UDL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 00620)

FINAL RESULTS FOR THE YEAR ENDED 31 JULY 2009

The board of directors (the "Directors") 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 2009 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 July 2009

	Note	**2009 HK$'000**	2008 HK$'000
Turnover	3	**117,436**	69,797
Other revenue and income		**3,755**	3,008
Staff costs	7(a)	**(18,854)**	(9,786)
Marine, construction and structural steel engineering costs	7(b)	**(79,958)**	(51,661)
Depreciation and amortisation	7(c)	**(12,643)**	(2,158)
Provision for reinstatement cost for shipyard – Singapore	17(b)	**(4,000)**	–
Impairment on leasehold shipyard – Singapore	17(b)	**(18,588)**	–
Other operating expenses		**(12,153)**	(10,153)
Loss from operations		**(25,005)**	(953)
Finance costs	6	**(2,277)**	(17)
Discount on step-up acquisition of interest in an associate		**48**	–
Share of profit/(loss) of an associate		**50**	(5)
Loss before taxation	7	**(27,184)**	(975)
Income tax	8	**(1,053)**	(1,013)
Loss attributable to equity holders of the Company		**(28,237)**	(1,988)
Loss per share			
– Basic	9(a)	**(0.31 cents)**	(0.04 cents)
– Diluted	9(b)	**(0.31 cents)**	(0.04 cents)

CONSOLIDATED BALANCE SHEET

As at 31 July 2009

	Note	**2009 HK$'000**	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**113,962**	34,752
Prepaid lease payments		**57,768**	901
Intangible assets	10	**30,912**	–
Club membership		**200**	–
Interest in an associate		**–**	1,081
		202,842	36,734
Current assets			
Inventories	11	**61,492**	36,957
Prepaid lease payments		**1,956**	68
Trade and other receivables	12	**27,888**	20,260
Amounts due from customers for contract work		**9,549**	2,765
Amounts due from related parties		**2,183**	16,248
Cash and cash equivalents		**65,109**	57,600
		168,177	133,898
Current liabilities			
Obligations under finance leases		**82**	–
Trade and other payables	13	**21,297**	11,023
Amounts due to related parties		**4,602**	4,595
Amounts due to directors		**214**	176
Amount due to an associate		**–**	1,076
Taxation	8	**1,861**	1,118
		28,056	17,988
Net current assets		**140,121**	115,910
Total assets less current liabilities		**342,963**	152,644
Non-current liabilities			
Obligations under finance leases		**52**	–
Loan from a related company		**44,945**	–
		44,997	–
NET ASSETS		**297,966**	152,644
CAPITAL AND RESERVES			
Share capital	14	**100,900**	50,450
Reserves		**197,066**	102,194
TOTAL EQUITY		**297,966**	152,644

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2009

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collectively includes Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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. A summary of the significant accounting policies adopted by the Group is set out below.

In the current year, a number of amendments and interpretations to the standards ("new HKFRSs") were issued by the HKICPA as follows:

HKFRS 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK (IFRIC)-Int 9 and HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)– Int 12	Service Concession Arrangements
HK(IFRIC)– Int 13	Customers Loyalty Programmes
HK(IFRIC)– Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

The new HKFRSs had no material effect on how the Group's and Company's results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

2. PRINCIPAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in these financial statements.

The Group has not early adopted the following new and revised standards or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible Hedged Items[4]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[5]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[5]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[4]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[7]

1 Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate

3 Effective for annual periods beginning on or after 1 January 2009

4 Effective for annual periods beginning on or after 1 July 2009

5 Effective for annual periods beginning on or after 1 January 2010

6 Effective for annual periods beginning on or after 1 October 2008

7 Effective for transfers on or after 1 July 2009

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 August 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in parent's ownership interest in a subsidiary. The directors of the Company anticipate that the applications of the new and revised standards, amendments and interpretations will have no material impact on the results and financial position of the Group.

