UDL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 620)

FINAL RESULTS FOR THE YEAR ENDED 31 JULY 2010

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 2010 together with the comparative figures for the year ended 31 July 2009 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 July 2010

	Notes	**2010** HK$'000	2009 HK$'000
Turnover	2	**114,252**	117,436
Other revenue and income	4	**2,226**	3,755
Staff costs	6(a)	**(22,512)**	(18,854)
Marine, construction and structural steel engineering costs	6(b)	**(75,214)**	(79,958)
Depreciation and amortisation	6(c)	**(16,678)**	(12,643)
Provision for re-instatement cost for shipyard-Singapore		**–**	(4,000)
Impairment on leasehold shipyard-Singapore		**–**	(18,588)
Impairment on port work and structural steel licences	9	**(30,912)**	–
Other operating expenses		**(20,203)**	(12,153)
Loss from operations		**(49,041)**	(25,005)
Finance costs	5	**(1,721)**	(2,277)
Discount on step-up acquisition of interest in an associate		**–**	48
Share of profit of an associate	10(a)	**3,834**	50
Loss before taxation		**(46,928)**	(27,184)
Income tax	7	**(1,385)**	(1,053)
Loss for the year attributable to owners of the Company		**(48,313)**	(28,237)
Loss per share			
– Basic	8(a)	**(0.48 cents)**	(0.31 cents)
– Diluted	8(b)	**(0.48 cents)**	(0.31 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 July 2010

	2010	2009
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(48,313)**	(28,237)
Other comprehensive income/(loss) for the year		
Exchange differences on translation of financial statements of foreign operations	**4,110**	(5,235)
Revaluation surplus on shipyard written back	**–**	(1,718)
Revaluation surplus arising from property, plant and equipment	**–**	5,402
Total comprehensive loss for the year	**(44,203)**	(29,788)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2010

	Notes	**2010** **HK$'000**	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**106,509**	113,962
Lease prepayments		**56,401**	57,768
Intangible assets	9	**–**	30,912
Club membership		**200**	200
Interest in an associate	10(a)	**5,334**	–
		168,444	202,842
Current assets			
Inventories	11	**64,949**	61,492
Lease prepayments		**1,976**	1,956
Trade and other receivables	12	**29,648**	27,888
Amount due from an associate	10(b)	**2,991**	–
Amounts due from customers for contract work	13	**16,226**	9,549
Amounts due from related parties		**2,083**	2,183
Cash and cash equivalents		**37,569**	65,109
		155,442	168,177
Current liabilities			
Obligations under finance leases		**52**	82
Trade and other payables	14	**28,721**	21,297
Amounts due to related parties		**3,652**	4,602
Amounts due to directors		**180**	214
Current taxation		**1,860**	1,861
		34,465	28,056
Net current assets		**120,977**	140,121
Total assets less current liabilities		**289,421**	342,963
Non-current liabilities			
Obligations under finance leases		**–**	52
Loan from a related company		**35,658**	44,945
		35,658	44,997
NET ASSETS		**253,763**	297,966
CAPITAL AND RESERVES			
Share capital		**100,900**	100,900
Reserves		**152,863**	197,066
TOTAL EQUITY		**253,763**	297,966

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2010

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.

(b) Application of new and revised HKFRSs

In the current year, the Group has applied the following new and revised Standards, Amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKAS 1 (revised 2007)	Presentation of financial statements
HKAS 23 (revised 2007)	Borrowing costs
HKAS 27 (amendments)	Consolidated and separate financial statements
HKAS 32 & HKAS 1 (amendments)	Puttable financial instruments and obligations arising on liquidation
HKAS 39 (amendment)	Financial instruments: Recognition and measurement-eligible hedged items
HKFRS 1 & HKFRS 27 (amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (amendment)	Share-base payments-vesting conditions and cancellations
HKFRS 3 (revised)	Business combinations
HKFRS 7 (amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HKFRSs (amendments)	Improvements to HKFRSs issued in 2008
HK(IFRIC)-Int 9 & HKAS 39 (amendments)	Embedded derivatives
HK(IFRIC)-Int 15	Agreements for the construction of real estate
HK(IFRIC)-Int 16	Hedges of a net investment in a foreign operation
HK(IFRIC)-Int 17	Distribution of non-cash assets to owners
HK(IFRIC)-Int 18	Transfers of assets from customers

