

Annual Report  
**2008**



**UDL** 太元 UDL Holdings Limited  
太元集團有限公司

(Incorporated in Bermuda with limited liability)  
Stock Code: 00620

# Contents

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	4
Directors' Biographies	8
Corporate Governance Report	10
Directors' Report	15
Auditor's Report	21
Consolidated Income Statement	23
Consolidated Balance Sheet	24
Balance Sheet	25
Consolidated Statement of Changes in Equity	26
Consolidated Cash Flow Statement	27
Notes to the Financial Statements	29
Five Year Summary	90

# Corporate Information

## BOARD OF DIRECTORS

### 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

## AUDIT COMMITTEE

Mr. Pao Ping Wing, JP  
Prof. Yuen Ming Fai, Matthew  
Ms. Tse Mei Ha

## REMUNERATION COMMITTEE

Mr. Pao Ping Wing, JP  
Prof. Yuen Ming Fai, Matthew  
Ms. Tse Mei Ha  
Miss. Leung Chi Yin, Gillian

## COMPANY SECRETARY

Mr. Pang Kee Chau

## REGISTERED OFFICE

Crawford House  
4th Floor  
50 Cedar Avenue  
Hamilton HM11  
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 702, 7th Floor  
Aitken Vanson Centre  
61 Hoi Yuen Road  
Kwun Tong, Kowloon  
Hong Kong

## REGISTRARS

### Hong Kong

Tricor Tengis Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

### Bermuda

The Bank of Bermuda Limited  
6 Front Street  
Hamilton HM11  
Bermuda

## AUDITOR

CCIF CPA Limited

## LEGAL ADVISERS

*As to Hong Kong laws:*

Tsang & Lee, Solicitors  
Chui & Partners

*As to Bermuda laws:*

Attride-Stirling & Woloniecki  
Appleby Spurling & Kempe

## PRINCIPAL BANKERS

Industrial and Commercial Bank of  
China (Asia) Limited  
Wing Lung Bank Limited

## WEBSITE

[www.udl.com.hk](http://www.udl.com.hk)

# Chairman's Statement

## Continuing Progress

2008 marked another year of growth and improvements. With integration of our yard facilities in Singapore and China in meeting the surging demand from the offshore, oil and gas, marine engineering market, we have secured and delivered increasing number of contracts over the financial year. Revenue is at HK\$69.8 million for the financial year ended 31 July 2008, almost doubled the previous year. Development of the yard facilities, marine fleet and human capital has been a continuous process. Costs for resources and materials hiked during the year, but marginal loss has been limited at HK\$1.99 million, compares to previous loss of HK\$4.3 million.

## Opportunities Through Established Strategies

This year, in line with the established strategies in developing the potentials through the offshore, oil and gas, marine engineering market, riding on the success in the Singapore experience, and reinforcing the regional hub, the Group has acquired a building yard in Dongguan, China, which is 3 times in size of our Singapore shipyard. Together with the existing shipyards in Zhongshan, China, and Singapore as well as the new additional acquisitions in Dongguan, the Group has now successfully consolidated its shipbuilding and offshore engineering facilities.

While the global economic downturn has put us, the industry as a whole, on alert over slowdown in demand in business volume, we are confident of the outlook in our enhanced competitiveness even under more severe market environment. We would observe that our competitors would find it tough to adapt from the suppliers market to scramble for more competitive work, while we leverage through the combination of regional advantages of each of our facilities in different part of the region and their speciality to complement each other. Be it the strong steel fabricating capacity or the direct access to the relevant regional market segments with their respective geographical proximity, our competitive advantages would put us in an opportune position and turn difficult market condition into an open position to develop in the fast track.

In Hong Kong, the construction market has been retarded by a combination of environmental restrictions and lack of forward vision through political indecisions. This long dormant market will soon be revived, promised by the Hong Kong Government as a mean to booster the economy. The downturn of the economy would no doubt reset priority of all these considerations and the revival of the hey days of the 90s in contracting market may prove to be only timely for the Group's requirements of its contracting division which now includes Gitanes Engineering Ltd, a major marine construction specialist in the infrastructural projects. We would await these mega size projects to come on stream and the rerun of the UDL success on these activities may not be a very remote objective.

## Acknowledgements

I thank all our customers for their continue support, our business partners, suppliers and contractors for working hard alongside us, and our shareholders for their continuing confidence in UDL. I would also like to express my deepest appreciation to all staff and our Board of Directors for their effort and dedication to the Group.

**Leung Yu Oi Ling, Irene**

*Chairman*

Hong Kong, 24 November 2008

# Management Discussion and Analysis

## OPERATING REVIEW

During the financial year ended 31 July 2008, the Group has observed growing performance in various operating divisions, particularly in the shipbuilding, marine and offshore engineering division.

With surging demand in the offshore engineering and the infrastructure sectors, the Group reports revenue of HK\$69.8 million (2007: HK\$38.1 million), increased 83% over the previous year, loss limited to HK\$1.99 million (2007: loss of HK\$4.3 million) and gross profit of HK\$18.1 million (2007: HK\$13.9 million), improved by 53.7% and 30.1%, respectively. These advancements also attribute to the efforts spent over the past years in production facilities enhancement and human capital development, areas in which the Group will continue to allocate resources to sustain long term growth and diversification. Gross profit margin of the segment results is controlled at 25.9%, lower compared to 2007 at 36.6%, given the rapid rise in commodities prices over the year, particularly oil and metals which are major cost components of the Group's operation. Control of production costs has been and will continue to be the management priorities.

### Marine Engineering

Revenue of the Marine Engineering sector is at HK\$69.3 million this year. Gross profit is at HK\$17.7 million, doubled over the previous year. Significant advancements attribute to the Shipbuilding and Offshore Engineering division as well as the Dredging division.



Global demand in oil and gas remained high during this financial year, exploration increases and hence requiring

more supporting activities from the shipbuilding and offshore engineering industry. In this, the Group has secured and delivered number of orders in shipbuilding, ship repair and modification, as well as offshore specialized constructions and fabrications such as derricks, drilling equipment sets, and piping.

Dredging division has also secured contracts during the year, including the dredging and rock placement work for submarine pipeline in Hong Kong. The Group will continue to seek new tenders for dredging work as more infrastructure constructions are required both locally and regionally.

# Management Discussion and Analysis

## Structural Steel and Vessels Sales

Structural Steel Engineering division produced a lower turnover of HK\$0.5 million this year (2007: HK\$4.7 million) as the contracts on hand are in their completion stage. The Group is seeking for new tenders coming from the 10 large scale infrastructure projects of the Hong Kong government and new major infrastructure investments in mainland China. With recent acquisition of the yard facilities in Dongguan, China, the contracting division has broadened its opportunities and capacities in taking up more contracting projects in both Hong Kong and mainland China.

The regional and international markets are still in steady demand for the engineering vessels. With a view of the highly volatile market condition during the financial year, the Group was very cautious in committing orders involving foreign currencies and uncertain costs elements for vessels reconditioning and ocean towage. In the interim, the Group concentrates on upgrading selective vessels and has utilised a portion of its fleet for on-going dredging and marine engineering projects. With recent increase in the vessel inventory, the Group is equipped to further expand sale of reconditioned engineering vessels in the forthcoming market to be driven by the large scale marine engineering projects in the region.



## FUTURE PROSPECTS AND OUTLOOK

Recent financial turbulence may translate to a severe global economic recession. To weather the rough seas ahead, prudent measures have been taken. The Group will consolidate its resources in the forthcoming year and sharpen its core competencies in solidifying its market position.

Fundamentals underpinning demand in shipbuilding and offshore engineering support works remain intact although new orders are expected to slowdown. Despite of this, work for current orders continue for delivery in the coming years while level of enquiries remain steady, some of which have already rendered into orders. Integration of yard facilities in Singapore, Zhongshan and Dongguan with regional business network provides the Group a unique competitive advantage over its competitors in Southeast Asia and mainland China.

# Management Discussion and Analysis



With respect to our structural steel division, the division will continue in pursuing business for structural steel in the region in collaboration with its business partners. Positive outlook can also be observed in both structural steel engineering and contracting divisions, given both the PRC and the Hong Kong governments are inclined to launch various large-scale infrastructure projects to boost the regional economy in coming years.

## FINANCIAL REVIEW

Financial position of the Group continues to improve over the financial year.

The Group reported the total net assets of HK\$153 million (2007: HK\$150 million). Liabilities have been lowered and finance cost has been reduced significantly. The basic loss per share was 0.04 cents (2007: 0.10 cents loss).

## LIQUIDITY AND FINANCIAL RESOURCES

Bank and other borrowings as at 31 July 2008 have been reduced to nil (2007: HK\$3.8 million) as all the borrowing has been settled. For such cases, gearing ratio is commonly defined as net debt (represented by borrowing net of cash and bank balances) divided by the capital reserves attributable to the equity holder of the Group. As at 31 July 2008, the Group is in net cash position with nil gearing ratio (2007: 0.00%). Alternatively, gearing ratio calculated by dividing total liabilities by total asset value, decreased to 10.5% (2007: 11.5%).

## 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 closely monitoring the currencies market and makes arrangement if required. The foreign currency risk exposure is considered low and hedging is not necessary.

# Management Discussion and Analysis

## CONTINGENT LIABILITIES

Save for those disclosed in note 33 to the financial statement, there are no other contingent liabilities that the Group is aware of.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 July 2008, other than outsourcing vendors but including contract workers, the Group has approximately 80 technical and working staff. Total staff costs, excluding contract workers, amounted to HK\$9.8 million this year, as compared with HK\$3.6 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.





# Directors' Biographies

## EXECUTIVE DIRECTORS

**Mr. Leung Yat Tung**, aged 55 was appointed as the Chief Executive Officer and Executive Director of the Company in May 2008. Mr. Leung has extensive experience in the development and management of marine offshore engineering, shipbuilding and structural steel portfolios. He holds a degree in law from the Polytechnic of Newcastle-upon-Tyne in England. He is the father of two other executive directors of the Company, Miss Leung Chi Yin Gillian, Mr. Leung Chi Hong Jerry; and the spouse of the executive director of the Company, Mrs. Leung Yu Oi Ling Irene. He is responsible for the management and operation of the Group.

**Mrs. Leung Yu Oi Ling, Irene**, aged 55, joined the Group in June 1991 and is currently the Chairman of the Group. Mrs. Leung is at present responsible for the general management, business development and marketing of the Group. Mrs. Leung is a graduate of Leicester Polytechnic in UK and has had extensive experience in running her own interior design company prior to joining the Group. She is the spouse of Mr. Leung Yat Tung, mother of Miss Leung Chi Yin, Gillian and Mr. Leung Chi Hong, Jerry.

**Miss Leung Chi Yin, Gillian**, aged 28, daughter of Mr. Leung Yat Tung and Mrs. Leung Yu Oi Ling, Irene, and sister of Mr. Leung Chi Hong, Jerry. She was redesignated in September 2002 as an Executive Director. Miss Leung graduated in Commerce from Queen's University, Canada and also completed MSc Law and Accounting from the London School of Economic and Political Science, London. Miss. Leung is responsible for financial management and administration of the Group.

**Mr. Leung Chi Hong, Jerry**, aged 26, son of Mr. Leung Yat Tung and Mrs. Leung Yu Oi Ling, Irene, brother of Miss Leung Chi Yin, Gillian, was appointed as the Executive Director in October 2006. Mr. Leung possesses BSc in Physics and Computer from McGill University, Canada. He has over five years of experience in ship management in mainland China and South East Asia. He is responsible for the operation of the Group's marine division.

All the executive directors' interest in the Company's shares are disclosed in page 17 of this report.

# Directors' Biographies

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Pao Ping Wing, JP**, aged 60, was appointed to the Board in August 1997, holds a Master of Science degree in human settlements planning and development. In the past 20 years, he has been actively serving on government policy and executive bodies, especially those of town planning, urban renewal, public housing and environment matters. He is also the director of Oriental Press Group Limited (stock code: 018), Sing Lee Software (Group) Limited (stock code: 8076), Zhuzhou CSR Times Electric Co., Limited (Stock code: 3898), Maoye International Holdings Limited (Stock Code: 848) and Hembly International Holdings Limited (stock code: 3989), which are listed on the Hong Kong Stock Exchange. He was elected as one of the Ten Outstanding Young Persons of Hong Kong in 1982 and one of the Ten Outstanding Young Persons of the World in 1983. Mr. Pao has been appointed as a Justice of the Peace for Hong Kong since 1987. Mr. Pao has no personal interest in shares of the Company.