3. TURNOVER AND REVENUE

The Group's turnover represents revenue derived from sales of vessels, marine engineering, construction and structural steel engineering work and related services, including leasing of plant and equipment. Revenue recognised during the year is as follows:

	2009 HK$'000	2008 HK$'000
Revenue from marine engineering work	**106,963**	69,276
Revenue from construction and structural steel engineering work	**7,898**	521
Rental income	**2,575**	–
	117,436	69,797

4. OTHER REVENUE AND INCOME

	2009 HK$'000	2008 HK$'000
Other revenue:		
Interest income	**1,776**	1,884
Other income:		
Net exchange gain	**1,960**	674
Gain on disposal of plant and equipment	**12**	–
Reversal of overprovision of expenses	**–**	335
Others	**7**	115
	1,979	1,124
	3,755	3,008

5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

In determining the Group's geographical segments, segment revenue is based on the geographical location of the customers. Segment assets and capital expenditure are based on the geographical location of the assets.

(a) Business segments

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments.

The following table presents revenue, results and expenditure for the Group's business segments for the two years ended 31 July 2009 and 2008:

	Marine engineering		Construction and structural steel engineering		Sale of vessels		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Revenue form external customers	**106,963**	69,276	**10,473**	521	**-**	–	**117,436**	69,797
Segment results	**7,622**	5,789	**(1,641)**	403	**-**	–	**5,981**	6,192
Unallocated other revenue and income	**-**	–	**-**	–	**-**	–	**3,755**	3,008
Unallocated expenses	**-**	–	**-**	–	**-**	–	**(12,153)**	(10,153)
Loss from operations	**-**	–	**-**	–	**-**	–	**(2,417)**	(953)
Provision for reinstatement cost for shipyard Singapore	**(4,000)**	–	**-**	–	**-**	–	**(4,000)**	–
Impairment on leasehold shipyard Singapore	**(18,588)**	–	**-**	–	**-**	–	**(18,588)**	–
Finance costs	**-**	–	**-**	–	**-**	–	**(2,277)**	(17)
Discount on set-up acquisition of interest in an associate	**-**	–	**-**	–	**-**	–	**48**	–
Share of profit/(loss) of an associate	**-**	–	**-**	–	**-**	–	**50**	(5)
Loss before taxation							**(27,184)**	(975)
Income tax							**(1,053)**	(1,013)
Loss attributable to equity holders of the company							**(28,237)**	(1,988)

The following table presents assets, liabilities and expenditure for the Group's business segments for the two years ended 31 July 2009 and 2008:

	Marine engineering		Construction and structural steel engineering		Sale of vessels		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS								
Segment assets	**128,168**	123,883	**166,572**	4,054	**69,657**	36,956	**364,397**	164,893
Unallocated assets	**-**	–	**-**	–	**-**	–	**6,622**	5,739
Total consolidated assets							**371,019**	170,632
LIABILITIES								
Segment liabilities	**63,666**	6,963	**8,339**	2,031	**1,021**	860	**73,026**	9,854
Unallocated liabilities	**-**	–	**-**	–	**-**	–	**27**	8,134
Total consolidated liabilities							**73,053**	17,988
OTHER INFORMATION								
Capital expenditure incurred during the year	**40,331**	1,563	**157,758**	–	**565**	–	**198,654**	1,563
Depreciation and amortisation	**4,731**	1,438	**6,387**	–	**1,525**	720	**12,643**	2,158
Provision for reinstatement cost for shipyard Singapore	**4,000**	–	**-**	–	**-**	–	**4,000**	–
Impairment on leasehold shipyard Singapore	**18,588**	–	**-**	–	**-**	–	**18,588**	–
Write down of inventories	**-**	–	**-**	–	**1,245**	–	**1,245**	–
Impairment loss on doubtful debts	**-**	–	**229**	102	**-**	–	**229**	102

(b) Geographical segments

The following table presents revenue, result and certain assets and expenditure for the Group's geographical segments for the two years ended 31 July 2009 and 2008

	Hong Kong		Singapore		PRC		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	**25,751**	9,315	**89,110**	60,482	**2,575**	–	**117,436**	69,797
Other revenue and income	**3,638**	3,008	**117**	–	**-**	–	**3,755**	3,008
	29,389	12,323	**89,227**	60,482	**2,575**	–	**121,191**	72,805
Segment assets	**162,128**	113,425	**74,669**	52,360	**134,222**	4,847	**371,019**	170,632
Capital expenditure incurred during the year	**71,212**	672	**2,165**	891	**125,277**	–	**198,654**	1,563

6. FINANCE COSTS

	2009	2008
	HK$'000	HK$'000
Interest paid on loans from a related company	**2,259**	17
Interest paid on finance leases	**18**	–
	2,277	17

7. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

		2009 HK$'000	2008 HK$'000
(a)	Staff costs (including directors and key management)		
	– Salaries, wages and other benefits	**16,968**	9,283
	– Equity settled share-base expenses	**1,330**	–
	– Contributions to defined contribution retirement plans	**556**	503
		18,854	9,786
(b)	Marine, construction and structural steel engineering costs		
	Subcontracting, direct engineering and material costs	**73,385**	43,593
	Rental charges	**3,185**	69
	Plant and operational costs	**1,219**	6,119
	Direct overheads	**1,067**	749
	Repairs, maintenance and vessel security	**918**	909
	Consultancy fees	**184**	222
		79,958	51,661
(c)	Depreciation and amortization		
	Depreciation	**10,682**	2,093
	Amortisation of prepaid lease payments	**1,961**	65
		12,643	2,158
(d)	Other items		
	Auditor's remuneration		
	– Audit service	**843**	726
	– Non-audit services	**–**	12
	Operating lease charges in respect of land and buildings	**11,095**	4,890
	Impairment loss on doubtful debts	**229**	102
	Write down of inventories	**1,245**	–

8. INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profits for the year.

No Hong Kong Profit Tax has been provided in the financial statements as the Group did not derive any assessable profit in Hong Kong for both years.

Singapore income tax has been provided at the rate of 17% (2008: 18%) on the estimated assessable profit for the year.

Taxation for the subsidiaries in the PRC is charged at the appropriate current rates for taxation ruling in the PRC. According to the income tax law that was passed by the National People's Congress on 16 March 2007 ("New Tax Law"), the PRC corporate income tax rate has been revised from 33% to 25% with effect from 1 January 2008.

Provision for taxation outside Hong Kong is provided for at the applicable rates of taxation for the year on the estimated assessable profits arising in the relevant tax jurisdictions during the year.

Current taxation in the balance sheet represents:

	2009 HK$'000	2008 HK$'000
Provision for Hong Kong Profits Tax	–	–
Taxation outside Hong Kong	1,861	1,118
	1,861	1,118
Representing:		
Current tax payable	1,861	1,118

Taxation in the consolidated income statement represents:

	2009 HK$'000	2008 HK$'000
Current tax-overseas		
Provision for the year	1,053	1,013
Deferred taxation	–	–
	1,053	1,013

The tax charge for the year is reconciled to the loss before taxation per income statement as follows:

	2009 HK$'000	2008 HK$'000
Loss before taxation	(27,184)	(975)
Notional tax on loss before taxation	(4,486)	(161)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(814)	(77)
Tax effect of expenses that are non-deductible in determining taxable profit	24,039	490
Tax effect of income that are not taxable in determining taxable profit	(927)	(526)
Tax effect of difference in depreciation between accounting and tax losses	(17,744)	159
Tax effect of group relief	(220)	(109)
Tax effect of tax losses utilised	(794)	(264)
Tax effect of tax losses not recognised	1,999	1,501
Actual tax charge	1,053	1,013

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basis loss per share is based on the loss attributable to equity holders of the Company of HK$28,237,000 (2008: loss of HK$1,988,000) and the weighted average number of 9,081,060,730 ordinary shares (2008:5,045,033,739 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2009	2008
Issued ordinary shares	**5,045,033,739**	5,045,033,739
Effect of rights issue	**4,036,026,991**	–
Weighted average number of ordinary shares	**9,081,060,730**	5,045,033,739

The issue of 5,045,033,739 new ordinary shares under the rights issue in October 2008 did not give rise to a bonus element as the exercise price was higher than the average market price and therefore, no adjustment on the comparative weighted average number of ordinary shares for 2008 has been required.

(b) Diluted loss per share

The calculation of diluted loss per share for the year ended 31 July 2009 is based on the loss attributable to the equity shareholders of the Company of HK$28,237,000 (2008: loss of HK$1,988,000) and the weighted average number of 9,098,934,564 ordinary shares (2008: 5,045,033,739 ordinary shares) calculated as follows:

Weighted average number of ordinary shares (diluted)

	2009	2008
Weighted average number of ordinary shares	**9,081,060,730**	5,045,033,739
Effect of exercise of share options	**17,873,834**	–
Weighted average number of ordinary shares (diluted)	**9,098,934,564**	5,045,033,739

The diluted loss per share for the year ended 31 July 2009 was the same as the basic loss per share because the existence of outstanding share options had an anti-dilutive effect on the calculation of diluted loss per share. There was no dilutive potential shares in existence for the year ended 31 July 2008.

