UDL Holdings Limited
太 元 集 團 有 限 公 司

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

Annual Report 2009

Content

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

Chairman's Statement

The world has faced unprecedented challenges in 2009 resulting from a financial turmoil triggered by the credit crunch crisis in late 2008. The drastic dip in the global economy has inevitably affected the marine engineering industry as well as the construction market in South East Asia. Against this background, UDL continues in leveraging its competitive advantages through which achieved a satisfactory result this year.

With this backdrop, I am to report the total revenue for the financial year ended 31 July 2009 is at HK$117.4 million, an improvement of 68% from the previous year. However, the management see it necessary to report a net loss this year is at HK$28.2 million, as a result of very prudent measure which took into account the provisions and impairment made for our shipyard building in Singapore. We remain optimistic to the development in the market segment as the Marine Engineering sector maintains a steady growth despite the market condition with revenue at HK$107 million and profit at HK$7.6 million.

As for the Construction and Structural Steel Engineering sector, notwithstanding to net loss of HK1.6 million reported on a revenue of HK$10.5 million this year, we observe multi-billion dollars of economic stimulus measures being put in place and the Hong Kong Government has began to implement its major infrastructure projects. The acquisition of the civil contracting business unit and the Dongguan yard during the year is hence timely to meet these forthcoming projects.

I would like to take this opportunity to 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, 27 November 2009

Management Discussion and Analysis

BUSINESS REVIEW AND FUTURE PROSPECTS

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

Marine Engineering

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

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

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

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

Construction and Structural Steel Engineering

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

In 2008, Mr. Donald Tsang, the Chief Executive of the Hong Kong, announced the undertaking of 10 Major Infrastructure Projects for Economic Growth, in response to the financial tsunami, the Government has pledged to expedite the implementation of projects of all sizes under the recurrent public works programme. By mid 2009, implementation of these can be observed in Hong Kong including the Kai Tak Cruise Terminal, and surroundings development, Central-Wanchai Bypass and Wan Chai Reclamation, the Hong Kong – Zhuhai – Macau Bridge and various major railway projects. Further, there are other major Port Works projects for maintenance and upgrading of the Kwai Tsing Container Terminals and recurrent Public Works Programme.

The inclusion of Gitanes Engineering Company Limited and Tonic Engineering & Construction Co., Ltd., with public work licenses and long track records may prove to be timely to meet the forthcoming infrastructure projects. The Group is now actively participating in tenders for such projects.

Sale of Vessels

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

LIQUIDITY AND FINANCIAL RESOURCES

In order to utilise financial resources effectively and efficiently, the Group has secured shareholders loan facility to finance the working capital of the operation; and acquired a yard facility in China and a group of engineering operators (the "Acquisition") in 2008. Details of the Acquisition are set out in the note 35 to the financial statement.

During the financial year, HK$176.5 million was raised as a result of the exercise of allotment of rights shares; and the Group has drawdown the loan of HK$44.9 million (2008: nil). Hence, the finance costs have increased to HK$2.27 million (2008: HK$0.02 million). The details of the borrowing is set out in the note 34(e) to the financial statement. At the year end, the Group had bank balances and cash totalled to HK$65.1 million (2008: 57.6 million). The deposit in foreign currencies are mainly for the operation and projects in Singapore and China.

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

EXPOSURE OF FOREIGN EXCHANGE

The Group's assets and liabilities are mainly dominated in either Hong Kong Dollars or Singapore Dollars. Income and expenses derive from the operations in China and Singapore are mainly dominated in Renminbi and Singapore Dollars respectively. There is no significant exposure to the fluctuation of foreign exchange rate save for those disclosed in note 3(d) to the financial statement, but the Group is actively monitoring the currencies market and makes adjustment if required. The Group has no hedging arrangement for foreign currencies and has not involved in the financial derivatives.

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 2009, other than outsourcing vendors but including contract workers, the Group has approximately 130 technical and working staff. Total staff costs, excluding contract workers, amounted to HK$18.9 million this year, as compared with HK$9.8 million last year.

There was no material change to the staff policy during the year under review. The Group encourages high productivity and remunerates its employees based on their qualification, work experiences, prevailing market prices and contribution to the Group. The incentive schemes such as share option scheme for employees will be proposed in due course. The emoluments of the directors and senior management of the Company are determined by the Remuneration Committee and approved by the Board, having regard to their individual duties and responsibility with the Company, remuneration benchmark in the industry and prevailing market condition.