**Prof. Yuen Ming Fai, Matthew**, aged 57, was appointed to the Board in April 2002. Prof. Yuen spent 4 years in United Kingdom's Industry before taking up a lecturing position at the Hong Kong University in 1979. He is currently a Professor and the Head of the Department of Mechanical Engineering at The Hong Kong University of Science and Technology. Prof. Yuen is a graduate of the University of Hong Kong and the University of Bristol. He is a Fellow of The Hong Kong Institution of Engineers and a Fellow of Institution of Mechanical Engineers, United Kingdom. Prof. Yuen has extensive research experience in design and manufacturing. He is also appointed as an Non-Executive Director of Fong's Industries Company Limited (Stock code: 641). Save as the spouse of Prof. Yuen has personal interest in 4,800 shares (0.00%) of the Company, Prof. Yuen has no personal interest in shares of the Company.

**Ms. Tse Mei Ha**, aged 36, was appointed to the Board in September 2004, is a Certified Public Accountant in Hong Kong. She has over ten years of experience in the accountancy profession including working with public accountant and auditor firms. Ms. Tse has no personal interest in shares of the Company.



# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the importance of good corporate governance practices and believes that maintaining high standard of corporate governance practices is crucial to the development of the Company.

During the financial year ended 31 July 2008, the Company complied with the Code on Corporate Governance Practices (the "Code Provision") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong (the "Listing Rules").

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors of the Company (the "Directors") have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 July 2008.

## BOARD OF DIRECTORS

### Composition and role

The board of directors (the "Board") of the Company comprises:

#### Executive Directors:

Leung Yat Tung	<i>(Chief Executive Officer)</i> <i>(Appointed on 2 May 2008)</i>
Leung Yu Oi Ling, Irene	<i>(Chairman)</i>
Leung Chi Yin, Gillian	
Leung Chi Hong, Jerry	

#### Independent Non-Executive Directors:

Yuen Ming Fai, Matthew  
Pao Ping Wing  
Tse Mei Ha

The Board has seven members, whose biographical details are set out in the "Directors' Biographies" of this annual report. Three Independent Non-Executive Directors have no relationship between members of the Board and any senior management of the Company. Ms. Tse Mei Ha is one of the Independent Non-Executive Directors possesses appropriate professional qualifications with accounting and financial management expertise. The Company has received from each of its Independent Non-Executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all of the Independent Non-Executive Directors are independent. The Board is responsible to ensure the Company achieves its objectives, approve the business strategic plans, review management performance and maintain internal controls, monitoring financial reporting process and business operations.

# Corporate Governance Report

The Board responsibility to promote the Company by directing and supervising its affairs in a responsible and effective manner. Each director has a duty to act in good faith and in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to all members for the manner which the affairs of the Company are managed, controlled and operated.

The Board meets regularly during the year. The following table shows the attendance of all the Directors at meetings during the year:

Directors	Board	Meetings Attended/Held		Annual General Meeting
		Audit Committee	Remuneration Committee	
<u>Executive Directors</u>				
Leung Yat Tung <sup>#</sup>	–	–	–	–
Leung Yu Oi Ling, Irene	4/4	–	–	1/1
Leung Chi Yin, Gillian	4/4	–	2/2	1/1
Leung Chi Hong, Jerry	4/4	–	–	1/1
<u>Independent Non-Executive Directors</u>				
Yuen Ming Fai, Matthew	4/4	2/2	2/2	1/1
Pao Ping Wing	4/4	2/2	2/2	0/1
Tse Mei Ha	4/4	2/2	2/2	0/1

<sup>#</sup> Appointed on 2 May 2008

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer (“CEO”), to ensure a balance of power and authority. The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the management, the Chairman is also responsible for ensuring that the directors receive adequate information and appropriate briefing on issues arising at Board meetings.

The CEO focuses on implementing objectives, policies and strategies approved and delegated by the Board. The CEO is in charge of the Group’s day-to-day management and operations. The CEO is also responsible for developing strategic plans and formulating the organisational structure, control systems and internal procedures and processes for the Board’s approval. The position of the Chairman is held by Mrs. Leung Yu Oi Ling, Irene while Mr. Leung Yat Tung is the CEO as at the date of this report.

# Corporate Governance Report

## REMUNERATION COMMITTEE

The Remuneration Committee is responsible for reviewing the remuneration package of the Executive Directors and senior management, including bonus and options granted under the share option scheme, to ensure that such remuneration is reasonable and not excessive.

Currently, the Remuneration Committee comprised of four members, majority of which are Independent Non-Executive Directors, namely Prof. Yuen Ming Fai, Matthew, Mr. Pao Ping Wing, Ms. Tse Mei Ha and Miss Leung Chi Yin, Gillian as the committee members. Currently, Prof. Yuen Ming Fai, Matthew is the Chairman of the Remuneration Committee.

The Remuneration Committee met two times in the year ended 31 July 2008.

Remuneration policy of the Company is to enable the Company to retain and motivate employees (including Executive Directors) to meet corporate objectives. An Executive Director is not allowed to approve his/her own remuneration. The remuneration package of Executive Directors and senior management includes basic salary, housing allowance, performances bonus and share option. The remuneration of Independent Non-Executive Directors is subject to annual assessment.

## NOMINATION OF DIRECTORS

Appointment of new Directors is a matter for consideration by the Board. The Board will review the profiles of the candidates before considering the appointment, re-nomination and retirement of Directors.

According to the Company's Bye-laws, any Directors so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next following general meeting of the Company or, in the case of an addition to their number, until the next following annual general meeting ("AGM") of the Company, who shall then be eligible for re-election at such AGM.

The Company is now complied with Code Provision A.4.1, non-executive directors are appointed for a specific term, subject to re-election. All Independent Non-Executive Directors will retire on 31 December 2009, subject to reviewed by the Board and re-nomination.

In accordance with the Bye-laws, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Board considers that sufficient measures has been and will be taken to ensure the corporate governance practices of the Company are not less exacting than those in the Code.

Every newly appointed Director will be given an introduction of regulatory requirements. The Directors are continually updated on the latest development of the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices.

# Corporate Governance Report

## AUDITOR'S REMUNERATION

In this fiscal year, the total remuneration of the Company's auditor, CCIF CPA Limited are set out as follows:

	<i>HK\$'000</i>
Audit services	660
Non-audit services	12

In addition, fees of HK\$66,000 were paid to another auditor for certain overseas subsidiaries for the year.

The Audit Committee has concluded that it is satisfied with the professional performance of the auditor, CCIF CPA Limited ("CCIF"), and therefore recommended to the Board that CCIF be re-appointed as the Company's auditor in the forthcoming annual general meeting.

## AUDIT COMMITTEE

The Audit Committee is mainly responsible for providing an independent review and supervision of the financial reporting process and the Group's internal control systems.

The Company formulated written terms of reference for the Audit Committee in accordance with the requirements of the Listing Rules. The Audit Committee consists of three Independent Non-Executive Directors, namely Prof. Yuen Ming Fai, Matthew, Mr Pao Ping Wing, JP and Ms. Tse Mei Ha, in which Ms. Tse Mei Ha is the chairman of the Audit Committee. The Audit Committee held two meetings during the year with attendance rate of 100%.

At the Audit Committee meeting on 23 November 2007, the Audit Committee reviewed the Group's financial statements for the year ended 31 July 2007 and the annual results announcement with a recommendation to the Board for approval.

At the Audit Committee meeting on 5 April 2008, the Audit Committee reviewed the financial statements for the six months period ended 31 January 2008 and the interim results announcement with a recommendation to the Board for approval.

The Group's audited financial statement for the year ended 31 July 2008 has been duly reviewed by the Audit Committee on 24 November 2008. The members of the Audit Committee unanimously recommended for approval by the Board.

# Corporate Governance Report

## **INTERNAL CONTROLS**

The Board has the responsibility to maintain an effective internal control system in order to safeguard the Group's assets and protect the shareholders' interests. The Board assesses the effectiveness of the internal control system and procedures derived from discussions with the management of the Group and reviews conducted by the Audit Committee. The Board believes that the existing internal control system is adequate and effective.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors acknowledge their responsibility for preparing the Group's consolidated financial statements in accordance with statutory requirements and applicable accounting standards. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, the Board has prepared the financial statement on a going concern basis. The Directors also acknowledge that the publication of the consolidated financial statements shall be distributed to the members of the Company in a timely manner.

## **COMMUNICATION WITH SHAREHOLDERS**

The Code Provision stipulates that the chairman of the board should attend the annual general meeting and arrange for the chairman of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting.

Prof. Yuen Ming Fai, Matthew, the member of the Company's Audit Committee and Remuneration Committee, attended the Company's annual general meeting and was available to answer questions from the shareholders on 28 December 2007.

# Directors' Report

The board of director (the "Directors") are pleased to present the annual report and the audited financial statements of UDL Holding Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 July 2008.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 19 to the financial statements, which are mainly provision of marine and offshore engineering and structural steel engineering and related services, and trading of vessels.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the percentage of the turnover attributable to the Group's five largest customers in aggregate was about 89.6% (2007: 75%) of the total turnover of the Group and the percentage of purchases attributable to the Group's five largest suppliers in aggregate was about 90.3% (2007: 80%) of the total purchases of the Group.

Save as disclosed in note 34 to the financial statements, neither the directors, their associates nor those shareholders which to the knowledge of the directors own more than 5% of the Company's share capital, held any interest in the Group's five largest customers or suppliers.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 July 2008 are set out in the consolidated income statement on page 23 and the accompanying notes to the financial statements. As at 31 July 2008, the Company did not have any reserves available for cash distribution and distribution in specie, as calculated in accordance with the Companies Act 1981 of Bermuda (as amended).

Accordingly, the Directors do not recommend the payment of a dividend in respect of the year ended 31 July 2008 (2007: nil).

## SEGMENTS INFORMATION

An analysis of the Group's turnover and contribution to results by business segments and geographical are set out in Note 6 to the financial statements.

## FINANCIAL SUMMARY FOR LAST FIVE YEAR

A financial summary of the published results of the Group and its assets and liabilities for the last five financial years is set out on page 90. The summary does not form part of the audited financial statements.

## SHARE CAPITAL

Details of the Company's share capital are set out in note 29 to the financial statements.



# Directors' Report

## RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 26 and note 30 to the financial statements respectively.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

## DIRECTORS AND SERVICE CONTRACTS

The Directors of the Company during the year and up to the date of this report were:

### Executive Directors:

Leung Yat Tung (Appointed on 2 May 2008)  
Leung Yu Oi Ling, Irene  
Leung Chi Yin, Gillian  
Leung Chi Hong, Jerry

### Independent Non-Executive Directors:

Pao Ping Wing, JP  
Yuen Ming Fai, Matthew  
Tse Mei Ha

In accordance with clause 99(A) as amended by clause 182(vi) of the Company's Bye-Laws, Mr. Pao Ping Wing, JP and Miss Leung Chi Yin Gillian will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with clause 102(B) of the Company's Bye-Laws, Mr. Leung Yat Tung holds office only until the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

All Independent Non-executive Directors have been appointed, subject to retirement by rotation in accordance with the Company's Bye-Laws 99, for a specific term and they have reconfirmed their independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong (the "Listing Rules").

# Directors' Report

## DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 34 to the financial statements, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

The Company has not granted to any directors of the rights to subscribe for shares in the capital of the Company pursuant to the Company's share option scheme as further detailed in note 31 to the financial statements.

Save as disclosed above, at no time during the year was the Company or any its subsidiaries a party to any arrangement to enable the directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporation.

## DIRECTORS' INTERESTS IN SHARES

As at 31 July 2008, the interests or short positions of the Directors in the shares or the underlying shares, if any, of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required (a) to be notified to the Company or the Stock Exchange pursuant to Division 7 & 8 of Part XV of the SFO; or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transaction by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

### Interests in the Company

Name of Directors	Notes	Number of Shares and nature of interest		Total Shareholding Interest
		Personal	Other	
Leung Yu Oi Ling, Irene	1, 3, 4	800,000	2,562,567,346	50.81%
Leung Yat Tung	1, 3, 4, 6	–	2,563,367,346	50.81%
Leung Chi Yin, Gillian	1, 2, 3	63,199,200	2,562,287,346	52.04%
Leung Chi Hong, Jerry	1, 2, 3	16,506,774	2,562,287,346	51.12%
Yuen Ming Fai, Matthew	5	–	4,800	0.00%

Note 1: 2,562,155,933 shares are held by Harbour Front Limited or its designated nominees, as the trustee of a unit trust. All of the units in the unit trust are beneficially owned by a discretionary trust, the beneficiaries of which are Mrs. Leung Yu Oi Ling, Irene and her children, namely, Miss Leung Chi Yin, Gillian, Mr. Leung Chi Hong, Jerry and Mr. Leung Kai Hong.