10. INTANGIBLE ASSETS

	Port work and structural steel licences
	HK$'000
Cost	
At 1 August 2008	–
Acquisition of subsidiaries	30,912
At 31 July 2009	30,912

The port work and structural steel licences ("the Licences"), which were purchased as part of a business combinations that occurred in the current year. The directors of the Company are of the opinion that the Group can renew or maintain the Licences continuously and has the ability to do so. Various studies including market trends have been performed by management of the Group, which support that the Licences have no foreseeable limit to the period over which they are expected to generate net cash inflows to the Group. As a result, the Licences are considered by the management of the Group as having indefinite useful lives. They will not be amortised until the useful lives are determined to be finite upon reassessment of its useful lives annually and whenever there is an indication that it may be impaired.

Impairment test on intangible assets

For the purpose of impairment testing, all the Licences acquired are with indefinite lives and are allocated, at acquisition, to the CGU that is expected to benefit from such intangible assets. The Group tests the Licences annually for impairment, or more frequently if there are indications that the Licence might be impaired.

The recoverable amounts of CGU for the construction and engineering operations are determined from value-in-use calculation approach. The key assumptions for the approach are those regarding discount rates, growth rates and expected changes in contract prices and direct costs. Management estimates appropriate discount rates that reflect current market assessments of the time value of money for the risks specific to the CGU. Changes in contract prices and direct costs are based on past practices and expectations of future changes in the market.

Determining whether the Licences are impaired requires an estimation of the value-in-use of the CGU to which the intangible assets with indefinite lives has been allocated. The approach requires the entity to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value.

The Group principally prepares cash flow forecast derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following five years based on estimated annual growth rate of 2%. The pre-tax rates used to discount the forecast cash flows range from 9% to 12%.

As a result of the impairment test performed, management is of the view that no impairment loss provision is required on the Licences.

11. INVENTORIES

	2009	2008
	HK$'000	HK$'000
Vessels held for sale	**60,733**	36,957
Raw materials	**759**	–
	61,492	36,957

Write-down of HK$1,245,000 (2008: Nil) on vessels has been recognised as expense for the year ended 31 July 2009.

12. TRADE AND OTHER RECEIVABLES

	The Group		**The Company**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade debtors	**9,198**	9,390	**–**	–
Retention money receivable	**1,536**	897	**–**	–
Prepayments, deposits and other receivables	**17,154**	9,973	**465**	658
	27,888	20,260	**465**	658

Included in other receivables at 31 July 2009 is the aggregate amount of HK$10,485,000 (2008: HK$8,118,000) incurred by the Group to pursue arbitration and/or legal proceedings to recover the asset under a Scheme of Arrangement (the "Scheme"). Pursuant to the Scheme, the Group shall act as nominee of Harbour Front to recover these Scheme Assets and the Group will be reimbursed for such recovery costs upon the successful recovery of these Scheme Assets. The modifications of the Scheme were sanctioned by the High Court of Hong Kong in June and July 2006, respectively, under which the Scheme Assets were transferred to Harbour Front in September 2006. Based on an undertaking letter dated 23 October 2008 issued by Harbour Front, the Group is entitled to the reimbursement of these recovery costs.

The aging analysis of trade debtors, net of impairment loss for bad and doubtful debts of the Group as at the balance sheet date is as follows:

	2009	2008
	HK$'000	HK$'000
Current	**4,953**	6,046
1 – 3 months	**1,100**	1,527
4 – 6 months	**890**	1,252
7 – 12 months	**1,938**	41
Over 1 year	**1,843**	1,821
	10,724	10,687
Less: Allowance for doubtful debts	**(1,526)**	(1,297)
	9,198	9,390

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

13. TRADE AND OTHER PAYABLES

	The Group		**The Company**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade creditors	**5,428**	5,272	**–**	–
Other payables and accruals	**15,869**	5,751	**2,030**	1,649
	21,297	11,023	**2,030**	1,649

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

	2009	2008
	HK$'000	HK$'000
Current	**4,616**	3,585
1 – 3 months	**55**	1,586
4 – 6 months	**47**	–
7 – 12 months	**575**	12
Over 1 year	**135**	89
	5,428	5,272