The improvements to HKFRSs (2008), amendments to HKAS 23, HKAS 39, HKFRS 2, HKFRS 5, HKFRS 7 and HKFRS 8 and interpretations HK(IFRIC)-Int 15, HK(IFRIC)-Int 16 and HK(IFRIC)-Int 18 have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group or they are not relevant to the Group's and the Company's operations. The other developments resulted in changes in accounting policy and the impact of the remainder of these developments is as follows:

– As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

– HKAS 8 requires segment disclosure to be based on the way the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group' chief operating decision maker for the purposes of assessing segment performance and making decisions about reporting matters. This is consistent with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related services. The adoption of HKAS 8, however, has resulted in additional disclosures which explain the basis of preparation of the segment information and reconciliation of reportable segment revenue, profit, assets and liabilities. Corresponding amounts have been provided on a basis consistent with the revised segment information.

– The impact of the majority of the revisions to HKFRS 3, HKAS 27 and HK(IFRIC) – Int 17 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

– The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

Further details of these changes in accounting policy are as follows:

– As a result of the adoption of HKFRS 3 (revised 2008), transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

– If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

– Contingent consideration will be measured at fair value at the acquisition date. Any subsequent changes in the measurement of that contingent consideration will be recognised in profit or loss, unless they arise from obtaining additional information about facts and circumstances that existed at the acquisition date within 12 months from the date of acquisition (in which case they will be recognised as an adjustment to the cost of the business combination). Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably. All subsequent changes in the measurement of contingent consideration and from its settlement were previously recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

– If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

– In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquisition at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure then non-controlling interests at fair values.

In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

– HK(IFRIC)-Int 17 requires distributions of non-cash assets to owners to be measured at the fair value of the assets distributed. This will result in a gain or loss being recognised in profit or loss to the extent that the fair value of the assets is different from their carrying value. Previously the Group measured such distributions at the carrying value of the assets distributed. In accordance with the transitional provisions in HK(IFRIC)-Int 17, this new accounting policy will be applied prospectively to distributions in current or future periods and therefore previous periods have not been restated.

– As a result of the amendments to HKAS 27, as from 1 August 2009 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

The Group has not early applied any of the following new and revised Standards, Amendments and Interpretations which have been issued but are not yet effective for annual periods beginning on 1 August 2009:

HKFRSs (amendments)	Amendments to HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAK 39, HKFRS 5 and HKFRS 8 as part of improvements to HKFRSs 2009[1]
HKFRSs (amendments)	Improvements to HKFRSs 2010[2]
HKAS 24 (revised)	Related party disclosures[5]
HKAS 32 (amendment)	Classification of rights issues[3]
HKFRS 1 (amendment)	Additional exemptions for first-time adopters[1]
HKFRS 1 (amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[4]
HKFRS 2 (amendment)	Group cash-settled share-based payment transactions[1]
HKFRS 9	Financial instruments[6]
HK(IFRIC) – Int 14 (amendment)	Prepayments of a minimum funding requirement[5]
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments[4]

1 Effective for annual periods beginning on or after 1 January 2010
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010 as appropriate
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for transfers on or after 1 January 2011
6 Effective for transfers on or after 1 January 2013

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the financial statements.

(c) Basis of preparation of the financial statements

The financial statements have been prepared under the historical cost convention except for the floating crafts and vessels and leasehold buildings which are stated 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 Group's turnover represents revenue derived from sale of vessels, marine engineering work, construction and structural steel engineering work and related services. Revenue recognised during the year is as follows:

	2010	2009
	HK$'000	*HK$'000*
Revenue from marine engineering work	**94,849**	106,963
Revenue from sale of vessels	**5,020**	–
Revenue from construction and structural steel engineering work	**14,383**	10,473
	114,252	117,436

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 most senior executive management for the purpose of resource allocation and performance assessment, the Group has presented the following three reportable segments. The adoption of HKFRS 8 had no material effect on the presentation of segment information nor basis of measurement of segment profit or loss. No operating segments have been aggregated to form the following reportable segments.