Note 2: 120,000 shares are held by Y T Leung Trading Company Limited, which is beneficially owned by Miss Leung Chi Yin, Gillian and Mr. Leung Chi Hong, Jerry.

# Directors' Report

Note 3: 11,413 shares held by Vital Strategic Corporate Consultancy Limited, which is beneficially owned by Harbour Front Limited, Mrs. Leung Yu Oi Ling, Irene, Miss Leung Chi Yin, Gillian, Mr. Leung Chi Hong, Jerry and Mr. Leung Kai Hong as to 18%, 20%, 22%, 20% and 20% respectively.

Note 4: 400,000 shares are held by Top Union Investments Limited, which is partially owned by Mrs. Leung Yu Oi Ling, Irene.

Note 5: 4,800 shares are held by Mrs. Yuen Chiu Yin May, May. Mrs. Yuen is the spouse of Prof. Yuen Ming Fai, Matthew.

Note 6: Mr. Leung Yat Tung, is the spouse of Mrs. Leung Yu Oi Ling, Irene.

Save as disclosed in this paragraph, as at 31 July 2008, none of the Directors or chief executive of the Company had interests in the shares or the underlying shares, if any, of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company or the Stock Exchange pursuant to Division 7 & 8 of Part XV of the SFO; or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transaction by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

There was no contract or arrangement subsisting at the date of this report in which any of the Directors was materially interested and which was significant in relation to the business of the Group taken as a whole.

## SUBSTANTIAL SHAREHOLDERS

As at 31 July 2008, the interests and short positions of the substantial shareholders (other than a Director of the Company) in the shares of the Company as recorded in the register as required to be kept under Section 336 of the SFO were as follows:

### Interests in Shares

Name of shareholder	Number of Shares held	Shareholding Percentage
Harbour Front Limited (Notes 1, 2, 3)	2,562,155,933	50.79%

Notes:

- (1) 2,561,671,497 shares are held by Harbour Front Limited, as the trustee of a unit trust. All the units in the unit trust are beneficially owned by a discretionary trust, beneficiaries of which are Mrs. Leung Yu Oi Ling, Irene and her children, Miss Leung Chi Yin, Gillian, Mr. Leung Chi Hong, Jerry and Mr. Leung Kai Hong;
- (2) 4,436 shares are held by Buggy Development Company Limited ("Buggy"). Miss Leung Chi Yin, Gillian and Mr. Leung Chi Hong, Jerry hold shares in Buggy on trust of Harbour Front Limited;

# Directors' Report

- (3) 480,000 shares held by Gitanes Engineering Company Limited, which is beneficially owned by Harbour Front Assets Investments Limited (which fully owned by Harbour Front Limited), Miss Leung Chi Yin, Gillian, Mr. Leung Chi Hong, Jerry as to 37.8%, 10.2% and 10.2% respectively;

Other than as disclosed above, the Company has not been notified of any other interests or short position and underlying shares of the Company as required to be recorded in the register under Section 336 of the SFO as at 31 July 2008.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws although there are no restrictions against such rights under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. Information on the corporate governance practices adopted by the Company is set out in Corporate Governance Report on pages 10 to 14.

## CONNECTED TRANSACTIONS

Details of the related party transactions and connected transactions of the Group are set out in note 34 to the financial statements.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of this report, the Company has maintained the prescribed public float under the Listing Rules.

## EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit as, qualifications and competence.

The emoluments of the Directors and senior management of the Group are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, the status of the share options is set out in note 31 to the consolidated financial statements.

# Directors' Report

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

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

## **CONTINGENCES AND OUTSTANDING LITIGATIONS**

Details of the outstanding litigations are set out in note 33 to the financial statements.

## **POST BALANCE SHEET EVENTS**

Particulars of the significant event which occurred after the balance sheet date are set out in note 35 to the financial statements.

## **AUDITOR**

CCIF CPA Limited, Certified Public Accountants had been the auditor of the Company in the preceding five years. A resolution will be submitted at the forthcoming annual general meeting to re-appoint CCIF CPA Limited as the auditor of the Company.

On behalf of the Board

**Leung Yu Oi Ling, Irene**

*Chairman*

Hong Kong

24 November 2008

# Auditor's Report



**CCIF**

**CCIF CPA LIMITED**

20/F Sunning Plaza  
10 Hysan Avenue  
Causeway Bay Hong Kong

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UDL HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of UDL Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 89, which comprise the consolidated and Company balance sheets as at 31 July 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

# Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, 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 2008 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.

### CCIF CPA Limited

*Certified Public Accountants*

Hong Kong, 24 November 2008

### Leung Chun Wa

Practising Certificate Number P04963

# Consolidated Income Statement

For the year ended 31 July 2008

	Note	2008 HK\$'000	2007 HK\$'000
<b>Turnover</b>	5	<b>69,797</b>	38,141
Other revenue and income	7	<b>3,008</b>	1,191
Staff costs		<b>(9,786)</b>	(3,553)
Marine engineering costs		<b>(51,592)</b>	(10,791)
Structural steel engineering costs		<b>(69)</b>	(309)
Cost of vessels sold		–	(13,098)
Depreciation and amortisation		<b>(2,158)</b>	(1,686)
Other operating expenses		<b>(10,153)</b>	(10,501)
<b>Loss from operations</b>		<b>(953)</b>	(606)
Finance costs	8	<b>(17)</b>	(3,586)
Share of loss of an associate		<b>(5)</b>	(99)
<b>Loss before taxation</b>	9	<b>(975)</b>	(4,291)
Taxation	10	<b>(1,013)</b>	(50)
<b>Loss attributable to equity holders of the Company</b>	13	<b>(1,988)</b>	(4,341)
<b>Loss per share – basic and diluted</b>	14	<b>(0.04 cents)</b>	(0.10 cents)

The notes on pages 29 to 89 form an integral part of these financial statements.



# Consolidated Balance Sheet

As at 31 July 2008

	Note	2008 HK\$'000	2007 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	34,752	31,468
Prepaid lease payments	17	901	879
Interest in an associate	18(a)	1,081	1,086
		<b>36,734</b>	33,433
<b>Current assets</b>			
Inventories	20	36,957	31,500
Prepaid lease payments	17	68	62
Trade and other receivables	21	20,260	8,590
Amounts due from customers for contract work	22	2,765	–
Amounts due from related parties	34(b)	16,248	13,502
Cash and cash equivalents	23	57,600	83,606
		<b>133,898</b>	137,260
<b>Current liabilities</b>			
Other loans from a related party	24	–	3,832
Trade and other payables	25	11,023	11,167
Amount due to ultimate holding company	26	–	102
Amounts due to related parties	34(c)	4,595	3,486
Amounts due to directors	27	176	964
Amount due to an associate	18(b)	1,076	1,076
Taxation payable	10	1,118	57
		<b>17,988</b>	20,684
<b>Net current assets</b>		<b>115,910</b>	116,576
<b>NET ASSETS</b>		<b>152,644</b>	150,009
<b>CAPITAL AND RESERVES</b>			
Share capital	29	50,450	50,450
Reserves	30	102,194	99,559
<b>TOTAL EQUITY</b>		<b>152,644</b>	150,009

Approved and authorised for issue by the Board of Directors on 24 November 2008.

**Leung Yu Oi Ling, Irene**  
Director

**Leung Yat Tung**  
Director

The notes on pages 29 to 89 form an integral part of these financial statements.

# Balance Sheet

As at 31 July 2008

	Note	2008 HK\$'000	2007 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	13	6
Investments in subsidiaries	19	65,983	16,413
		<b>65,996</b>	16,419
<b>Current assets</b>			
Trade and other receivables	21	658	187
Amounts due from subsidiaries	19	41,211	40,049
Amounts due from related parties	34(b)	–	10
Cash and cash equivalents	23	41,581	74,874
		<b>83,450</b>	115,120
<b>Current liabilities</b>			
Other loans from a related party	24	–	3,832
Trade and other payables	25	1,649	3,736
Amounts due to subsidiaries	19	21,988	6,185
Amount due to ultimate holding company	26	–	102
Amounts due to directors	27	162	566
		<b>23,799</b>	14,421
<b>Net current assets</b>		<b>59,651</b>	100,699
<b>NET ASSETS</b>		<b>125,647</b>	117,118
<b>CAPITAL AND RESERVES</b>			
Share capital	29	50,450	50,450
Reserves	30	75,197	66,668
<b>TOTAL EQUITY</b>		<b>125,647</b>	117,118

Approved and authorised for issue by the Board of Directors on 24 November 2008.

**Leung Yu Oi Ling, Irene**  
Director

**Leung Yat Tung**  
Director

The notes on pages 29 to 89 form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 July 2008

	Share capital	Share premium	Capital redemption reserve	Exchange fluctuation reserve	Accumulated losses	Revaluation reserve	Scheme reserve	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
							(note 30(c))	
At 1 August 2006	33,634	56,056	1,264	405	(1,141,249)	357	1,061,544	12,011
Issue of shares under rights issue (note 29)	16,816	129,754	-	-	-	-	-	146,570
Exchange realignment arising from retranslation of foreign subsidiaries	-	-	-	1,393	-	-	-	1,393
Revaluation surplus arising from property, plant and equipment	-	-	-	-	-	1,825	-	1,825
Scheme expenses	-	-	-	-	-	-	(7,449)	(7,449)
Loss for the year	-	-	-	-	(4,341)	-	-	(4,341)
At 31 July 2007	50,450	185,810	1,264	1,798	(1,145,590)	2,182	1,054,095	150,009
Exchange realignment arising from retranslation of foreign subsidiaries	-	-	-	3,508	-	-	-	3,508
Revaluation surplus arising from property, plant and equipment	-	-	-	-	-	1,115	-	1,115
Loss for the year	-	-	-	-	(1,988)	-	-	(1,988)
At 31 July 2008	50,450	185,810	1,264	5,306	(1,147,578)	3,297	1,054,095	152,644

The notes on pages 29 to 89 form an integral part of these financial statements.

# Consolidated Cash Flow Statement

For the year ended 31 July 2008

	2008 HK\$'000	2007 HK\$'000
<b>Operating activities</b>		
Loss before taxation	(975)	(4,291)
Adjustments for:		
Depreciation and amortisation	2,158	1,686
Impairment on doubtful debts	102	1,195
Write down of inventories	–	200
Interest expenses	17	3,586
Interest income	(1,884)	(174)
Reversal of impairment on leasehold buildings	–	(631)
Share of loss of an associate	5	99
<b>Operating (loss)/profit before working capital changes</b>	<b>(577)</b>	1,670
(Increase)/decrease in inventories	(5,457)	3,208
Increase in trade and other receivables	(11,772)	(3,833)
Increase in amounts due from customers for contract work	(2,765)	–
(Increase)/decrease in amounts due from related parties	(2,746)	1,779
Decrease in trade and other payables	(144)	(2,304)
Increase/(decrease) in amounts due to related parties	1,109	(2,755)
(Decrease)/increase in amounts due to directors	(788)	44
<b>Cash used in operations</b>	<b>(23,140)</b>	(2,191)
Overseas tax paid	(8)	(84)
Interest paid	(17)	(3,586)
Interest received	1,884	174
<b>Net cash used in operating activities</b>	<b>(21,281)</b>	(5,687)
<b>Investing activities</b>		
Purchase of property, plant and equipment	(1,563)	(1,078)
Decrease in amount due to an associate	–	(23)
<b>Net cash used in investing activities</b>	<b>(1,563)</b>	(1,101)

# Consolidated Cash Flow Statement

For the year ended 31 July 2008

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>Financing activities</b>		
Repayment to ultimate holding company	(102)	(25,590)
Proceeds from shares issued under rights issue	–	146,570
Repayment of other loans from a related party	(3,832)	(1,801)
Repayment of promissory notes	–	(30,000)
<b>Net cash (used in)/generated from financing activities</b>	<b>(3,934)</b>	89,179
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(26,778)</b>	82,391
Cash and cash equivalents at 1 August	83,606	1,038
Effect of foreign exchange rate changes	772	177
<b>Cash and cash equivalents at 31 July</b>	<b>57,600</b>	83,606
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	16,051	8,958
Time deposits	41,549	74,648
	<b>57,600</b>	83,606

The notes on pages 29 to 89 form an integral part of these financial statements.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liabilities. Its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the register office and the principal place of business of the Company are disclosed in the corporate information in the annual report.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are provision of marine engineering and structural steel and related services and trading of vessels.