14. SHARE CAPITAL

	2009 Number of ordinary shares '000	2009 HK$'000	2008 Number of ordinary shares '000	2008 HK$'000
Authorised:				
ordinary shares of HK$0.01 each	**12,000,000**	**120,000**	12,000,000	120,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each at 1 August	**5,045,034**	**50,450**	5,045,034	50,450
Issue of ordinary shares under rights issue	**5,045,034**	**50,450**	–	–
Ordinary shares of HK$0.01 each at 31 July	**10,090,068**	**100,900**	5,045,034	50,450

On 13 October 2008, 5,045,033,739 ordinary shares of HK$0.01 each were issued at a price of HK$0.035 per share by way of a rights issue for a total cash consideration of HK$176,576,000, before issue expenses of HK$2,796,000, on the basis of one rights share for every one existing share held on the record date. These shares rank pari passu in all respects with the then existing ordinary shares of the Company. The net proceeds of the rights issue were applied towards payment for the acquisition of subsidiaries and business and as working capital of the Group.

15. COMMITMENTS

(a) Operating lease commitments

At 31 July 2009, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2009 HK$'000	2008 HK$'000
Land and buildings		
Within one year	**3,634**	4,339
In the second to fifth year inclusive	**3,128**	6,354
More than five years	**4,273**	4,753
	11,035	15,446

(b) Capital commitments

	2009	2008
	HK$'000	HK$'000
Contracted but not provided for in the financial statements in respect of:		
– steel materials for floating craft and vessels	**2,563**	–

The Company has no significant capital commitments at the balance sheet date.

16. CONTINGENCIES AND LITIGATIONS

(a) On 31 July 2002, Charterbase Management Limited, one of the Petitioners, issued the Bermuda Writ against the Company and against Mrs. Leung, Mr. Chan Kim Leung, Miss Leung, Mr. Pao Ping Wing, JP and Mr. Wong Pui Fai who were directors of the Company in April 2001, at the time of the Subscription SGM. Mr. Wong Pui Fai and Mr. Chan Kim Leung resigned as 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 misdescribing 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.

Three new parties joined as Petitioners, namely United People Assets Limited, Hung Ngai Holdings Limited and Value Partners Investment Limited.

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.

The relief sought by the Petitioners in the Amended Petition includes:

1. a declaration that the determination that the Scheme Administrator had zero voting rights and Harbour Front and all other Shareholders had double voting rights at the Subscription SGM held on 17 May 2001 is unlawful and invalid;

2. a declaration that all Shareholders including Harbour Front, the Scheme Administrator and Charterbase Management Limited should have the same percentage of voting rights as represented by the number of shares each owned at the Subscription SGM, and are entitled to vote in the same manner at all future general meetings of the Company;

3. declarations that the following were void and/or invalid:

   (i) the Subscription of the 100,922,478 Subscription Shares by Harbour Front which was purportedly approved at the Subscription SGM;

   (ii) the 50,641,239 Subscription Rights Shares taken up by Harbour Front pursuant to the 2002 Rights Issue; and

   (iii) the 30,111,520 Subscription Rights Shares taken up by Harbour Front pursuant to its application for excess 2002 Rights Shares.

4. Orders restraining the Company from registering the above shares or any transfer of them;

5. Orders restraining the Company from recognising the exercise of any rights attaching to any of the above shares;

6. an order that the method of allotment of excess 2002 Rights Shares in the prospectus issued by the Company on 11 November 2002 is advantageous to Harbour Front and unfairly prejudicial to other shareholders;

7. an order that the 181,495,237 Shares being the sum of the Harbour Front shares be offered to all Shareholders apart from Harbour Front and its associates for unlimited subscription on fair and equitable terms;

8. an order that the Company should hold a special general meeting of the Shareholders as soon as possible to appoint new Directors who should be authorised to organise and implement the offer of 181,495,237 Shares in the manner and terms prescribed in the preceding paragraph;

9. an order that the Company should accept the Hung Ngai Offer;

10. an order restraining the Company from doing anything that would in any way increase the shareholding of Harbour Front and its associates; and

11. an order restraining the Company from doing anything that would result in the dilution of the Shares held by any one or more of Shareholders without the approval granted by the general meeting of Shareholders in which Harbour Front and its associates should be excluded from voting.

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 holds that the Joint Petitioners' prayers to wind up the Company and/or to appoint a liquidator are an abuse of the Court's process. The Court therefore considers it unreasonable to permit the 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 Petitioners' attorney during the court hearing. Moreover, in the Re-amended petition, the Petitioners no longer seek 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 Company's obligation to respond to the Amended Petition until after judgment of the security for costs application.