Directors' Biographies

EXECUTIVE DIRECTORS

Mr. Leung Yat Tung, aged 56 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 56, 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 29, 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 27, 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 six 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 15 of this report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pao Ping Wing, JP, aged 61, was appointed to the Board in August 1997, holds a Master of Science degree in human settlements planning and development. In the past 20 plus 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 58, 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 37, 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 2009, 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 2009.

BOARD OF DIRECTORS

Composition and role

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

<u>Executive Directors:</u>

Leung Yat Tung	*(Chief Executive Officer)*
Leung Yu Oi Ling, Irene	*(Chairman)*
Leung Chi Yin, Gillian	
Leung Chi Hong, Jerry	

<u>Independent Non-Executive Directors:</u>

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.

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:

	Meetings Attended/Held			Annual
		Audit	Remuneration	General
Directors	**Board**	**Committee**	**Committee**	**Meeting**
Executive Directors				
Leung Yat Tung	5/5	–	–	1/1
Leung Yu Oi Ling, Irene	5/5	–	–	1/1
Leung Chi Yin, Gillian	5/5	–	2/2	1/1
Leung Chi Hong, Jerry	5/5	–	–	1/1
Independent Non-Executive Directors				
Yuen Ming Fai, Matthew	5/5	2/2	2/2	1/1
Pao Ping Wing	5/5	2/2	2/2	1/1
Tse Mei Ha	5/5	2/2	2/2	1/1

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.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for reviewing the remuneration package of the 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, JP, 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 this financial year.

Remuneration policy of the Company is to enable the Company to retain and motivate employees (including Directors and any who have contributed to the Group) to meet corporate objectives. A Director is not allowed to approve his/her own remuneration. The remuneration package of 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 2011, 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 Provision.

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.

EXTERNAL AUDITOR'S REMUNERATION

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

	HK$'000
Audit services	760
Non-audit services	660

In addition, fees of HK$83,000 were paid to other auditors for certain 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 24 November 2008, the Audit Committee reviewed the Group's financial statements for the year ended 31 July 2008 and the annual results announcement with a recommendation to the Board for approval.

At the Audit Committee meeting on 28 April 2009, the Audit Committee reviewed the financial statements for the six months period ended 31 January 2009 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 2009 has been duly reviewed by the Audit Committee on 24 and 27 November 2009. The members of the Audit Committee unanimously recommended for approval by the Board.

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 respond for any queries at the annual general meeting.

All members of the Board, Audit Committee and Remuneration Committee attended the Company's annual general meeting and was available respond for queries from the shareholders on 29 December 2008.

The board of director (the "Directors") are pleased to present the annual report and the audited financial statements of UDL Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 July 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 21 to the financial statements, which are mainly provision of marine and offshore engineering, engineering and construction related services, and trading of vessels.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 July 2009 are set out in the consolidated income statement on page 21 and the accompanying notes to the financial statements. As at 31 July 2009, 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 2009 (2008: nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's five largest customers in aggregate was about 89% (2008: 74%) of the total turnover of the Group and the largest customer included therein amount to approximately 52% (2008: 39%). The percentage of purchases attributable to the Group's five largest suppliers in aggregate was about 85% (2008: 90%) of the total purchases of the Group and the largest suppliers include therein amount to 52%.

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.

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 98. 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.

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 24 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
Leung Yu Oi Ling, Irene
Leung Chi Yin, Gillian
Leung Chi Hong, Jerry

Independent Non-Executive Directors:
Pao Ping Wing
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. Leung Chi Hong, Jerry, Prof. Yuen Ming Fai, Matthew and Ms. Tse Mei Ha will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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' 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

Save as disclosed in the section headed "Emolument Policy and Share Option", 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 2009, 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")) were as follows:

Interests in the Company

		Number of Shares and nature of interest		**Total Shareholding**
Name of Directors	Notes	**Personal**	**Other**	**Interest**
Leung Yu Oi Ling, Irene	1, 3, 4, 6	800,000	7,331,265,308	72.7%
Leung Yat Tung	1, 3, 4, 6	100,900,674	7,231,164,634	72.7%
Leung Chi Yin, Gillian	1, 2, 3	22,239,200	7,230,084,634	71.9%
Leung Chi Hong, Jerry	1, 2, 3	16,506,774	7,230,084,634	71.8%
Yuen Ming Fai, Matthew	5	–	4,800	0.0%

Note 1: 7,229,913,221 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. Mr. Leung Yat Tung is the founder of the discretionary trust.

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.

Note 3: 51,413 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: The Company has granted 100,900,674 number of share option of the Company to Mr. Leung Yat Tung, the spouse of Mrs. Leung Yu Oi Ling, Irene.