In the opinion of the directors, the ultimate holding company of the Company is Harbour Front Limited ("Harbour Front") which is incorporated in the British Virgin Islands.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars unless otherwise stated.

## 2. PRINCIPAL ACCOUNTING POLICIES

### (a) Statement of compliance

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 of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period for the Group and the Company. Note 2(x) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (a) Statement of compliance (Continued)

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

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Share-based-Payment-Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Int 12	Service Concession Arrangements <sup>3</sup>
HK(IFRIC) – Int 13	Customers Loyalty Programmes <sup>4</sup>
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>3</sup>
HK(IFRIC)- Int 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC)- Int 16	Hedges of a Net Investment in a Foreign Operation <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2008

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2008

<sup>5</sup> Effective for annual periods beginning on or after 1 October 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

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.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (b) 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 under revaluation basis.

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 note 4.

### (c) Subsidiaries

Subsidiaries are those entities in which the Company, directly or indirectly, controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but indicator of an impairment is considered of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure the consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

### (d) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control over its management, including participation in the financial decision and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method of accounting and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate, less any identified impairment loss, unless it is classified as held for sale. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the interests in associates recognised for the year.



# Notes to the Financial Statements

For the year ended 31 July 2008

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (d) Associates (Continued)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

In the Company's balance sheet, investments in associates are stated at cost less provision for impairment losses, unless it is classified as held for sale. The results of associates are accounted for by the Group on the basis of dividend received and receivable.

### (e) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the attributable share of the net identifiable assets of the acquired subsidiaries, associates or jointly controlled entities at the date of acquisition.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and jointly controlled entities is included in interests in associates and jointly controlled entities respectively. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purposes of testing for impairment. Gains and losses on the disposal of all or part of an entity include the carrying amount of goodwill relating to the entity sold.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly controlled entity is recognized immediately in the income statement.

On disposal of a cash generating unit, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (f) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purpose of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

### (g) Foreign currency translation

#### (i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (g) Foreign currency translation (Continued)

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

#### (iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transaction); and
- (c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges for such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (h) Property, plant and equipment

Property, plant and equipment, other than the leasehold buildings and floating craft and vessels, are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the assets if it can be demonstrated that such expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets.

Floating craft and vessels are stated at their revalued amount, being their open market value at the date of revaluation less any subsequent accumulated depreciation. Revaluations are performed by qualified valuers with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair value at the balance sheet date.

Any revaluation increase arising from revaluation of leasehold buildings and floating craft and vessels is credited to the revaluation reserve except to the extent it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in the net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is provided to write off the cost or valuation of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold buildings	Over the unexpired terms of the lease
Floating craft and vessels	10%
Furniture, fixtures and office equipment	10 – 33 $\frac{1}{3}$ %
Plant, machinery and workshop equipment	10 – 33 $\frac{1}{3}$ %
Motor vehicles	10 – 25%

Floating craft and vessels under construction are not depreciated until the construction work has been completed and the assets put into use.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (h) Property, plant and equipment (Continued)

The assets' residual value and useful lives are reviewed, and adjusted if appropriate at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gain or loss on disposal of a property, plant and equipment is the difference between the net sale proceeds and the carrying amount to the relevant asset, and is recognised in the income statement.

### (i) Prepaid lease payments

The upfront prepayments made for the acquisition of leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the leases or when there is impairment, the impairment is expensed in the income statement.

### (j) Impairment of assets

#### (i) Impairment of trade and other receivables

Trade and other receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (j) Impairment of assets (Continued)

#### (i) Impairment of trade and other receivables (Continued)

If in a subsequent period, the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables and bills receivables included within the trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables and bills receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

#### (ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (other than properties carried at revalued amounts); and
- investments in subsidiaries and associates.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (j) Impairment of assets (Continued)

#### (ii) Impairment of other assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

#### – Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest Group of assets that generates cash inflows independently (i.e., a cash-generating unit).

#### – Recognition of impairment losses

An impairment loss is recognised in the consolidated income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

#### – Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated income statement in the year in which the reversals are recognised.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter measured at amortised cost using the effective interest method, less provision for impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment loss for bad and doubtful debts.

### (l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions and short-term highly liquid investments that readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

### (m) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities, trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

### (n) Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and contract costs are recognised in the income statement by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

### (o) Inventories

Inventories, which represent vessels held for trading, are stated at the lower of cost and net realizable value. Cost comprises the direct costs of merchandise and charges that have been incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.



# Notes to the Financial Statements

For the year ended 31 July 2008

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, any difference between the amount initially recognised (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings, using the effective interest method.

Interest-bearing borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### (q) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. All other borrowing costs are charged to the income statement in the period in which they are incurred.

### (r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing and amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

### (s) Employee benefits

#### (i) Employee entitlements

Employee entitlements to annual leave and long service payments are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service payments as a result of services rendered by employees up to the balance sheet date. Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (s) Employee benefits *(Continued)*

#### (ii) Pension obligations

The Group operates a defined contribution retirement benefits scheme (the Mandatory Provident Fund ("MPF")) under the MPF Schemes Ordinance, for those employees of the Group who are eligible to participate in the MPF scheme. The amount of the Group's contributions is based on a fixed percentage of the basic salary of each participating employee. Net contributions are charged to the income statement in the period to which they relate. The assets of the scheme are held separately from those of the Group in an independently administered fund. For employees in Singapore, the Group made contributions to the Central Provident Fund, a defined contribution plan regulated and managed by the government of Singapore.

#### (iii) Share-based payments

The fair value at grant date of share options granted to directors and employees is expensed on a straight-line basis over the relevant vesting periods to the income statement with a corresponding increase in employee share-based compensation reserve. At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in the income statement with a corresponding adjustment to employee share-based compensation reserve.

At the time when the share options are exercised, the amount previously recognised in employee share-based compensation reserve will be transferred to share premium. When the share options are forfeited or lapsed, the amount previously recognised in employee share-based compensation reserve will be transferred to retained profits.

### (t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the consolidated income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (t) Income tax (Continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (t) Income tax (Continued)

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

### (u) Leases

Leases are classified as finance lease whenever the terms of the lease transferred substantially all the risks and rewards of ownership to the leases. All other leases are classified as operating leases.

#### *The Group as lessor*

Rental income from operating leases is recognised in the income statement on a straight-line basis over the terms of the relevant lease.

#### *The Group as lessee*

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (v) Recognition of revenue

Provided it is probable that the economics benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Revenue from marine engineering and structural steel engineering contracts is recognised on the percentage of completion method, measured by reference to the actual costs incurred to date to the total expected costs for each contract.

Revenue from sale of vessels is recognised when the vessels are delivered and title has passed.

Revenue from plant hire income is recognised on an accrual basis over the duration for which the vessels are hired.

Management fee and handling fee income is recognised as revenue when the agreed services have been provided.

Interest income is recognised on a time proportion basis using the effective interest method.

Rental income is recognised on a straight-line basis over the rental period.

### (w) Related parties

Parties are considered to be related to the Group if:

- (i) the party has the ability, directly, or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of the key management personnel of the Group or its parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close member of the family of any individual referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

# Notes to the Financial Statements

For the year ended 31 July 2008

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### **(w) Related parties** *(Continued)*

- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

### **(x) Changes in accounting policies**

The HKICPA issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, Financial instruments: Disclosures and the amendment to HKAS 1, Presentation of financial statements: Capital disclosures, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements included expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial instruments: Disclosure and presentation. These disclosures are provided through these financial statements, in particular in note 3.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

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

# Notes to the Financial Statements

For the year ended 31 July 2008

## 3. FINANCIAL RISK MANAGEMENT

The Group's activities expose itself to a variety of financial risks: credit risk, liquidity risk, interest rate risk and foreign exchange risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### (a) Credit risk

The Group' credit risk is primary attributable to trade and other receivables and deposits with banks. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

#### (i) Trade and other receivables

For the year ended 31 July 2008, the largest and the five customers of the Group in aggregate accounted for approximately 39% and 74% (2007: 25% and 75%) respectively of the Group's total sales. At 31 July 2008, approximately 30% and 80% (2007: 27% and 91%) of trade receivables was due from the largest and the five largest customers. The major concentration of credit risk arises from exposures to customers in one geographical region, Singapore. As a result, a termination of the relationship or a reduction in orders from the five largest customers would have a material impact on the Group's results of operations and financial conditions. Credit evaluations are performed on all customers requiring credit over a certain amount. Normally, these receivables are due within 90 days to 180 days from the date of billing. Debtors with balances that are more than six months overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

#### (ii) Deposits with banks

The Group mitigates its exposure to credit risk by placing deposits with financial institutions with established credit ratings. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

### (b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of surplus cash and loans from ultimate holding company to cover expected cash requirements, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group regularly monitors current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 3. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the balance sheet date) and the earliest date the Group and the Company can be required to pay.

#### Group

	2008			2007		
	Carrying amount	contractual cash flow	Within 1 year or on demand	Carrying amount	contractual cash flow	Within 1 year or on demand
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade and other payables	11,023	11,023	11,023	11,167	11,167	11,167
Amounts due to ultimate holding company	-	-	-	102	112	112
Amounts due to related parties	4,595	4,595	4,595	3,486	3,486	3,486
Amounts due to directors	176	176	176	964	964	964
Amount due to an associate	1,076	1,076	1,076	1,076	1,076	1,076
Other loans from a related party	-	-	-	3,832	4,225	4,225
	<b>16,870</b>	<b>16,870</b>	<b>16,870</b>	<b>20,627</b>	<b>21,030</b>	<b>21,030</b>

#### Company

	2008			2007		
	Carrying amount	contractual cash flow	Within 1 year or on demand	Carrying amount	contractual cash flow	Within 1 year or on demand
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade and other payables	1,649	1,649	1,649	3,736	3,736	3,736
Amounts due to ultimate holding company	-	-	-	102	112	112
Amounts due to subsidiaries	21,988	21,988	21,988	6,185	6,185	6,185
Amounts due to directors	162	162	162	566	566	566
Other loans from a related party	-	-	-	3,832	4,225	4,225
	<b>23,799</b>	<b>23,799</b>	<b>23,799</b>	<b>14,421</b>	<b>14,824</b>	<b>14,824</b>



# Notes to the Financial Statements

For the year ended 31 July 2008

## 3. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Interest rate risk

The Group and the Company are exposed to cash flow interest rate risk through the impact of rate changes on interest-bearing financial assets which are mainly short-term bank deposits at market rates.

The sensitivity analyses below, which include interest rate exposure on variable interest-bearing bank deposits, have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. A 100 basis point change is used which represents the management's assessment of the possible change in interest rate.

At the balance sheet, if interest rate had been 100 basis points higher/lower and all other variables were held constant, the Group's loss would increase/decrease by HK\$Nil (2007: HK\$17,000) mainly attributable to the interest earned from bank balances.

### (d) Foreign exchange risk

The Group is exposed to currency risk through sales and purchases and certain financial assets and liabilities that are denominated in a currency other than the functional currency of the operations in which they relate. The currencies giving rise to this risk are primarily Renminbi ("RMB") and Singapore dollars ("S\$").

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity in which they relate.

	2008		2007	
	S\$'000	RMB\$'000	S\$'000	RMB\$'000
Cash and cash equivalents	1,752	1,051	170	348

Since the Group is not subject to significant currency risk on the forecasted transactions, the Group does not hedge its foreign currency risk.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 3. FINANCIAL RISK MANAGEMENT (Continued)

### (d) Foreign exchange risk (Continued)

The Group is only subject to foreign currency risk associated with its cash and cash equivalents which are denominated in S\$ and RMB.

The following significant exchange rates applied during the year:

	Average rate		Reporting date mid-spot rate	
	2008 HK\$	2007 HK\$	2008 HK\$	2007 HK\$
S\$1	5.43	5.04	5.70	5.16
RMB1	1.09	1.00	1.14	1.03

An 1 percent strengthening of the HK\$ against the S\$ and RMB\$ at 31 July 2008 would have increased/(decreased) profit or loss by the amounts shown below.