– Marine engineering
– Construction and structural steel engineering
– Sale of vessels

(a) Segment results, assets and liabilities

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

Segment assets include all tangible, intangible assets and current assets with the exception of interest in an associate and other corporate assets. Segment liabilities include trade and other payables attributable to the individual segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and expenses incurred by those segments or which would otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Information regarding the Group's reportable segments as provided by the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 July 2010 and 2009 is set out below.

	Marine engineering		**Construction and structural steel engineering**		**Sale of vessels**		**Consolidated**	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Revenue from external customers	**94,849**	106,963	**14,383**	10,473	**5,020**	–	**114,252**	117,436
Segment results	**9,179**	(14,966)	**(37,126)**	(1,641)	**717**	–	**(27,230)**	(16,607)
Unallocated other revenue and income							**2,226**	3,755
Unallocated expenses							**(20,203)**	(12,153)
Loss from operations							**(45,207)**	(25,005)
Finance costs							**(1,721)**	(2,277)
Discount on step-up acquisition of interest in an associate								48
Share of results of an associate								50
Loss before taxation							**(46,928)**	(27,184)
Income tax							**(1,385)**	(1,053)
Loss attributable to owners of the Company							**(48,313)**	(28,237)

	Marine engineering		Construction and structural steel engineering		Sale of vessels		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS								
Segment assets	**108,400**	128,168	**134,970**	166,572	**73,643**	69,657	**317,013**	364,397
Unallocated assets	**–**	–	**–**	–	**–**	–	**6,873**	6,622
Total consolidated assets							**323,886**	371,019
LIABILITIES								
Segment liabilities	**60,527**	63,666	**7,322**	8,339	**2,248**	1,021	**70,097**	73,026
Unallocated liabilities	**–**	–	**–**	–	**–**	–	**26**	27
Total consolidated liabilities							**70,123**	73,053
OTHER INFORMATION								
Capital expenditure incurred during the year	**638**	40,331	**4,554**	157,758	**1,845**	565	**7,037**	198,654
Depreciation and amortisation	**9,276**	4,731	**6,374**	6,387	**1,028**	1,525	**16,678**	12,643
Provision for re-instatement cost for shipyard in Singapore	**–**	4,000	**–**	–	**–**	–	**–**	4,000
Impairment on leasehold shipyard in Singapore	**–**	18,588	**–**	–	**–**	–	**–**	18,588
Impairment on port works and structural steel licenses	**–**	–	**30,912**	–	**–**	–	**30,912**	–
Write-down of inventories	**–**	–	**–**	–	**2,154**	1,245	**2,154**	1,245
Impairment loss on doubtful debts	**1,108**	–	**186**	229	**–**	–	**1,294**	229

(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 is based on the physical location of the asset.

	Hong Kong		Singapore		PRC		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**35,535**	25,751	**76,963**	89,110	**1,754**	2,575	**114,252**	117,436
Specified non-current assets	**35,309**	59,558	**747**	6,312	**132,188**	136,772	**168,244**	202,642

(c) Information about major customers

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

	2010	2009
	HK$'000	*HK$'000*
Revenue from marine engineering work:		
– Customer A	**26,917**	52,708
– Customer B	**19,550**	20,536
– Customer C	**17,479**	–
	63,946	73,244

4. OTHER REVENUE AND NET INCOME

	2010	2009
	HK$'000	*HK$'000*
Other revenue:		
Interest income	**1,055**	1,776
Other net income:		
Net exchange gain	**–**	1,960
Gain on disposal of plant and equipment	**–**	12
Scrap sales	**871**	–
Others	**300**	7
	1,171	1,979
	2,226	3,755

5. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Interest on loans from a related company	**1,712**	2,259
Interest on finance leases	**9**	18
Total interest expense on financial liabilities not at fair value through profit or loss	**1,721**	2,277

6. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

		2010	2009
		HK$'000	*HK$'000*
(a)	Staff costs		
	Salaries, wages and other benefits	**22,082**	16,968
	Equity settled share-base expenses	**–**	1,330
	Contributions to defined contribution retirement plans	**430**	556
		22,512	18,854
(b)	Marine, construction and structural steel engineering costs		
	Subcontracting, direct engineering and material costs	**65,224**	73,385
	Cost of vessels	**4,303**	–
	Rental charges	**3,396**	3,185
	Plant and operational costs	**1,219**	1,219
	Direct overheads	**179**	1,067
	Repairs, maintenance and vessel security	**409**	918
	Consultancy fees	**484**	184
		75,214	79,958
(c)	Depreciation and amortisation		
	Depreciation	**14,712**	10,682
	Amortisation of lease prepayments	**1,966**	1,961
		16,678	12,643
(d)	Other items		
	Auditor's remuneration		
	– Audit service	**752**	843
	Operating lease charges in respect of land and building	**5,112**	11,095
	Impairment on doubtful debts	**1,294**	229
	Write-down of inventories	**2,154**	1,245

7. INCOME TAX

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

	2010	2009
	HK$'000	*HK$'000*
Current tax-overseas		
Provision for the year	**1,385**	1,053

Pursuant to the rules and regulations of Bermuda, the Group is not subject to any income tax in Bermuda.

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.

Singapore income tax has been provided at the rate of 17% (2009: 17%) on the estimated assessable profit for the year.

Pursuant to the income tax rules and regulations in the PRC, provision for PRC corporate income tax is calculated based on a statutory rate of 25% (2009: 25%) of the assessable profits of the PRC subsidiaries. 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.

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

	2010 *HK$'000*	2009 *HK$'000*
Loss before income tax	**(46,928)**	(27,184)
Notional tax on loss before income tax, calculated at the rates applicable in the tax jurisdiction concerned	**(8,253)**	(5,300)
Tax effect of non-deductible expenses	**6,472**	24,039
Tax effect of non-taxable income	**(831)**	(927)
Tax effect of difference in depreciation between accounting and tax losses	**187**	(17,744)
Tax effect of group relief	**–**	(220)
Tax effect of tax losses utilised	**(615)**	(794)
Tax effect of unused tax losses not recognised	**4,425**	1,999
Actual tax charge	**1,385**	1,053

The share of tax attributable to associate amounting to HK$757,000 (2009: HK$ Nil) is included in "Share of profit of an associate" in the consolidated income statement.

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company of HK$48,313,000 (2009: loss of HK$28,237,000) and the weighted average number of 10,090,067,478 (2009: 9,081,060,730) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2010	2009
Issued ordinary shares	**10,090,067,478**	5,045,033,739
Effect of rights issue	**–**	4,036,026,991
Weighted average number of ordinary shares	**10,090,067,478**	9,081,060,730

(b) Diluted loss per share

The Company had no dilutive potential ordinary shares in existence during the years ended 31 July 2010 and 2009 since the Company's share options are anti-dilutive. Therefore, the diluted loss per share is the same as the basic loss per share for both years.

The rights issue in 2009 did not give rise to a bonus element as the exercise price was higher than the average market price.

9. INTANGIBLE ASSETS

The Group

	Port work and structural steel licenses *HK$'000*
Cost	
Acquisition of subsidiaries	30,912
At 31 July 2009 and 1 August 2009	30,912
Less: Impairment loss	(30,912)
At 31 July 2010	–

The amount represents the initial fair value of the port work and structural steel licences ("the Licences") held by Gitanes Engineering Company Limited, Tonic Engineering & Construction Company Limited, 廣東積達工程有限公司 and 東莞振華建造工程有限公司 (the "acquired subsidiaries"). The port work and structural steel licences are granted by the Works Branch, Development Bureau of the HKSAR and the PRC Government through which the acquired subsidiaries are eligible to undertake government port work construction contracts and PRC structural steel construction. The Licences basically have no legal lives but are renewable every year so long as the acquired subsidiaries are able to comply with certain provisions and requirements set out by the Works Branch, Development Bureau of the HKSAR and the PRC Government throughout the relevant period. The directors of the Company are of the opinion that the Group would maintain/renew 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. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired.