The resolutions for the proposed share consolidation and creation and issuance of Preference Shares (the "Proposal") have been passed in the Company's Special General Meeting held on 22 August 2003. However, such proposals had not been implemented as a result of the Company's intention not to proceed with any of such proposals.

(b) The Company and the Group had pending litigation in respect of the Statement of Claim for HCA 624 of 2005 dated 28 September 2005. The Group's solicitor is of the view that there are three claims which duplicate partly with each others. Fonfair Company Limited ("Fonfair") claims against the defendants for the amount of HK$19,568,644.66 together with interest and costs, Money Facts Limited ("Money Facts") claim the amount of HK$13,334,211.42 (HK$12,874,121.48 of which is pleaded by the 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 Leung Yuet Keung as part of his loss and damage suffered by virtue of his 3,950/7,900th interest held in Money Facts) together with interest and costs. As pleaded by the plaintiffs, (a) Harbour Front, which is the majority shareholder of the Company, holds 3,958 out of the 12,008 issued ordinary shares of Fonfair and 3,950 out of the 7,900 issued ordinary shares of Money Facts Limited; (b) Money Facts holds 7,900 out of the 12,008 issued ordinary shares of Fonfair; and (c) Leung Yuet Keung holds 3,950 out of the 7,900 issued ordinary shares of Money Facts. Based on legal advice, the directors of the Company do not believe it probable that the 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 207 against two defendants on 8 June 2007 to claim damages in relation to the construction of a printing workshop carried out by UDL Contracting. Default judgement in the sum of approximately HK$162 million was awarded by the court in favour of UDL Contracting on 27 June 2007. However, one defendant took out a Summons to apply to set aside the default judgement which has been consented by UDL Contracting. The legal counsels are of the opinion that UDL Contracting 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 irrecoverable letter of undertaking dated 23 October 2008 provided by Harbour Front, UDL Contracting is entitled to the reimbursement of the scheme asset recovery costs.

(d) UDL Argos Engineering & Heavy Industries Co., Ltd ("UDL Argos"), a wholly-owned subsidiary of the Company, has commenced legal action under HCA1264 of 2007 against a contractor to recover the unsettled balance of approximately HK$2.9 million from the contractor. This contractor applied for a stay of the proceedings to arbitration. By a judgement delivered on 29 August 2007, the Court ordered a stay of the action to arbitration and also made an order that UDL Argos do bear the costs of the application. In the subsequent arbitration dated 31 August 2007, the contractor succeeded in its application to bar by lapse of time and to dismiss the claim.

The arbitrator also made an order that UDL Argos is to bear the costs of the application of HK$532,000 by an order dated 4 May 2009 and UDL Argos had fully settled this amount. The legal counsels are of the opinion that there is presently no contingent liability for UDL Argos and no significant legal costs have been expended in relation to the second arbitration. UDL Argoes is formulating further action on the case. Based on an irrecoverable letter of undertaking dated 23 October 2008 provided by Harbour Front, UDL Contracting is entitled to the reimbursement of the scheme asset recovery costs.

(e) The Company's wholly-owned subsidiary, UDL Argos, has filed a claim against another contractor to recover a sum of approximately HK$6.9 million in respect of services rendered. This contractor also counterclaimed UDL Argos for liquidated damages of HK$4.2 million. Arbitration hearing was completed in November 2007 with award had been made by the Arbitrator with a net amount of entitlement of HK$3.9 million to UDL Argos. The award of HK$3.9 million, as a Scheme Asset, was received in January 2008. UDL Argos has submitted the claim of legal costs in the amount of HK$1.3 million.

(f) The Company has commenced legal actions under HCA 4409 of 2002 against two of its previous directors in respect for a claim for breach of fiduciary duties of these two previous directors. Trial of action was heard in September 2008 and judgment was handed down on October 2008 wherein the Company's claims were being dismissed with costs to the defendants. The Company is in the course of an appeal to the Court of Final Appeal after dismissal of its first appeal. The hearing for leave for appeal to the Court of Final Appeal is scheduled for 2 March 2010 and the legal counsels are of the opinion that the Company has merits in the claim and no provision has been made in the financial statements.