	2008 HK\$'000	2007 HK\$'000
Loss		
S\$	95	9
RMB	11	3

This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis throughout the year.

### (e) Reliance on major customers

For the year ended 31 July 2008, the largest and the five largest customers of the Group in aggregate approximately 39% and 74% (2007: 25% and 75%) respectively of the Group's total sales, evidencing a significant reliance on the Group's largest customers for the year ended 31 July 2008. During the years 31 July 2008 and 2007, the Group had not encountered any material disruption of sales.

### (f) Fair values

The fair values of the Group's current financial assets and liabilities are not materially different from their carrying amount because of their immediate or short-term maturity.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 4. ACCOUNTING ESTIMATES AND JUDGEMENTS

### Key sources of estimation uncertainty

The Group makes estimates and assumptions about the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

#### (a) *Estimates of fair value of floating crafts and vessels*

The best estimate of fair value is current prices in an active market for similar asset and other contracts. In the absence of such information, the Group determines the amount with a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

- current prices in an active market for vessels of different nature, condition or location, adjusted to reflect those differences; and
- recent prices of similar vessels in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

#### (b) *Valuation of leasehold buildings*

As described in note 16, leasehold buildings are stated at fair value based on valuation performed by an independent firm of professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves, inter-alia, certain estimates including the condition of the property, the sales evidence available for similar properties and existing rent receivable. In relying on the valuation report, the management has exercised their judgement and are satisfied that the method of valuation is reflective of the current market condition.

#### (c) *Recognition of deferred tax assets*

Recognition of deferred tax assets, which principally relates to deductible temporary differences and tax losses, depends on whether it is probable that future taxable profits or taxable temporary differences will be available against which deferred tax assets can be utilised. In cases where the actual future taxable profits or taxable temporary differences generated are less than expected, a reversal of deferred tax assets may arise, which will be recognised in profit or loss for the period in which such a reversal takes place.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 4. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### Key sources of estimation uncertainty (Continued)

(d) *Impairment of trade receivables and other receivables*

If circumstances indicate that the carrying amount of trade receivables and other receivables may not be recoverable, an impairment loss may be recognised. The carrying amount of trade receivables is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. The Group estimates the future cash flows from trade receivables and other receivables with reference to the age of the trade receivables, debtors' credit-worthiness and repayment history.

(e) *Valuation of inventories*

The Group reviews the carrying amounts of the inventories at each balance sheet date to determine whether the inventories are carried at the lower of cost and net realisable value in accordance with the accounting policy as set out in note 2(o). Management estimates the net realisable value based on current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's net asset value.

(f) *Depreciation*

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. The Group reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(g) *Outstanding litigations*

As detailed in note 33, the Group had contingent liabilities in respect of a number of legal proceedings in Hong Kong and Bermuda. The directors are of the opinion, after having sought the legal advice from the Company's legal counsels, that the claims can be successfully defended, and no provision is required to be made in the financial statements.

(h) *Renewal of the lease for the shipyard*

The Group has submitted application for the renewal of the lease of the shipyard in Singapore for a term of 20 years. The existing lease is due to expire in January 2011. The directors are of opinion that there would be no significant difficulties in renewing the lease under the relevant rules and regulations in Singapore.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 5. TURNOVER

The Group's turnover represents revenue derived from sale of vessels and marine engineering and structural steel engineering operations and related services. Revenue recognised during the year is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Marine engineering income	69,276	19,410
Structural steel engineering income	521	4,751
Sale of vessels	–	13,980
	<b>69,797</b>	38,141

## 6. 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.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 6. SEGMENT INFORMATION (Continued)

### (a) Business segments (Continued)

The following table presents the revenue, results and expenditure for the Group's business segments for the two years ended 31 July 2008 and 2007:

	Marine engineering		Structural steel engineering		Sale of vessels		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Segment revenue:								
Sales to external customers	69,276	19,410	521	4,751	-	13,980	69,797	38,141
Segment results	17,684	8,619	452	4,442	-	882	18,136	13,943
Unallocated other revenue and income							3,008	1,191
Unallocated expenses							(22,097)	(15,740)
Loss from operations							(953)	(606)
Finance costs							(17)	(3,586)
Share of loss of an associate							(5)	(99)
Loss before taxation							(975)	(4,291)
Taxation							(1,013)	(50)
Loss attributable to equity holders of the Company							(1,988)	(4,341)

# Notes to the Financial Statements

For the year ended 31 July 2008

## 6. SEGMENT INFORMATION (Continued)

### (a) Business segments (Continued)

The following table presents assets, liabilities and expenditure for the Group's business segments for the two years ended 31 July 2008 and 2007:

	Marine engineering		Structural steel engineering		Sale of vessels		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>ASSETS</b>								
Segment assets	<b>123,883</b>	53,670	<b>4,054</b>	2,748	<b>36,956</b>	44,014	<b>164,893</b>	100,432
Unallocated assets							<b>5,739</b>	70,261
Total consolidated assets							<b>170,632</b>	170,693
<b>LIABILITIES</b>								
Segment liabilities	<b>6,963</b>	10,154	<b>2,031</b>	1,176	<b>860</b>	1,069	<b>9,854</b>	12,399
Unallocated liabilities							<b>8,134</b>	8,285
Total consolidated liabilities							<b>17,988</b>	20,684
<b>OTHER INFORMATION</b>								
Capital expenditure incurred during the year	<b>1,563</b>	998	-	80	-	-	<b>1,563</b>	1,078
Depreciation and amortisation	<b>1,438</b>	1,045	-	-	<b>720</b>	641	<b>2,158</b>	1,686
Write down of inventories	-	-	-	-	-	200	-	200
Reversal of impairment on property, plant and equipment	-	631	-	-	-	-	-	631
Impairment loss on doubtful debts	-	-	<b>102</b>	1,195	-	-	<b>102</b>	1,195

# Notes to the Financial Statements

For the year ended 31 July 2008

## 6. SEGMENT INFORMATION (Continued)

### (b) Geographical segments

The following table presents the revenue, results and certain assets and expenditure for the Group's geographical segments for the two years ended 31 July 2008 and 2007:

	Hong Kong		Singapore		PRC		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	9,315	20,235	60,482	17,906	-	-	69,797	38,141
Other revenue and income	3,008	1,118	-	73	-	-	3,008	1,191
	<b>12,323</b>	21,353	<b>60,482</b>	17,979	-	-	<b>72,805</b>	39,332
Segment assets	<b>113,425</b>	129,932	<b>52,360</b>	34,208	<b>4,847</b>	6,553	<b>170,632</b>	170,693
Capital expenditure incurred during the year	<b>672</b>	95	<b>891</b>	983	-	-	<b>1,563</b>	1,078

## 7. OTHER REVENUE AND INCOME

	2008 HK\$'000	2007 HK\$'000
<b>Other revenue:</b>		
Interest income	<b>1,884</b>	174
<b>Other income:</b>		
Net exchange gain	<b>674</b>	40
Others	<b>115</b>	63
Reversal of overprovision of expenses	<b>335</b>	215
Reversal of impairment on leasehold buildings	-	631
Management fee from an associate	-	68
	<b>1,124</b>	1,017
	<b>3,008</b>	1,191



# Notes to the Financial Statements

For the year ended 31 July 2008

## 8. FINANCE COSTS

	2008 HK\$'000	2007 HK\$'000
Interest paid on other loans from a related party	17	455
Interest paid on promissory notes	–	194
Interest paid to ultimate holding company	–	2,937
	<b>17</b>	<b>3,586</b>

## 9. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	2008 HK\$'000	2007 HK\$'000
Auditor's remuneration		
– Audit services	726	652
– Non-audit services	12	–
Depreciation	2,093	1,626
Operating lease charges in respect of:		
– Land and buildings	4,890	4,166
– Amortisation of prepaid lease payments	65	60
Staff costs (including directors and key management)		
– Salaries, wages and other benefits	9,283	3,423
– Contributions to defined contribution retirement plans	503	130
	<b>9,786</b>	<b>3,553</b>
Write down of inventories	–	200
Impairment on doubtful debts	102	1,195

## 10. TAXATION

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

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

# Notes to the Financial Statements

For the year ended 31 July 2008

## 10. TAXATION (Continued)

Current taxation in the balance sheet represents:

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Provision for income tax				
– Overseas	1,118	57	–	–

Taxation in the consolidated income statement represents:

	2008 HK\$'000	2007 HK\$'000
Provision for the year – Overseas	1,013	50
Deferred taxation (note 28)	–	–
	1,013	50

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

	2008 HK\$'000	2007 HK\$'000
Loss before taxation	(975)	(4,291)
Notional tax on loss before taxation	(161)	(751)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(77)	(168)
Tax effect of expenses that not deductible in determining taxable profit	490	62
Tax effect of income that not taxable in determining taxable profit	(526)	(183)
Tax effect of difference in depreciation between accounting and tax base	159	–
Tax effect of group relief	(109)	–
Tax effect of tax losses utilised	(264)	(246)
Tax effect of tax losses not recognised	1,501	1,336
Actual tax charge	1,013	50

# Notes to the Financial Statements

For the year ended 31 July 2008

## 11. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance are as follows:

The emoluments of each director of the Company for the year ended 31 July 2008 are set out below:

Name of director	Fees HK\$'000	Salary paid	Salary	Discretionary bonuses HK\$'000	Share based payments HK\$'000	Other benefits HK\$'000	Retirement	Total HK\$'000
		by the Company HK\$'000	paid by subsidiaries HK\$'000				benefit scheme contributions HK\$'000	
<b>Executive Directors</b>								
Leung Yu Oi Ling, Irene	-	408	235	-	-	1,110	12	1,765
Leung Chi Yin, Gillian	-	480	166	-	-	-	12	658
Leung Chi Hong, Jerry	-	360	166	-	-	-	12	538
Leung Yat Tung	-	369	160	-	-	-	-	529
<b>Independent non-executive Directors</b>								
Pao Ping Wing	52	-	-	-	-	50	-	102
Yuen Ming Fai	52	-	-	-	-	70	-	122
Tse Mei Ha	51	-	-	-	-	60	-	111
	155	1,617	727	-	-	1,290	36	3,825

The emoluments of each director of the company for the year ended 31 July 2007 are set out below:

Name of director	Fees HK\$'000	Salary paid	Salary	Discretionary bonuses HK\$'000	Share based payments HK\$'000	Other benefits HK\$'000	Retirement	Total HK\$'000
		by the Company HK\$'000	paid by subsidiaries HK\$'000				benefit scheme contributions HK\$'000	
<b>Executive Directors</b>								
Leung Yu Oi Ling, Irene	-	816	216	-	-	384	31	1,447
Leung Chi Yin, Gillian	-	420	153	-	-	-	32	605
Leung Chi Hong, Jerry	-	95	343	-	-	-	12	450
Lee Ka Lun, Stephen	-	175	-	-	-	-	2	177
<b>Independent non-executive Directors</b>								
Pao Ping Wing	40	-	-	-	-	40	-	80
Yuen Ming Fai	40	-	-	-	-	60	-	100
Tse Mei Ha	40	-	-	-	-	60	-	100
	120	1,506	712	-	-	544	77	2,959

During both years, no emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during both years.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2007: three) of them are executive directors whose emoluments are disclosed in note 11. The emoluments in respect of the remaining one (2007: two) individuals are as follows:

	2008 HK\$'000	2007 HK\$'000
Salaries and other benefits	432	844

The emoluments were within the following bands:

Emoluments bands	Number of individuals	
	2008	2007
HK\$Nil – HK\$1,000,000	3	2

## 13. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company includes a profit of approximately HK\$8,529,000 (2007: loss of approximately HK\$23,832,000) which has been dealt with in the financial statements of the Company.

## 14. LOSS PER SHARE

The calculation of loss per share is based on loss attributable to equity holders of the Company of approximately HK\$1,988,000 (2007: loss of approximately HK\$4,341,000) and on the weighted average number of 5,045,033,739 ordinary shares (2007: 4,223,030,659 ordinary shares) in issue during the year.

The issue of 5,045,033,739 new shares as referred to note 35(b) in October 2008 did not give rise to a bonus element and therefore, no adjustment on the weighted average number of ordinary share is made.

There were no dilutive potential shares in existence during the two years ended 31 July 2008 and 2007. Therefore, the diluted loss per share was same as the basic loss per share for both years.

