loss recognised	**5,240**	3,796
Amounts written off as uncollectible	**(1,169)**	(396)
At 31 July	**9,671**	5,600

As at 31 July 2012, the Group's trade receivables of HK$9,671,000 (2011: HK$5,600,000) were individually determined to be impaired. The individually impaired receivables related to customers that were past due and slow-paying or in financial difficulties and management assessed that these receivables are irrecoverable. The Group does not hold any collateral over these balances.

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Neither past due nor impaired	**6,868**	10,194
0 – 30 days	**226**	2,661
31 – 90 days	**667**	2,195
91 – 180 days	**–**	1,772
	7,761	16,822

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(b) Other receivables

(i) Impairment of other receivables

	The Group	
	2012	2011
	HK$'000	*HK$'000*
At 1 August	**14,264**	–
Impairment loss recognised	**627**	14,264
At 31 July	**14,891**	14,264

Included in other receivables at 31 July 2012 is the aggregate amount of recovery costs of HK$14,891,000 (2011: HK$14,264,000) incurred by the Group to pursue arbitration and/or legal proceedings to recover the assets under a Scheme of Arrangement (the "Scheme"). Pursuant to the Scheme and an undertaking letter dated 23 October 2008 issued by Harbour Front Limited ("Harbour Front"), the Group shall act as nominee of Harbour Front to recover the Scheme Assets and the Group will be reimbursed for such amount upon the successful recovery of these Scheme Assets.

Since the recovery action of the Scheme Assets is still ongoing and the Group would only be reimbursed of all these recovery costs incurred by Harbour Front till successful recovery of all these Scheme Assets. The directors of the Company consider that these recovery costs have been long outstanding and the outcome of the recovery actions taken by the Group is uncertain, it is appropriate to make provision for impairment loss on these recovery costs incurred totalling HK$14,891,000 (2011: HK$14,264,000).

14. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Contract costs incurred plus recognised profits less recognised losses to date	**14,651**	72,068
Less: Progress billings	**(6,845)**	(48,557)
	7,806	23,511
Less: Provision for impairment loss (note)	**(7,806)**	(23,511)
	–	–
Amounts due from customers for contract works	**–**	–

Note:

The impairment loss of HK$7,806,000 (2011: HK$23,511,000) represented balances due by contractors for long outstanding contracting works done by the Group but not yet certified by the contractors due to disputes. The Group has commenced legal proceedings against the contractors since 2010. On 19 January 2012, the Group and one of the contractors entered into a settlement agreement pursuant to which the Group recovered HK$8,380,000 and as such, reversal of impairment of HK$8,380,000 (2011: Nil) was credited to the profit or loss for the year ended 31 July 2012.

15. TRADE AND OTHER PAYABLES

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Trade creditors	**3,500**	6,431
Advances received from customers	**1,895**	9,049
Cost of re-instatement of leasehold shipyard in Singapore	**3,877**	4,022
Accruals	**8,578**	9,702
Other payables	**5,390**	7,879
	23,240	37,083

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

	The Group	
	2012	2011
	HK$'000	*HK$'000*
0 – 30 days	**1,097**	2,855
31 – 90 days	**440**	570
91 – 180 days	**81**	45
181 – 360 days	**124**	1,672
Over 360 days	**1,758**	1,289
	3,500	6,431

16. PROMISSORY NOTE

On 15 July 2011, 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 to the vendor, with maturity date due on 15 August 2012. The fair value of promissory note was determined at HK$167,856,000 as at issue date, based on professional valuation performed by and independent valuer, BMI Appraisals Limited with an effective interest rate of 11.137% per annum.

Based on an agreement made between the promissory note holder and the Group on 31 January 2012, the promissory note with principal value of HK$188,271,000 was restructured with an extended maturity from 15 August 2012 to 15 August 2013, resulting in a gain on restructuring of HK$20,020,000 which was recognised in the profit or loss for the year ended 31 July 2012. The fair value of the restructured promissory note at 31 January 2012 was determined by BMI Appraisal Limited at the effective interest rate of 12.559% per annum. The promissory note is carried at amortised cost, using the effective interest rate of 12.559% (2011: 11.137%) per annum.

An analysis of the promissory note is as follows:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Issued on acquisition of subsidiaries	**167,856**	167,856
Imputed interest charged	**18,664**	–
Gain on restructuring	**(20,020)**	–
At 31 July	**166,500**	167,856

17. CONTINGENCIES AND LITIGATIONS

(a) On 31 July 2002, Charterbase Management Limited, one of the petitioners, issued a writ in Bermuda (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 special general meeting on 17 May 2001, 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 of 100,922,478 Shares by Harbour Front (the "Subscription") mis-described 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.