Impairment test on intangible assets

For the purposes of impairment test, intangible assets with indefinite lives have been allocated to a CGU, subsidiaries acquired in 2008, which are included in construction and structural steel engineering segment. Since no contract works were awarded in the past two years, the directors of the Company considered that the Licences should be fully impaired as at 31 July 2010. A valuation was performed by an independent valuer, on a cash flow projections basis. The recoverable amount of the Licences has been determined based on value in use calculation. That calculation uses 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 relate to estimate cash inflows/outflows, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the Licences to exceed the aggregate recoverable amount of the Licences. According to the above, an amount of HK$30,912,000 was recognised as impairment loss in profit or loss during the year.

10. INTEREST IN AN ASSOCIATE

The Group

		2010	2009
		HK$'000	*HK$'000*
(a)	Share of net assets of an associate		
	Unlisted shares, at cost	**1,500**	–
	Share of post-acquisition profit, net	**3,834**	–
		5,334	–
(b)	Amount due from an associate	**2,991**	–

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

(c) Details of the associate as 31 July 2010 are as follows:

Name of associate	Form of business structure	Place of incorporation/ operation	Particulars of issued share capital	Proportion of ownership interest	Principal activities
Crown Asia Engineering Limited	Incorporated	Hong Kong	HK$3,000,000	50%	Marine engineering

(d) Summary of the financial information of an associate is as follows:

	2010	2009
	HK$'000	*HK$'000*
Assets	**20,215**	–
Liabilities	**(9,547)**	–
Group's share of net assets of associate	**5,334**	–
Revenue	**57,905**	–
Profit after tax	**7,668**	–
Group's share of profit of associate for the year	**3,834**	–

11. INVENTORIES

	2010	2009
	HK$'000	*HK$'000*
Vessels held for sale	**61,295**	60,733
Raw materials	**3,654**	759
	64,949	61,492

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

	2010	2009
	HK$'000	*HK$'000*
Cost of inventories sold	**4,303**	–
Write-down of inventories	**2,154**	1,245
	6,457	1,245

12. TRADE AND OTHER RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade debtors	**9,725**	9,198
Retention money receivable	**1,475**	1,536
Prepayments, deposits and other receivables	**18,448**	17,154
	29,648	27,888

Included in other receivables at 31 July 2010 is the aggregate amount of HK$10,618,000 (2009: HK$10,485,000) 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, 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.

(a) Ageing analysis

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

	2010	2009
	HK$'000	*HK$'000*
0 – 30 days	**3,526**	4,953
31 – 90 days	**2,433**	1,100
91 – 180 days	**1,969**	890
181 – 360 days	**1,514**	1,938
Over 360 days	**2,483**	1,843
	11,925	10,724
Less: Allowance for doubtful debts	**(2,200)**	(1,526)
	9,725	9,198

Trading terms with customers are largely on credit, where trade deposits, advances and payment in advance are normally required. Invoices are normally payable within 120 days of issuance, except for certain well established customers, where the terms are extended beyond 120 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management.

(b) 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:

	2010	2009
	HK$'000	*HK$'000*
At 1 August	**1,526**	1,297
Impairment loss recognised	**674**	229
At 31 July	**2,200**	1,526

As at 31 July 2010, the Group's trade receivables of HK$674,000 (2009: HK$229,000) 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:

	2010	2009
	HK$'000	*HK$'000*
Neither past due nor impaired		
0 – 30 days	**3,526**	4,953
31 – 90 days	**2,433**	1,100
91 – 180 days	**1,969**	890
181 – 360 days	**1,514**	1,938
Over 360 days	**283**	317
	9,725	9,198

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.

13. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2010	2009
	HK$'000	*HK$'000*
Contract costs incurred plus recognised profits less recognised losses to date	**63,457**	36,202
Less: Progress billings	**(47,231)**	(26,653)
	16,226	9,549
Amounts due from customers for contract work	**16,226**	9,549
Amounts due to customers for contract work	**–**	–
	16,226	9,549

All amounts due are denominated in Hong Kong dollar, and the fair values approximate their carrying values.

14. TRADE AND OTHER PAYABLES

	2010	2009
	HK$'000	*HK$'000*
Trade creditors	**5,340**	5,428
Other payables and accruals	**23,381**	15,869
	28,721	21,297

The following is an aged analysis of trade creditors presented based on the invoice date at the end of the reporting period:

	2010	2009
	HK$'000	*HK$'000*
0 – 30 days	**3,069**	4,616
31 – 90 days	**388**	55
91 – 180 days	**188**	47
181 – 360 days	**944**	575
Over 360 days	**751**	135
	5,340	5,428

15. CONTINGENCIES AND LITIGATIONS

(a) On 31 July 2002, Charterbase Management Limited, one of the Petitioners, issued the Bermuda Writ against the Company and against Mrs. Leung Yu Oi Ling, Irene, Mr. Chan Kim Leung, Miss Leung Chi Yin, Gillian, Mr. Pao Ping Wing, *JP* and Mr. Wong Pui Fai who were directors of the Company in April 2001, at the time of the Subscription SGM. Mr. Wong Pui Fai and Mr. Chan Kim Leung resigned as the directors of the Company on 28 April 2002 and on 27 September 2002, respectively. The Bermuda Writ recited the basis of the Petitioners' Complaint with respect of Charterbase Management Limited, namely, that the circular regarding the Subscription misdescribed the Scheme Administrator's voting capacity in respect of the Shares held by the Scheme Administrator under the Scheme. The Bermuda Writ alleged that the Company was negligent and its directors were negligent and/or in breach of their fiduciary duty in 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 the 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 other: 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 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 2007 against two defendants on 8 June 2007 to claim damages in relation to the construction of a printing workshop carried out by UDL Contracting. Default judgement in the sum of approximately HK$162 million was awarded by the court in favour of UDL Contracting on 27 June 2007. However, one defendant took out a Summons to apply to set aside the default judgement which has been consented by UDL Contracting. The legal counsels are of the opinion that UDL Contracting is unlikely to incur any liability save for legal costs. The legal costs of the first defendant have been settled amicably upon the claim against the first defendant having been stayed to arbitration. No substantial action has been taken by the second defendant. UDL Contracting is considering further actions on the case. No asset is recognised in respect of this claim, and the recovery of this claim is a Scheme Asset. Based on an 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 Dredging Limited ("UDL Dredging"), a wholly-owned subsidiary of the Company, has filed a claim against a contractor, Leighton Contractors (Asia) Limited under arbitration to recover a sum of approximately HK$14.6 million in respect of construction works services rendered relating to an aviation fuel facility in Hong Kong. UDL Dredging has also filed a claim under HCCT 54/2010 against this contractor to recover a sum of approximately HK$4.8 million in respect of other services rendered on the same project. This action has subsequently been stayed to arbitration by consent. UDL Dredging is now formulating further action on both claims.

16. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (revised 2007), Presentation of financial statements, certain comparative figures have been adjusted to conform to current year's presentation.

EXTRACT OF THE AUDITOR'S REPORT

Basis for qualified opinion

"As set out in note 18 to the consolidated financial statements for the year ended 31 July 2010, the management has performed a detailed assessment on the recoverability of the carrying amount of the port work and structural steel licences ("Licences") of HK$30,912,000 as at 31 July 2010. On the basis of the assessment, a full provision for impairment of the Licences of HK$30,912,000 has been recognised and charged to the consolidated income statement for the year ended 31 July 2010. However, as set out in our report dated 27 November 2009, our audit opinion on the consolidated financial statements of the Group for the year ended 31 July 2009 was qualified because we had been unable to determine whether or not the carrying amount of those Licences of HK$30,912,000 was free from material misstatement as at 31 July 2009. Any adjustment to the carrying amount of the Licences brought forward from the year ended 31 July 2009 could have a significant consequential effect on the results of the Group for the year ended 31 July 2010.