## 15. DIVIDENDS

No dividend has been paid or declared by the Company for both years.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 16. PROPERTY, PLANT AND EQUIPMENT

### Group

	Leasehold buildings HK\$'000	Floating craft and vessels HK\$'000	Furniture, fixtures and office equipment HK\$'000	Plant, machinery and workshop equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost or valuation</b>						
At 1 August 2006	21,487	5,570	46	2,725	96	29,924
Additions	–	–	998	–	80	1,078
Surplus on revaluation	1,274	551	–	–	–	1,825
Less: elimination of accumulated depreciation	(604)	(581)	–	–	–	(1,185)
Exchange realignments	1,078	–	1	164	6	1,249
At 31 July 2007 and 1 August 2007	23,235	5,540	1,045	2,889	182	32,891
Additions	376	184	853	31	119	1,563
Surplus on revaluation	444	671	–	–	–	1,115
Less: elimination of accumulated depreciation	(444)	(655)	–	–	–	(1,099)
Exchange realignments	2,434	–	145	326	16	2,921
At 31 July 2008	26,045	5,740	2,043	3,246	317	37,391
<b>Accumulated depreciation and impairment</b>						
At 1 August 2006	821	–	3	642	66	1,532
Charge for the year	392	581	331	300	22	1,626
Reversal of impairment	(631)	–	–	–	–	(631)
Elimination on revaluation	(604)	(581)	–	–	–	(1,185)
Exchange realignments	22	–	8	47	4	81
At 31 July 2007 and 1 August 2007	–	–	342	989	92	1,423
Charge for the year	462	655	626	320	30	2,093
Elimination of depreciation on revaluation	(444)	(655)	–	–	–	(1,099)
Exchange realignments	–	–	68	144	10	222
At 31 July 2008	18	–	1,036	1,453	132	2,639
<b>Net book value</b>						
At 31 July 2008	26,027	5,740	1,007	1,793	185	34,752
At 31 July 2007	23,235	5,540	703	1,900	90	31,468

# Notes to the Financial Statements

For the year ended 31 July 2008

## 16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The analysis of cost or valuation of the above assets at 31 July 2008 is as follows:

	Leasehold buildings	Floating craft and vessels	Furniture, fixtures and office equipment	Plant, machinery and workshop equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At cost	–	–	2,043	3,246	317	5,606
At professional valuation 2008	26,045	5,740	–	–	–	31,785
	26,045	5,740	2,043	3,246	317	37,391

The analysis of cost or valuation of the above assets at 31 July 2007 is as follows:

	Leasehold buildings	Floating craft and vessels	Furniture, fixtures and office equipment	Plant, machinery and workshop equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At cost	–	–	1,045	2,889	182	4,116
At professional valuation 2007	23,235	5,540	–	–	–	28,775
	23,235	5,540	1,045	2,889	182	32,891

# Notes to the Financial Statements

For the year ended 31 July 2008

## 16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Office equipment HK\$'000
<b>Cost</b>	
At 1 August 2006, 31 July 2007 and 1 August 2007	9
Additions	9
	<hr/>
At 31 July 2008	18
	<hr/>
<b>Accumulated depreciation</b>	
At 1 August 2006	1
Charge for the year	2
	<hr/>
At 31 July 2007 and 1 August 2007	3
Charge for the year	2
	<hr/>
At 31 July 2008	5
	<hr/>
<b>Net book value</b>	
At 31 July 2008	13
	<hr/>
At 31 July 2007	6
	<hr/>

The Group's leasehold buildings held under a short term lease of less than 3 years were situated in Singapore. The leasehold buildings were built on a piece of land which was leased from JTC Corporation with a monthly rental of S\$48,851 (2007: approximately S\$49,000). The leasehold buildings were revalued on 31 July 2008 by Vantage Valuers and Property Consultants Pte Limited, a firm of independent qualified professional valuers in Singapore, on the basis of open market value. The revaluation surplus of approximately of HK\$444,000 (2007: HK\$1,274,000) has been transferred to the revaluation reserve of the Group.

The Group's floating craft and vessels were revalued individually on 31 July 2008 by Win Well Engineering & Surveyors Limited, a firm of independent qualified professional valuers in Hong Kong, at their open market value. The revaluation surplus of approximately HK\$671,000 (2007: approximately HK\$551,000) has been transferred to the revaluation reserve of the Group.

Had the floating craft and vessels and leasehold buildings been carried at cost less accumulated depreciation, their carrying amounts at both balance sheet dates would have been approximately HK\$3,978,000 and HK\$1,072,000 (2007: approximately HK\$4,989,000 and HK\$1,372,000), respectively.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 17. PREPAID LEASE PAYMENTS

	2008 HK\$'000	2007 HK\$'000
Leasehold land in the PRC:		
Medium-term lease	969	941
Analysed for reporting purposes as:		
Current portion	68	62
Non-current portion	901	879
	969	941

Prepaid land lease payments represent payments for land use rights located in the PRC with expiry through 2022.

## 18. INTEREST IN AN ASSOCIATE

### (a) Share of net assets of an associate

	The Group		The Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
As at 1 January	1,086	1,185	–	–
Share of post-acquisition profits of an associate	(5)	(99)	–	–
As at 31 December	1,081	1,086	–	–

### (b) Amount due to an associate

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

### (c) Particulars of the associate as at 31 July 2008 are as follows:

Name	Form of legal structure	Place of incorporation	Registered Capital	Percentage of equity interest attributable to the Group %	Principal activities
Press United Logistics Limited	Incorporated	Hong Kong	HK\$5,000,000	50	Dormant



# Notes to the Financial Statements

For the year ended 31 July 2008

## 18. INTEREST IN AN ASSOCIATE (Continued)

(c) Particulars of the associate as at 31 July 2008 are as follows: (Continued)

Summary of the financial information of the associate is as follows:

	2008 HK\$'000	2007 HK\$'000
Assets	2,168	2,176
Liabilities	(7)	(5)
Net assets	2,161	2,171
Revenue	–	–
Loss for the year	(10)	(180)
Group's share of associate's results for the year	(5)	(90)
Group's share of associate's net assets	1,081	1,086

## 19. INVESTMENTS IN SUBSIDIARIES

	2008 HK\$'000	2007 HK\$'000
Unlisted shares, at cost	149,115	96,105
Less: Impairment loss	(83,132)	(79,692)
	65,983	16,413
Amounts due from subsidiaries	59,784	69,736
Less: Impairment loss	(18,573)	(29,687)
	41,211	40,049
Amounts due to subsidiaries	(21,988)	(6,185)

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 19. INVESTMENTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries as at 31 July 2008 are as follows:

Name	Place of incorporation/ operation	Particulars of issued/registered share capital	Percentage of issued/registered capital held by the		Principal activities
			Group	Company	
China Famous Limited	Hong Kong	HK\$1	100%	100%	Trading of vessels
UDL Marine Shares Pte Limited*	Singapore	S\$3,150,000	100%	100%	Dormant
UDL Offshore Engineering Pte Limited*	Singapore	S\$1,000	100%	–	Dormant
Denlane offshore Engineering Pte Limited*	Singapore	S\$1,000	100%	–	Dormant
UDL Marine (Singapore) Pte Limited* (formerly named "Denlane Shipbuilding Pte Limited")*	Singapore	S\$10,000,000 (2007: S\$700,000)	100%	100%	Marine engineering and ship management services
East Coast Towing Limited	Hong Kong	HK\$2	100%	100%	Dormant
Econo Plant Hire Company Limited	Hong Kong	HK\$2,000,000	100%	100%	Dormant
Everpoint Company Limited	Hong Kong	HK\$13,720,480	100%	100%	Dormant
Exact Profit Limited	Hong Kong	HK\$20	100%	100%	Dormant
Fairking Transportation Limited	Hong Kong	HK\$100	100%	100%	Dormant
Faith On International Limited	Hong Kong	HK\$2	100%	100%	Dormant
Full Keen Investment Limited	Hong Kong	HK\$2	100%	100%	Dormant
Graceful Ease Investment Limited	Hong Kong	HK\$2	100%	100%	Dormant
Keen Yield Investment Limited	Hong Kong	HK\$2	100%	100%	Dormant
S.K. Luk Construction Company Limited	Hong Kong	HK\$500,000	100%	100%	Dormant
UDL Argos Engineering & Heavy Industries Company Limited	Hong Kong	HK\$124,000,000	100%	100%	Investment holding, structural steel engineering works and management services
UDL Civil Contractors Limited	Hong Kong	HK\$6,800,000	100%	100%	Dormant
UDL Contracting Limited	Hong Kong	HK\$50,700,000	100%	100%	Engineering and contracting

# Notes to the Financial Statements

For the year ended 31 July 2008

## 19. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ operation	Particulars of issued/registered share capital	Percentage of issued/registered capital held by the		Principal activities
			Group	Company	
UDL Dredging Limited	Hong Kong	HK\$2	100%	100%	Engineering
UDL E & M (BVI) Limited	BVI	US\$1	100%	100%	Dormant
UDL Employment Services Limited	Hong Kong	HK\$2	100%	100%	Provision of human resources management services
UDL Investment Limited	Hong Kong	HK\$550,000	100%	100%	Dormant
UDL Management Limited	Hong Kong	HK\$2	100%	100%	Dormant
UDL Marine Operation Limited	Hong Kong	HK\$2	100%	100%	Dormant
UDL Ship Management Limited	Hong Kong	HK\$2	100%	100%	Marine engineering and ship management services
UDL Steel Fabricators & Shipbuilders Company Limited	Hong Kong	HK\$2	100%	100%	Dormant
UDL Ventures Limited	Hong Kong	HK\$1	100%	100%	Dormant
Wellfull Time Limited	Hong Kong	HK\$2	100%	100%	Dormant
中山太元重工業有限公司 (note)	PRC	HK\$10,000,000	100%	–	Dormant

\* Companies not audited by CCIF CPA Limited. The financial statements of the subsidiaries not audited by CCIF CPA Limited reflect total net assets and total turnover constituting approximately 30% and 51%, respectively, of the related consolidated totals.

Note: Wholly foreign owned enterprise established in the PRC.

## 20. INVENTORIES

	Group	
	2008 HK\$'000	2007 HK\$'000
Vessels held for trading	36,957	31,500

# Notes to the Financial Statements

For the year ended 31 July 2008

## 21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Trade debtors	9,390	3,152	–	–
Retention money receivable	897	–	–	–
Prepayments, deposits and other receivables	9,973	5,438	658	187
	<b>20,260</b>	8,590	<b>658</b>	187

Included in the other receivables at 31 July 2008 is the aggregate amount of approximately HK\$8,118,000 (2007: approximately HK\$4,150,000) incurred by the Group to pursue arbitration and/or legal proceedings to recover the value of the Scheme Assets. Under the terms of the Scheme as referred to note 30(c), 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 provided by Harbour Front, the Group is entitled to the reimbursement of these recovery costs.

### (a) Ageing analysis

The ageing analysis of trade receivables of the Group as at the balance sheet date was as follows:

	2008 HK\$'000	2007 HK\$'000
Current	6,046	1,281
1 – 3 months	1,527	1,147
4 – 6 months	1,252	6
7 – 12 months	41	707
Over 1 year	1,821	1,206
	<b>10,687</b>	4,347
Less: Allowance for doubtful debts	<b>(1,297)</b>	(1,195)
	<b>9,390</b>	3,152

# Notes to the Financial Statements

For the year ended 31 July 2008

## 21. TRADE AND OTHER RECEIVABLES (Continued)

### (a) Ageing analysis (Continued)

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.

### (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:

	2008 HK\$'000	2007 HK\$'000
At 1 August	1,195	–
Impairment loss recognised	102	1,195
At 31 July	1,297	1,195

As at 31 July 2008, the Group's trade receivables of HK\$102,000 (2007: HK\$1,195,000) 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 ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2008 HK\$'000	2007 HK\$'000
Neither past due nor impaired		
Current	6,046	1,281
1 – 3 months	1,527	1,147
4 – 6 months	1,252	6
7 – 12 months	41	707
Over 1 year	524	11
	9,390	3,152

# Notes to the Financial Statements

For the year ended 31 July 2008

## 21. TRADE AND OTHER RECEIVABLES (Continued)

### (b) Impairment of trade receivables (Continued)

Receivables that were neither past due or 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.

## 22. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2008 HK\$'000	2007 HK\$'000
Contract costs incurred plus recognised profits less recognised losses to date	11,734	–
Less: Progress billings	(8,969)	–
	2,765	–
Amounts due from customers for contract work	2,765	–
Amounts due to customers for contract work	–	–
	2,765	–

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

# Notes to the Financial Statements

For the year ended 31 July 2008

## 23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Cash and bank balances	16,051	8,958	4,548	226
Deposits with banks	41,549	74,648	37,033	74,648
	57,600	83,606	41,581	74,874

Time deposits carry floating interest rates with effective interest rates at 2.24% per annum.