With regard to the petition, in August 2002 the Company issued a summons to strike out the entire petition and in the alternative to strike out the claim for a winding-up order. As stated in the Company's announcement dated 20 November 2002 and circulars dated 11 November 2002 and 23 December 2002, the hearing date of the summons, originally fixed for 18 and 19 November 2002, was adjourned due to the unavailability of the petitioners' counsel and the hearing was rescheduled for 16 and 17 December 2002. The Company's strike out application was then adjourned, on the basis of the petitioners' indication that they intended to file an amended petition (the "Amended Petition"). The Amended Petition was duly filed on 3 April 2003.

Two new parties joined as petitioners, namely Hung Ngai Holdings Limited and Value Partners Investment Limited (together with the petitioners, the "Joint Petitioners"). In addition to the matters pleaded in the original petition, the Amended Petition complained about the Company's non-acceptance of a conditional credit facility from Hung Ngai Holdings Limited and about the rights issue in November 2002 (the "2002 Rights Issue"), in particular the allocation of 2002 Rights Shares to Harbour Front, and other allegedly prejudicial conduct of the Company. As an alternative, the Joint Petitioners sought an order that a provisional liquidator be appointed pending the effective hearing of the Amended Petition and an order that the Company be wound up. The Company applied for security for costs, in relation to the Amended Petition. A court hearing was held on 28 August 2003 and the Court reserved its judgment. Subsequently, in the judgment dated 14 April 2004, the Court held that the Joint Petitioners' prayers to wind up the Company and/or to appoint a liquidator were an abuse of the Court's process. The Court therefore considered it unreasonable to permit the Joint Petitioners to pursue such prayers which should not be entertained. In May 2004, the Joint Petitioners applied to the Court for re-amending the petition (the "Re-amended Petition"). In the event, the Bermuda Court made an order granting the Re-amended Petition leaving out the prayer for winding-up at the request of the Joint Petitioners' attorney during the court hearing. Moreover, in the Re-amended Petition, the Petitioners no longer sought an order that a provisional liquidator be appointed pending the effective hearing of the Re-amended Petition.

There has been no ruling yet on the application for security for costs. The Court did stay the Company's obligation to respond to the Amended Petition until after judgment of the security for costs application.

(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, 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) 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.

(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 recognized in respect of this claim, and the recovery of this claim is a Scheme Asset. Based on an irrecoverable letter of undertaking dated 23 October 2008 provided by Harbour Front, UDL Contracting is entitled to the reimbursement of the recovery costs upon success in the Scheme Asset recovery action.

(d) 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 of the three aforesaid cases have now been ordered to be consolidated and proceeded as one action, titled as Civil Suit 502 of 2010.

18. DISPOSAL OF SUBSIDIARIES

On 27 September 2011, the Group entered into an agreement to dispose of the Group's wholly-owned subsidiaries Lead Ocean Assets Management Limited and its subsidiaries, Argos Engineering (International) Company Limited, Cochrane Enterprises Limited, 東莞振華建造工程有限公司 and 東莞興華造船有限公司 (the "Lead Ocean Group") to Universal Harbour Investment Limited for an aggregate cash consideration of HK$127,574,250. The transaction was completed on 24 November 2011.

Universal Harbour Investment Limited was established on 27 September 2011 as a joint venture company with an authorised and issued capital of HK$10,000 and HK$2 respectively, and jointly controlled by the Group and Harbour Front. The above disposal constituted connected transactions as defined under the Listing Rules. Further details of this transaction were disclosed in the Company's circular dated 25 October 2011.

The net assets of the Lead Ocean Group at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	62,939
Intangible assets	–
Lease prepayments	58,758
Trade and other receivables	645
Cash and cash equivalents	8,922
Trade and other payables	(3,527)
Provision of taxation	(772)
	126,965
Gain on disposal of subsidiaries transferred to equity *(note (i))*	610
	127,575
Satisfied by:	
Cash	63,788
Consideration receivables *(note (iii))*	63,787
	127,575
Net cash inflow/(outflow) arising on disposal:	
Cash consideration received	63,788
Bank balances and cash disposed of	(8,922)
	54,866

Notes:

(i) As the disposal was made to the joint venture, which is 50% : 50% owned by the Company and the ultimate holding company, the gain on disposal of subsidiaries was regarded as deemed contribution from the ultimate holding company and transferred to the equity upon completion of the disposal.