17. POST BALANCE SHEET EVENTS

(a) Subsequent to the balance sheet date, the Group disposed of two vessels to an associate, Crown Asia Engineering Limited (incorporated on 16 September 2009), in which the Group has a 50% equity interest, at the consideration of HK$6,800,000.

(b) On 25 November 2009, UDL Marine (Singapore) Pte Limited, a direct wholly-owned subsidiary of the Company, received a fax letter dated 20 November 2009 issued by JTC Corporation of Singapore ("JTC"). JTC turned down the lease renewal application for the land at No. 3 Benoi Road, Singapore 629877 on which the Group's leasehold shipyard buildings are erected in Singapore. The existing lease will expire on 31 December 2010. The carrying value of the leasehold shipyard buildings in Singapore at 31 July 2009 has been written down, by impairment loss of HK$18,588,000 which has been recognised in the income statement for the year ended 31 July 2009, to the expected recoverable value of HK$4,200,000 determined by the directors of the Company taking into account of the expected economic benefit to be generated from the shipyard in the remaining lease term to 31 December 2010.

    In addition, the cost for reinstatement of the shipyard in Singapore has been estimated by the directors of the Company to be approximately HK$4,000,000 which has been fully recognised and charged to the income statement for the year ended 31 July 2009.

MODIFICATION TO THE AUDITOR'S REPORT

The audit opinion for the consolidated financial statements of the Group for the year ended 31 July 2009 has been modified and is extracted as follows:

Basis for qualified opinion arising from limitation of scope

As at 31 July 2009, the Group has intangible assets with a total carrying value of approximately HK$30,912,000 which represents two licences on the approved list of the port work for the Hong Kong Government and one licence for structural steel engineering work in Mainland China ("Licences"), which were acquired through the acquisition of 100% equity interests in each of Lead Ocean Assets Management Limited and Net Excel Management Limited as referred to in note 35 to the financial statements. The management has estimated the value-in-use for these Licences as cash-generating-units based on the discounted cash flow projections taking into account of certain key assumptions as further detailed in note 18 to the financial statements. Up to the date of approval of these financial statements, the Group is still in the stage of tendering for certain work for which the contracts are not yet awarded. No impairment is considered necessary by the directors of the Company at 31 July 2009. However, we have been unable to ascertain the reasonableness of the key assumptions adopted and data used by the management in the discounted cash flow projections. In consequence, we are unable to determine whether these Licences are fairly stated at 31 July 2009. Any adjustment to the carrying value of the Licences may have a significant impact on the net assets of the Group as at 31 July 2009 and the results of the Group for the year then ended.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FUTURE PROSPECTS

For the financial year ended 31 July 2009, the Group reports a revenue of HK$117.4 million, an increase of 68% over the previous year (2008: HK$69.8 million) and a loss of HK$28.2 million (2008: loss of HK$1.99 million). The basic loss per share was 0.31 cents (2008: 0.04 cents loss). The reported loss of the year majorly attributed to the provision and impairment taken into account on the basis that the lease of the Group's shipyard in Singapore is due to expire on 31 December 2010 with no renewal.

Marine Engineering

Marine Engineering sector reports a continuing growth with a revenue of HK$106.9 million (2008: HK$69.3 million) and gross profit at HK$7.62 million (2008: HK$5.8 million) this year.

Despite the turmoil observed in late 2008 where crude oil prices fell to US$45 from record-high of US$147.27 a barrel, credit contraction negatively affected trade and hence freight rates, recovery can be seen from mid 2009, particularly in China and many South East Asia countries. Demand in oil and gas in the long run remains at an upward trend. International maritime trade activities are beginning to return to previous level. Recovery of orders in new buildings and modification work is expected to pick up in the near future.

With the trend of shift from traditional shipbuilding centers from developed countries to lower costs areas, UDL strives to meet our customers' requirements and will adopt a new concept of shipbuilding from conventional building method to a more advance method with product manufacturing basis so as to stay competitive. The Group has identified and focused in Singapore as a hub in shipbuilding which commands quality and reliable production and premium prices. To meet the forthcoming demand for new shipbuilding, the Group is in the process of revolutionizing the conventional building method into a New Assembly Construction concept by leveraging the advantages between the hub sale center and the lower costs fabrication centers. The plan is to develop from the Group's established business base in Singapore as a hub for end delivery while its China shipyards will undertake the construction of steel structures and vessel components. With the two established facilities in China together with UDL's long presence and track records in the Singapore marine engineering makert, the management is confident that the New Assembly Construction concept will meet the customers' needs effectively and efficiently.