## 24. OTHER LOANS FROM A RELATED PARTY

	Group and Company	
	2008 HK\$'000	2007 HK\$'000
Other loans – unsecured	–	3,832

The Group's other loans of approximately HK\$3,832,000 were borrowed from Marine Lord System Limited, an associate of Harbour Front. These loans were unsecured, repayable on demand and bearing interest at Hong Kong prime rate plus 2% per annum. The other loans were fully repaid during the year.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 25. TRADE AND OTHER PAYABLES

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Trade creditors	5,272	1,035	–	–
Other payables and accruals	5,751	10,132	1,649	3,736
	<b>11,023</b>	11,167	<b>1,649</b>	3,736

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

	2008 HK\$'000	2007 HK\$'000
Current	3,585	281
1 – 3 months	1,586	671
4 – 6 months	–	7
7 – 12 months	12	29
Over 1 year	89	47
	<b>5,272</b>	1,035

## 26. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount due to ultimate holding company, Harbour Front, was unsecured, bearing interest at Hong Kong prime rate plus 2% per annum and repayable on demand. It was fully repaid during the year.

## 27. AMOUNTS DUE TO DIRECTORS

The amounts due to directors are unsecured, interest-free and repayable on demand.



# Notes to the Financial Statements

For the year ended 31 July 2008

## 28. DEFERRED TAXATION

The components of deferred tax liabilities/(assets) of the Group in the consolidated balance sheet and the movements during the year are as follows:

	<b>Accelerated depreciation allowance</b> <i>HK\$'000</i>	<b>Revaluation reserve</b> <i>HK\$'000</i>	<b>Tax losses</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 August 2006	647	62	(709)	–
(Credited)/charged to income statement ( <i>note 10</i> )	70	319	(389)	–
At 31 July 2007 and 1 August 2007	717	381	(1,098)	–
(Credited)/charged to income statement ( <i>note 10</i> )	(3)	111	(108)	–
At 31 July 2008	714	492	(1,206)	–

	<b>Group</b>		<b>Company</b>	
	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Deferred tax liabilities recognised	<b>1,206</b>	1,098	<b>2</b>	1
Deferred tax assets recognised	<b>(1,206)</b>	(1,098)	<b>(2)</b>	(1)
	–	–	–	–

At 31 July 2008, the Group has unused tax losses of HK\$201,298,000 (2007: HK\$194,172,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$7,309,000 (2007: HK\$6,274,000) of such losses. No deferred tax assets in respect of the remaining HK\$193,989,000 (2007: HK\$187,898,000) are recognised due to the unpredictability of future taxable profits streams against which these tax losses can be utilized in the foreseeable future and uncertainty of the respective tax jurisdiction. The tax losses do not expire under the current tax regulations.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 29. SHARE CAPITAL

	2008 HK\$'000	2007 HK\$'000
Authorised: 12,000,000,000 ordinary shares of HK\$0.01 each	120,000	120,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each at 1 August	50,450	33,634
Issue of shares under rights issue ( <i>note a</i> )	–	16,816
Ordinary shares of HK\$0.01 each at 31 July	50,450	50,450

### (a) Issue of shares under rights issue

In July 2007, 1,681,677,913 shares of HK\$0.01 each were issued at a price of HK\$0.09 per share by way of rights issue for net proceeds HK\$146,570,000 after issuing expenses of HK\$4,780,000, on the basis of 1 rights share for every 2 existing shares held on 4 July 2007. These shares rank *pari passu* in all respect with the existing shares of the Company. The net proceeds of the rights issue were used to repay the debts due to the ultimate holding company, Harbour Front Limited, and as working capital of the Group.

### (b) Capital management

The Group's objective for capital management is to safeguard the Group's ability to continue as a going concern, to enhance shareholder value and to match the business funding needs. The Group manages its capital structure and makes adjustments to it in line with the changes in economic conditions and business strategies by adjusting the dividend payout ratio, returning capital to shareholders or issuing new shares. During the years ended 31 July 2008 and 2007, the Group consistently followed the objectives and applied the policies and process on managing capital. The Company is not subject to externally imposed capital requirements.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 29. SHARE CAPITAL (Continued)

### (b) Capital management (Continued)

The Group sets the amount of shareholders' equity in proportion to its overall financing structure. Debts include other loans, trade and other payables, amounts due to directors and amount due to a related company. Shareholders' equity comprises all components of equity attributable to the equity shareholders of the Company. The net cash-to-capital ratio at 31 July 2008 and 2007 was as follows:

	Group	
	2008 HK\$'000	2007 HK\$'000
Other loans from a related company	–	3,832
Trade and other payables	<b>11,023</b>	11,167
Amount due to ultimate holding company	–	102
Amounts due to related companies	<b>4,595</b>	3,486
Amounts due to directors	<b>176</b>	964
Amount due to an associate	<b>1,076</b>	1,076
<b>Total debts</b>	<b>16,870</b>	20,627
Less: Cash and cash equivalents	<b>(57,600)</b>	(83,606)
Net cash	<b>(40,730)</b>	(62,979)
<b>Total equity</b>	<b>152,644</b>	150,009
<b>Net cash-to-capital ratio</b>	<b>27%</b>	42%

# Notes to the Financial Statements

For the year ended 31 July 2008

## 29. SHARE CAPITAL (Continued)

### (b) Capital management (Continued)

	Company	
	2008 HK\$'000	2007 HK\$'000
Other loans from a related company	–	3,832
Trade and other payables	1,649	3,736
Amount due to ultimate holding company	–	102
Amounts due to directors	162	566
Amounts due to subsidiaries	21,988	6,185
<b>Total debts</b>	<b>23,799</b>	14,421
Less: Cash and cash equivalents	(41,581)	(74,874)
<b>Net cash</b>	<b>(17,782)</b>	(60,453)
<b>Total equity</b>	<b>125,647</b>	117,118
<b>Net cash-to-capital ratio</b>	<b>14%</b>	52%

## 30. RESERVES

	Group	
	2008 HK\$'000	2007 HK\$'000
Share premium	185,810	185,810
Capital redemption reserve	1,264	1,264
Exchange fluctuation reserve	5,306	1,798
Accumulated losses	(1,147,578)	(1,145,590)
Revaluation reserve	3,297	2,182
Scheme reserve	1,054,095	1,054,095
<b>Total</b>	<b>102,194</b>	99,559

Details of the movements in the above reserves during the year are set out in the consolidated statement of changes in equity on page 26.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 30. RESERVES (Continued)

### Company

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Scheme reserve HK\$'000	Total HK\$'000
At 1 August 2006	56,056	1,264	21,689	(405,787)	290,006	(36,772)
Issue of shares by rights issue (note 29)	129,754	-	-	-	-	129,754
Scheme expenses	-	-	-	-	(2,482)	(2,482)
Loss for the year	-	-	-	(23,832)	-	(23,832)
At 31 July 2007 and 1 August 2007	185,810	1,264	21,689	(429,619)	287,524	66,668
Profit for the year	-	-	-	8,529	-	8,529
At 31 July 2008	185,810	1,264	21,689	(421,090)	287,524	75,197

#### (a) Share premium and capital redemption reserve

The application of share premium account and the capital redemption reserve is governed by Section 40 of the Companies Act 1981 of Bermuda.

#### (b) Contributed surplus

The contributed surplus of the Company represents the excess of the net assets of the subsidiaries acquired pursuant to the Group Reorganisation, over the nominal value of the Company's shares issued in exchange. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances which the Company cannot currently meet.

#### (c) Scheme reserve

The scheme reserve of the Group and Company represents the net liabilities of the Scheme Participating Companies and the Company as at 28 April 2000, which were discharged according to the Scheme of Arrangement (as detailed below), less the promissory notes of HK\$30 million issued to the Scheme Administrator as consideration to release the Company's Shortfall Undertaking pursuant to the Settlement Structure Agreement dated 1 September 2006 and the related scheme expenses incurred for the recovery of the Scheme Assets.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 30. RESERVES (Continued)

### (c) Scheme reserve (Continued)

#### Scheme of Arrangement

The Company and 24 of its subsidiaries (the "Scheme Participating Companies") entered into a restructuring scheme of arrangement with its creditors (the "Scheme"). The Scheme was duly approved by the Scheme creditors and sanctioned by the court on 18 April 2000 and became effective on 28 April 2000. The Scheme Participating Companies transferred the unencumbered assets and the net proceeds from the recovery of their accounts receivable (collectively the "Scheme Assets") for no consideration to the scheme company, the shares of which are held by the Scheme Administrator in trust for the Scheme creditors. The Company had undertaken to the Scheme Administrator that the aggregate disposal proceeds of the Scheme Assets shall not be less than HK\$176 million ("Scheme Undertaking"). In the event of a shortfall, the Company was required to make up the shortfall.

The modifications of the Scheme were sanctioned by the High Court of Hong Kong on 7 June 2006 and 21 July 2006, under which, the Scheme Administrator was approved to enter into a settlement of the shortfall of Scheme Undertaking with the Company.

On 1 September 2006, the Company entered into a Settlement Structure Agreement with the Scheme Administrator and Trustee under the Scheme. In consideration of the issue of HK\$30,000,000 of promissory notes to the Scheme Administrator, the Company was fully released and discharged from each and every obligation and liability, including the obligations in the Scheme Undertaking. The promissory notes were fully settled in May 2007.

### (d) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy in note 2(g).

### (e) Distributability of reserves

In the opinion of the directors, at 31 July 2008, the Company did not have any reserve available for distribution to equity shareholders (2007: Nil).

# Notes to the Financial Statements

For the year ended 31 July 2008

## 31. EQUITY COMPENSATION BENEFITS

The Company has a share option scheme which was adopted on 31 December 2002 whereby the directors of the Company are authorised, at their discretion, to invite eligible participants as described in definitions of the circular dated 6 December 2002 issued by the Company, including employees and directors of the Group, to take up options to subscribe for shares of the Company (the "Shares"). The exercise price of the options was determined by the Board and will not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealings in securities; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share. Under the share option scheme, the total number of shares in respect of which options may be granted shall be 90,830,230 shares, representing 10% of the total issued share capital of the Company as at 31 December 2002. Since the adoption of the share option scheme, the Company had granted options carrying rights to subscribe for 82,828,000 shares, in which 80,920,000 had been exercised and the remaining options for 1,908,000 shares had been cancelled and expired in 2005. As at 31 July 2008 and 2007, there were no outstanding options in issue.

## 32. OPERATING LEASE COMMITMENTS

At 31 July 2008, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Land and buildings				
Within one year	4,339	3,340	–	–
In the second to fifth year inclusive	6,354	8,574	–	–
More than five years	4,753	4,570	–	–
	<b>15,446</b>	16,484	–	–

The Company has no significant operating lease payments receivable at the balance sheet date.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 33. 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 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 describing the Scheme Administrator's voting capacity in the circular regarding the Subscription. The Bermuda Writ claimed HK\$3,000,000 being Charterbase Management Limited's estimated costs of the Petitioners' Complaint. On 15 August 2002 the Company entered an appearance to the Bermuda Writ, and the Company filed its defence on 12 September 2002. The Company has been advised by its Bermuda lawyers that it has good grounds to resist the Bermuda Writ. Charterbase Management Limited has taken no further steps in the proceedings since the defence was filed.

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

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 of 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.



# Notes to the Financial Statements

For the year ended 31 July 2008

## 33. CONTINGENCIES AND LITIGATIONS *(Continued)*

(a) *(Continued)*

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 at the Subscription SGM as represented by the number of shares each owned, 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;

# Notes to the Financial Statements

For the year ended 31 July 2008

## 33. CONTINGENCIES AND LITIGATIONS *(Continued)*

(a) *(Continued)*

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.