(ii) Consideration receivables were unsecured, interest-free and fully settled on 16 October 2012.

(iii) The subsidiaries disposed of during the year did not contribute significantly to the results and cash flows of the Group during the period prior to the disposal. No tax charge or credit arose on loss on the disposal.

19. EVENTS AFTER THE REPORTING PERIOD END

Pursuant to the approval in the special general meeting held on 13 September 2012, every 50 issued and unissued shares of the Company of HK$0.01 each were consolidated into one consolidated share of HK$0.50 each. After the share consolidation having become effective on 14 September 2012, the authorised share capital of the Company is HK$240,000,000 divided into 480,000,000 consolidated shares of HK$0.50 each, of which 204,219,363 consolidated shares are in issue and fully paid or credited as fully paid.

The Company raised approximately HK$48 million before expenses by issuing 68,073,121 rights shares at the subscription price of HK$0.70 per rights share on the basis of one rights share for every three consolidated shares in issue. The net proceeds from the rights issue will be used as general working capital and to repay the shareholder's loan from Harbour Front so as to reduce the finance costs incurred by the Group. The rights issue was completed on 17 October 2012. After completion of the rights issue, the issued shares of the Company has been issued to 272,292,484 shares.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Future Prospects

For the year ended 31 July 2012, the Group reports a revenue of HK$53.0 million (2011:HK$60.3 million) and a loss of HK$40.9 million (2011: HK$72.0 million). The basic loss per share was 19.84 cents (2011: 35.51 cents).

Construction and Structural Steel Engineering

Revenue of the Construction and Structural Steel Engineering sector was HK$12.3 million (2011: HK$15.2 million) with a loss of HK$1.9 million (2011: loss of HK$6.3 million). The Group had actively participated in the tendering of major civil engineering contracts in both the public and private sectors. New projects were secured, ranging from maintenance dredging to design-build. Amongst them, the latest contract of HK$215 million was awarded in September 2012 to a joint venture with an international contractor. Taking advantage of the rolling out of large scale infrastructure projects by the Hong Kong Government, the Construction and Structural Steel Engineering sector may observe a steady growth in the coming years.

Marine Engineering

The Marine Engineering sector recorded a revenue of HK$12.0 million (2011: HK$42.3 million) and a loss of HK$16.2 million (2011: loss of HK$51.0 million). During the year, the Group focused on securing contracts, leveraging from its specialized equipment and expertise in the marine engineering market. The Group has recently secured a marine engineering contract from the Hong Kong Government and has also been under final negotiation for certain marine engineering contracts. The aggregate amount of such contracts (including both the contract secured following the financial year ended 31 July 2012 and those under final negotiation) is more than HK$30 million with a term of six to twelve months. As the marine engineering market condition improves, the Group will continue to pursue contracts in both public and private sectors.

Business development in shipbuilding and structural steel engineering had progressed under the joint venture company, Universal Harbour Investment Limited, which 50% is owned by the Group. In the financial year, Universal Harbour Investment Limited acquired 100% interest of Lead Ocean Assets Management Limited, in turn the Dongguan yard facilities, from the Group. Through this joint venture, the Group shall continue to explore opportunities to cooperate with other independent third parties including established market players in the near future.

Sale of Vessels

Capturing the high level of construction and marine engineering activities in the regional market, focus was shifted away from vessels trading. There was no revenue derived from sale of vessels, as compared to 2011 of HK$1.4 million. During the year, a loss of HK$3.3 million (2011: loss of HK$1.2 million) was incurred.

Hotel Operations

The hotel operations segment observed a steady growth with revenue of HK$28.6 million (2011: HK$1.4 million) and a loss of HK$1.0 million (2011: profit of HK$4.6 million). Business growth was within the management's expectation, but inflation in the PRC continues to impose substantial pressure on the hotel operations.

LIQUIDITY AND FINANCIAL RESOURCES

In order to utilise financial resources effectively and efficiently, the Group has secured shareholders loan facility to finance the working capital of the operation and business development.

As at 31 July 2012, total indebtedness balance of the Group was HK$248.7 million (2011: HK$266.7 million). The finance costs have increased to HK$23.05 million (2011: HK$2.56 million). At the year end, bank and cash balances of the Group totalled HK$5.8 million (2011: HK$20.1 million). The deposit in foreign currencies are mainly for the operation and projects in Singapore and PRC.