To this end, apart from other alternative sites within the South East Asian region and other shipyard locations in Singapore, the Group has proceeded to seek renewal on the current lease of our Singapore shipyard, which was due to expire by end of 2010. The feedback for this renewal application has not been positive, but given the management's resolve to achieve and unwavering faith in the innovative building concept, the management is confident that a suitable site to accommodate this hub of operation will be found within a shot time in near future.

Construction and Structural Steel Engineering

Construction and Structural Engineering sector reports a loss of HK$1.6 million (2008: HK$0.4 million profit) on a revenue of HK$10.5 million (2008: HK$0.5 million), a significant increase from previous year attributable to the regional infrastructure projects.

In 2008, Mr. Donald Tsang, the Chief Executive of the Hong Kong, announced the undertaking of 10 Major Infrastructure Projects for Economic Growth, in response to the financial tsunami, the Government has pledged to expedite the implementation of projects of all sizes under the recurrent public works programme. By mid 2009, implementation of these can be observed in Hong Kong including the Kai Tak Cruise Terminal, and surroundings development, Central-Wanchai Bypass and Wan Chai Reclamation, the Hong Kong – Zhuhai – Macau Bridge and various major railway projects. Further, there are other major Port Works projects for maintenance and upgrading of the Kwai Tsing Container Terminals and recurrent Public Works Programme. The inclusion of Gitanes Engineering Co., Ltd. and Tonic Engineering & Construction Co., Ltd., with public work licenses and long track records may prove to be timely to meet the forthcoming infrastructure projects. The Group is now actively participating in tenders for such projects.

Sale of Vessels

In the light of various infrastructure projects underway in the regional market, demand for engineering work vessels is on the rise. The Group took a conservative view in disposal of its vessels inventory with a view to cater for the demand of internal requirements for types of vessels generally under great demand in the market. To this end, efforts were put on upgrading the vessels to meet the said demand, whether for sales for marine engineering market or to satisfy future use of the Group's own projects.

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 the acquisition of new businesses and subsidiaries in 2008.

During the financial year, HK$176.5 million was raised as a result of the exercise of allotment of rights shares; and the Group has drawdown the loan of HK$44.9 million (2008: nil). Hence, the finance costs have increased to HK$2.27 million (2008: HK$0.02 million). At the year end, the Group had bank balances and cash totalled to HK$65.1 million (2008: 57.6 million). The deposit in foreign currencies are mainly for the operation and projects in Singapore and China.

The gearing ratio calculated by dividing total liabilities by total asset value, increased to 19.7% (2008:10.5%).

EXPOSURE OF FOREIGN EXCHANGE

The Group's assets and liabilities are mainly dominated in either Hong Kong Dollars or Singapore Dollars. Income and expenses derive from the operations in China and Singapore are mainly dominated in Renminbi and Singapore Dollars respectively. There is no significant exposure to the fluctuation of foreign exchange rate but the Group is actively monitoring the currencies market and makes adjustment 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 2009, other than outsourcing vendors but including contract workers, the Group has approximately 130 technical and working staff. Total staff costs, excluding contract workers, amounted to HK$18.9 million this year, as compared with HK$9.8 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. The incentive schemes such as share option scheme for employees will be proposed in due course. 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 Directors do not recommend any dividend for the year ended 31 July 2009 (2008: nil).

CORPORATE GOVERNANCE

The Company is complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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.

AUDIT COMMITTEE

The annual results for the year 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 a qualified opinion, which set out at page 20 of this announcement.

PUBLICATION OF 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 website of the Stock Exchange and the Company (www.udl.com.hk) in due course.

ANNUAL GENERAL MEETING

The 2009 annual general meeting of the Company will be held on 24 December 2009. The notice of the annual general meeting will be published and dispatched in due course.

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

Hong Kong, 27 November 2009

As at the date of this announcement, the Board comprises four executive Directors namely Mrs. Leung Yu Oi Ling, Irene, Mr. Leung Yat Tung, Miss Leung Chi Yin, Gillian, Mr. Leung Chi Hong, Jerry and three independent non-executive Directors, namely Mr. Pao Ping Wing, JP, Professor Yuen Ming Fai, Matthew and Ms. Tse Mei Ha.