In the alternative, the Joint Petitioners seek 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, the details of which are set out in the Company's Circular dated 27 January 2006.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 33. CONTINGENCIES AND LITIGATIONS *(Continued)*

- (b) The Company and the Group had pending litigation in respect of the Statement of Claim under HCA 624 of 2005 dated 28 September 2005. The Group's solicitor is of the view that three claims under the Statement of Claim duplicated 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") claims 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 Leung Yuet Keung claims 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 Hong Kong High Court will pass 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 has merits in its claims and, in the event of an unfavourable outcome, the losses which the Company may suffer are essentially the legal costs incurred in the proceedings as there is no counterclaim from the defendants. No asset is recognised in respect of this claim as the recovery of this claim is a Scheme Asset (see note 30(c)).
- (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. UDL Argos is liable to pay for the contractor's costs to be taxed of a sum not exceeding HK\$900,000 and payment of UDL Argos' own costs in the arbitration proceedings. There is no counterclaim from the defendant. Any recovery of this claim is a Scheme Asset.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 33. CONTINGENCIES AND LITIGATIONS *(Continued)*

- (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 made by the Arbitrator for 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 a claim for legal costs in the amount of HK\$520,000.
- (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 in October 2008 wherein the Company's claims were being dismissed with costs awarded to the defendants. The Company is in the course of considering an appeal. 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.

## 34. RELATED PARTY TRANSACTIONS

During the year, the Company entered into following transactions with the related parties:

- (i) Harbour Front Assets Investments Limited is a wholly-owned subsidiary of Harbour Front, the ultimate holding company of the Company.
- (ii) Capital Hope Investments Limited is a company in which Ms. Leung Chi Yin, Gillian is a director and shareholder.
- (iii) Gitanes Engineering Company Limited is a company in which Mrs. Leung Yu Oi Ling, Irene is a director and Ms. Leung Chi Yin, Gillian is a shareholder.
- (iv) Decorling Limited is a company in which Mrs. Leung Yu Oi Ling, Irene and Ms. Leung Chi Yin, Gillian are directors.
- (v) Harbour Front Limited is a major shareholder of the Company. Mrs. Leung Yu Oi Ling, Irene and Ms. Leung Chi Yin, Gillian are directors and shareholders of Harbour Front.
- (vi) Marine Lord System Limited is an associate of Harbour Front.
- (vii) UDL Marine Assets (Hong Kong) Limited is a wholly-owned subsidiary of Harbour Front.
- (viii) UDL Marine Assets (Singapore) Pte Limited is a wholly-owned subsidiary of Harbour Front.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 34. RELATED PARTY TRANSACTIONS (Continued)

(ix) Tonic Engineering Technical Limited (formerly named "Royal Top Engineering Limited") was disposed of last year, an associate of the Company.

Mr. Leung Yat Tung, Mrs. Leung Yu Oi Ling, Irene, Ms. Leung Chi Yin, Gillian and Mr. Leung Chi Hong, Jerry are the executive directors of the Company.

### (a) Transactions with related parties

	2008 HK\$'000	2007 HK\$'000
Ship management fee income from Harbour Front Assets Investments Limited	192	–
Rental charges paid to Capital Hope Investments Limited	(384)	(384)
Plant hire rental paid to Gitanes Engineering Company Limited	(1,106)	–
Plant hire rental income from Gitanes Engineering Company Limited	248	–
Ship management fee from Gitanes Engineering Company Limited	196	–
Labour service fee from Gitanes Engineering Company Limited	622	–
Rental charges paid to Decorling Limited ("Decorling")	–	(996)
Interest expenses paid to Harbour Front Limited	–	(2,937)
Commission fee paid to Harbour Front Limited	–	(1,258)
Interest expenses paid to Marine Lord Systems Limited	(17)	(455)
Purchase of vessels from UDL Marine Assets (Hong Kong) Limited	–	(7,350)
Plant hire rental paid to UDL Marine Assets (Hong Kong) Limited	(11)	–
Purchase of vessels from UDL Marine Assets (Singapore) Pte Limited	–	(1,530)
Ship management fee income from UDL Marine Assets (Singapore) Pte Limited	101	–
Management fee income from Tonic Engineering Technical Limited	–	(68)

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and were priced with reference to prevailing market prices and in the ordinary course of business.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 34. RELATED PARTY TRANSACTIONS (Continued)

### (b) Amounts due from related parties

Group	2008		2007	
	Maximum Amounts HK\$'000	Balance HK\$'000	Maximum Amounts HK\$'000	Balance HK\$'000
Beaver Marine SDN BHD	513	513	465	465
Best Year (Asia ) Limited	107	31	107	107
Brilliant Guide Limited	11	–	11	11
Bugsy Development Company Limited	1,608	1,608	736	736
Capital Hope Investments Limited	27	15	27	27
# 東莞振華建造工程有限公司	3,808	3,808	2,144	2,144
Exact Nice Limited	322	117	322	322
Giant Lead Enterprises Limited	15	–	15	15
# Gitanes Engineering Company Limited	1,253	1,253	–	–
# 廣東積達工程有限公司	646	646	586	586
廣州市太元工程船舶租賃有限公司	138	138	125	125
Goldfit Engineering Limited	4	4	4	4
Harbour Front Assets Investment Limited	483	483	291	291
Harbour Front Shares (Singapore) Pte Limited	11	11	7	7
Hong Hay Pte Limited	208	37	208	208
Jelanter Limited	484	484	438	438
Karral Trading Pte Limited	2	–	2	2
Libellus Limited	19	19	19	19
Link Full International Limited	237	237	237	237
Multi-Ventures Limited	60	55	60	60
Possider Company Limited	724	724	678	678
# Tonic Engineering and Construction Company Limited	79	–	79	79
Top Union Investments Limited	93	28	93	93
UDL Assets Management Pte Limited	42	42	38	38
UDL Construction Pte Limited	27	27	25	25
UDL Dredging (Singapore) Pte Limited	12	12	11	11
UDL Engineering Pte Limited	6,180	6,100	6,180	6,180
UDL Marine Assets (Hong Kong) Limited	592	94	592	592
UDL Marine Assets (Singapore) Pte Limited	512	512	243	243
Universal Grade Limited	425	33	425	425
Windermere Pte Limited	39	39	35	35
		<b>17,070</b>		14,203
Less: Impairment losses recognised		<b>(822)</b>		(701)
		<b>16,248</b>		13,502

# Notes to the Financial Statements

For the year ended 31 July 2008

## 34. RELATED PARTY TRANSACTIONS (Continued)

### (b) Amounts due from related parties (Continued)

#### Company

	2008 HK\$'000	2007 HK\$'000
Tonic Engineering Technical Limited	–	10
Libellus Limited	–	19
	–	29
Less: Impairment losses recognised	–	(19)
	–	10

Amounts due from related parties are all unsecured, interest-free and repayable on demand.

# These are the related parties subsequently acquired by the Group as referred to in note 35(a) below.

### (c) Amounts due to related parties

#### Group

	2008 HK\$'000	2007 HK\$'000
Best Year (Asia) Limited	–	3
Brilliant Guide Limited	2	81
Decorling Limited	–	4
# Gitanes Engineering Company Limited	42	40
Harbour Front Assets Investment Limited	1,417	730
Hong Hay Pte Limited	804	–
Multi-ventures Limited	–	558
Slient Glide (Singapore) Pte Limited	2,149	1,945
# Tonic Engineering and Construction Company Limited	–	52
UDL Engineering Pte Limited	9	9
UDL Marine Assets (Singapore) Pte Limited	64	64
Vital Strategic Corporate Consultancy Limited	108	–
	<b>4,595</b>	<b>3,486</b>

# These are the related parties subsequently acquired by the Group as referred to in note 35(a) below.

# Notes to the Financial Statements

For the year ended 31 July 2008

## 34. RELATED PARTY TRANSACTIONS (Continued)

### (c) Amounts due to related parties (Continued)

Amounts due to the above related parties are all unsecured, interest-free and repayable on demand. All these relation parties are ultimately owned by Harbour Front Limited. Mrs. Leung Yu Oil Ling Irene, Ms. Leung Chi Yin Gillian and Mr. Leung Chi Hong Jerry, each being an executive director of the Company, holds one-third of the issued share capital of Harbour Front Limited.

Details of other loans from Marine Lord System Limited amount due to ultimate holding, company and amounts due to directors are disclosed in notes 24, 26 and 27, respectively, to the financial statements.

### (d) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 11 is as follows:

	2008 HK\$'000	2007 HK\$'000
Salaries and allowances	3,561	3,263
Retirement scheme contributions	36	86
Share-based payments	–	–
	<b>3,597</b>	<b>3,349</b>



# Notes to the Financial Statements

For the year ended 31 July 2008

## 35. POST BALANCE SHEET EVENTS

### (a) Business combination

On 1 August 2008, the Company entered into agreements to acquire 100% of the issued share capital of each of (i) Lead Ocean Assets Management Limited and its subsidiaries (namely "Argos Engineering (International) Company Limited", "Cochrane Enterprises Limited", "Dongguan Chun Wah Engineering and Heavy Industry Company Limited" and "Dongguan Hing Wah Shipbuilding Company Limited"), which holds certain land use rights in PRC, and (ii) Net Excel Management Limited and its subsidiaries (namely "Tonic Engineering & Construction Company Limited", "Gitanes Engineering Company Limited", "Guangdong Gitanes Engineering Company Limited" and "Chiu Hing Company Limited", which holds certain marine crafts, for an aggregate consideration of HK\$114,154,000 (the "Acquisition"), from Harbour Front Limited. The Acquisition was completed in October 2008.

Details of net assets acquired and goodwill are as follows:

	<i>HK\$'000</i>
Purchase consideration, net	114,154
Fair value of assets acquired	(114,154)
Goodwill	–

# Notes to the Financial Statements

For the year ended 31 July 2008

## 35. POST BALANCE SHEET EVENTS (Continued)

### (a) Business combination (Continued)

The assets and liabilities arising from the Acquisition, provisionally determined, are as follows:

	Fair value HK\$'000	Acquiree's carrying amount HK\$'000
Property, plant and equipment	99,917	99,917
Prepaid lease and licence payments	90,716	60,016
Available-for-sale investment	30	30
Club debenture	200	200
Trade and other receivables	6,371	6,371
Cash and bank balances	1,521	1,521
Trade and other payables	(5,926)	(5,926)
Obligations under finance leases	(276)	(276)
Amount due to immediate holding company	(24,609)	(24,609)
Amounts due to ultimate holding company	(49,290)	(49,290)
Amounts due to related companies	(4,485)	(4,485)
Amount due to a director	(15)	(15)
Net assets acquired	114,154	83,454

### (b) Rights issue

On 1 August 2008, the Company made an announcement of the proposal to raise approximately HK\$176,576,000 by way of a rights issue of 5,045,033,739 rights shares of HK\$0.01 each at a price of HK\$0.035 per share on the basis of one rights share for every one existing share held on the record date. The issue was underwritten by Harbour Front and an independent third party.

The rights issue had been completed on 10 October 2008 and 5,045,033,739 shares of HK\$0.01 each were issued at a price of HK\$0.035 per share by way of rights issue for a total cash consideration of approximately HK\$176,576,000. The market price of the shares of the Company immediately before the exercise of the rights issue was HK\$0.02 per share. Out of the net proceeds (after deducting share issue expenses of HK\$4,414,000) of approximately HK\$172,162,000, HK\$159,126,000 were applied towards payment for the Acquisition as mentioned in note 35(a) above and the remaining balance was retained for working capital of the Group.

## 36. COMPARATIVE FIGURES

As a result of adopting HKFRS 7, Financial instruments: Disclosures, and the amendments to HKAS 1, Presentation of financial statements: Capital disclosures, certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2008. Further details of these developments are disclosed in note 2(x) to the financial statements.

# Five Year Summary

For the year ended 31 July 2008

A summary of the results of the Group and of its assets and liabilities for the last five financial years as extracted from the audited financial statements, is set out below:

	Year ended 31 July				
	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000
<b>Results</b>					
Turnover	<b>69,797</b>	38,141	22,113	11,093	19,552
(Loss)/profit before taxation	<b>(975)</b>	(4,291)	29,620	(27,750)	(16,479)
Taxation	<b>(1,013)</b>	(50)	98	279	(55)
(Loss)/profit after taxation but before minority interests	<b>(1,988)</b>	(4,341)	29,718	(27,471)	(16,534)
Minority interests	-	-	-	-	-
Net (loss)/profit attributable to shareholders	<b>(1,988)</b>	(4,341)	29,718	(27,471)	(16,534)

	As at 31 July				
	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000
<b>Assets and liabilities</b>					
Total assets	<b>170,632</b>	170,693	93,902	97,043	100,488
Total liabilities	<b>(17,988)</b>	(20,684)	(81,891)	(152,660)	(145,138)
Net assets/(liabilities)	<b>152,644</b>	150,009	12,011	(55,617)	(44,650)