Qualified opinion arising from limitation of audit scope

In our opinion, except for the effect on the consolidated financial statements arising from the matter described in the basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2010 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance."

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Future Prospects

The Group reports a revenue of HK$114.3 million for the financial year ended 31 July 2010 (2009: HK$117.4 million) and a loss of HK$48.3 million (2009: loss of HK$28.2 million). The basic loss per share was 0.48 cents (2009: 0.31 cents loss). The reported loss of the year majorly attributed to the impairment of the Group's Licences' value, details discussed below.

Marine Engineering

Marine Engineering sector reports a revenue of HK$94.8 million (2009: HK$106.9 million) and a profit of HK$9.2 million (2009: loss of HK$15.0 million). Loss in 2009 had taken into account the full impairment made on the leasehold of the Group's shipyard in Singapore due to expire on 31 December 2010. Whilst the Group is in the process of considering alternative sites, performance in the marine engineering sector may be affected in the interim.

Construction and Structural Steel Engineering

Construction and Structural Engineering sector reports a revenue of HK$14.4 million (2009: HK10.5 million) with a loss of HK$37.1 million (2009: loss of HK$1.6 million) mainly attributed to the impairment of the Group's Licences. Since 2009, the Hong Kong Government has commenced various infrastructure projects. The Group continued its efforts in tendering contracts, bids submitted have been recognized by clients to be competitive but no contracts were awarded during the financial year of 2010. For prudence and in view of the uncertainties in acquiring new contracts, the value in relation to the licenses on the approved list of port work for Hong Kong Government and the license for structural steel engineering work in Mainland China were impaired to nominal value.

Sale of Vessels

Revenue from sale of vessels totalled to HK$5.0 million (2009: HK$Nil), generating a profit of of HK$0.7 million (2009: HK$Nil). Demand for engineering work vessels should continue in the light of various infrastructure projects underway.

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 2010, total drawndown loan balance of the Group was HK$35.6 million (2009: HK$44.9 million) a decrease from previous financial year. Hence, the finance costs have decreased to HK$1.72 million (2009: HK$2.27 million). At the year end, bank and cash balances of the Group totalled to HK$37.6 million (2009: HK$65.1 million). The deposit in foreign currencies are mainly for the operation and projects in Singapore and China.

The gearing ratio of the Group as a result, calculated by dividing total liabilities by total asset value, increased to 21.7% (2009: 19.7%).

EXPOSURE OF FOREIGN EXCHANGE

The Group's assets and liabilities are mainly dominated in Hong Kong Dollars and Singapore Dollars. Income and expenses derived from the 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 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 2010, other than outsourcing vendors but including contract workers, the Group has approximately 130 technical and working staff in Hong Kong, Singapore and China. Total staff costs, excluding contract workers, amounted to HK$22.5 million this year, as compared with HK$18.9 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 2010 (2009: 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 Practices (the "CG Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Company has adopted the Model Code 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 an Audit Committee in accordance with the requirements of the CG Code. The Audit Committee consists of three Independent Non-Executive Directors, namely Mr. Pao Ping Wing, *JP*, Prof. Yuen Ming Fai, Matthew and Ms. Tse Mei Ha, in which Ms. Tse Mei Ha is the chairman of the Audit Committee. The Audit Committee and the management have reviewed the accounting policies and practices adopted by the Group and discussed the internal control procedures.

The annual results of the group for the year ended 31 July 2010 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.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 28 December 2010 to 30 December 2010 (both dates inclusive), during which period no transfer of shares can be registered. In order to qualify for attending the Annual General Meeting, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 24 December 2010.

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 2010 annual general meeting of the Company will be held on 30 December 2010. The notice of the annual general meeting will be published and dispatched to the Shareholders of the Company in due course.

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

Hong Kong, 19 November 2010

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