The gearing ratio of the Group as a result, calculated by dividing total liabilities by total asset value, increased to 63.15% (2011: 61.5%).

EXPOSURE OF FOREIGN EXCHANGE

The Group's assets and liabilities are mainly dominated in Hong Kong Dollars, Renminbi and Singapore Dollars. Income and expenses derived from the operations in PRC and Singapore are mainly dominated 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

As at 31 July 2012, other than outsourcing vendors but including contract workers, the Group has approximately 300 technical and working staff in Hong Kong, Singapore and PRC. Total staff costs, excluding contract workers, amounted to HK$24.3 million this year, as compared with HK$24.2 million last year.

There was no material change to the staff policy during the year under review. The Group encourages high productivity and remunerates its employees based on their qualification, work experiences, prevailing market prices and contribution to the Group. Incentives in the form of bonuses and share options may also be offered to eligible employees based on individual performance. The emoluments of the directors and senior management of the Company are determined by the Remuneration Committee and approved by the Board, having regard to their individual duties and responsibility with the Company, remuneration benchmark in the industry and prevailing market condition.

DIVIDEND

The Board does not recommend any dividend for the year ended 31 July 2012 (2011: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Code on Corporate Governance Practice (effective until 31 March 2012) during the period from 1 August 2011 to 31 March 2012 and the Corporate Governance Code and Corporate Governance Report (effective from 1 April 2012) during the period from 1 April 2012 to 31 July 2012 (collectively 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 for Securities Transactions by Directors of Listed Issuers (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 regarding any non-compliance with the Model Code during the year under review and they all confirmed that they have fully complied with the required standard set out in the Model 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 a Nomination Committee in accordance with the requirements of the CG Code. The Nomination Committee reviews the structure, size and composition of the Board and makes recommendations to the Board from time to time.

The Company has established an Audit Committee in accordance with the requirements of the CG Code. The Audit Committee and the management have reviewed the accounting policies and practices adopted by the Group, discussed the internal control procedures and reviewed the corporate governance functions.

The annual results of the Group for the year ended 31 July 2012 have been reviewed by the Audit Committee of the Company. The Group's consolidated financial statements have been audited by the Company's auditors, CCIF CPA Limited, and they have issued an unqualified opinion.

PUBLICATION OF ANNUAL RESULTS ON WEBSITES

All the financial and other related information of the Company required by Appendix 16 to the Listing Rules will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.udl.com.hk) respectively in due course.

ANNUAL GENERAL MEETING

The 2012 annual general meeting of the Company will be held on 6 December 2012. The notice of the annual general meeting will be published and dispatched to the shareholders of the Company in due course.

ADJUSTMENTS TO THE EXERCISE PRICE OF AND THE NUMBER OF SHARES ISSUABLE UPON EXERCISE OF THE OUTSTANDING OPTIONS

Immediately before the share consolidation ("**Share Consolidation**") of the Company having become effective on 14 September 2012 as disclosed in the circular of the Company dated 28 August 2012, the Company had 20,000,000 outstanding share options which were beneficially owned by an employee of the Company (who is neither a director, chief executive nor substantial shareholder of the Company) with an exercise price of HK$0.04 per share.

As a result of the Share Consolidation and completion of the rights issue (the "Rights Issue") of the Company as disclosed in the announcement of the Company dated 16 October 2012, the exercise price of and the number of shares to be issued upon exercise of the outstanding share options have been adjusted in accordance and in compliance with the supplementary guidance on Rule 17.03(13) of the Listing Rules issued by the Stock Exchange on 5 September 2005 as follows:

Before adjustment		*Immediately after adjustment pursuant to the Share Consolidation*		*Immediately after adjustment pursuant to the completion of the Rights Issue*	
Original number of shares issuable upon exercise in full of the outstanding share options	**Original exercise price per share** *(HK$)*	**Adjusted number of new shares issuable upon exercise in full of the outstanding share options**	**Adjusted exercise price per new share** *(HK$)*	**Adjusted number of new shares issuable upon exercise in full of the outstanding share options**	**Adjusted exercise price per new share** *(HK$)*
20,000,000	0.04	400,000	2.0	396,000	2.02

CCIF CPA Limited, the auditors of the Company, has certified to the Directors in writing that the exercise price of and the number of shares to be issued upon exercise of the outstanding share options have been adjusted in compliance with the above supplementary guidance. Save as disclosed above, there will be no alteration to the rights of the holders of the share options of the Company.

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

Hong Kong, 18 October 2012

The Directors as at the date of this announcement are as follows:

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