Save as disclosed in this paragraph, as at 31 July 2009, 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 2009, 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)	7,229,913,221	71.65%

Notes:

(1) 7,229,868,785 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. Mr. Leung Yat Tung is the founder of the discretionary trust;

(2) 44,436 shares are held by Bugsy Development Company Limited ("Bugsy"). Miss Leung Chi Yin, Gillian and Mr. Leung Chi Hong, Jerry hold shares in Bugsy on trust of Harbour Front Limited;

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 2009.

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 8 to 12.

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 AND SHARE OPTION

The emolument policy of the employees of the Group is settled 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 reviewed by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

On 31 December 2002, the Company adopted a share option scheme (the "Option Scheme") for the purpose of attracting and retaining quality personnel and other persons who may contribute to the business and operation of the Group. Options may be granted to persons including directors, employees or consultants of the Group. Presently the maximum number of shares issuable under the Option Scheme is 908,106,073 shares (being 9% of the issued share capital of the Company at 29 December 2008). The maximum number of shares in respect of which options may be granted to any one person in any 12-month period is 1% of the issued share capital of the Company on the last date of such 12-month period unless with shareholders' approval. The option period shall not be more than 10 years from the date of grant of an option, and may include a minimum period an option must be held before it can be exercised. The exercise price is the highest of (i) the nominal value of one share of the Company; (ii) the closing price per share as stated in the Stock Exchange's daily quotations sheet on the date of the grant of the option; and (iii) the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of the grant of the option. The Option Scheme will remain in force until 30 December 2012.

The status of the share options is set out in note 31 to the consolidated financial statements.

Details of the movements during the year in the share options granted to the employee(s) of the Company were as follows:

			Number of share options			
Name of director	Subscription Price	Exercise Period	At 1 August 2008	Granted during year	Exercised during year	At 31 July 2009
Leung Yat Tung	HK$0.024	Note 1	–	100,900,674	–	100,900,674

Note 1: 23 March 2009 to 22 March 2019

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 37 to the financial statements. Brief summary of the events are listed below:

(a) Subsequent to the balance sheet date, the Group disposed of two vessels to an associate, in which the Group has a 50% equity interest, at a consideration equal to their aggregate carrying amount at 31 July 2009.

(b) During the year, the Company, through its directly wholly-owned subsidiary UDL Marine (S) Pte Limited, has proceeded with the renewal of the current lease of the shipyard at No. 3 Benoi Road, Singapore 629877 on which the Group's leasehold shipyard buildings are erected. The original lease will expire on 31 December 2010. On 25 November 2009, a letter was received from JTC Corporation of Singapore to confirm the current application has not been accepted. Given this, the management had sought to make a provision and impairment on the leasehold shipyard building in Singapore as a prudent measure. Hence, the carrying value of this as at 31 July 2009 has been written down to the expected recoverable value determined by the directors of the Company with reference to the independent professional valuation prepared by an independent qualified valuer taking into account of the expected net profit to be generated from the shipyard in the remaining lease term to 31 December 2010.

    In addition , the estimated cost for reinstatement of the shipyard in Singapore has been fully charged to the income statement for the year ended 31 July 2009.

AUDITOR

CCIF CPA Limited, Certified Public Accountants had been the auditor of the Company in the preceding six 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
27 November 2009

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 21 to 97, which comprise the consolidated and Company balance sheets as at 31 July 2009, 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.

Except as described in the basis for qualified opinion paragraph, 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.

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.

BASIS FOR QUALIFIED OPINION

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

QUALIFIED OPINION ARISING FROM LIMITATION OF SCOPE

In our opinion, except for the effect on the consolidated financial statements of the matter described in the basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2009 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, 27 November 2009

Leung Chun Wa
Practising Certificate Number P04963

Consolidated Income Statement

For the year ended 31 July 2009

	Note	2009 HK$'000	2008 HK$'000
Turnover	5	**117,436**	69,797
Other revenue and income	7	**3,755**	3,008
Staff costs	9(a)	**(18,854)**	(9,786)
Marine, construction and structural steel engineering costs	9(b)	**(79,958)**	(51,661)
Depreciation and amortisation	9(c)	**(12,643)**	(2,158)
Provision for reinstatement cost for shipyard – Singapore	37(b)	**(4,000)**	–
Impairment on leasehold shipyard – Singapore	37(b)	**(18,588)**	–
Other operating expenses		**(12,153)**	(10,153)
Loss from operations		**(25,005)**	(953)
Finance costs	8	**(2,277)**	(17)
Discount on step-up acquisition of interest in an associate	36	**48**	–
Share of profit/(loss) of an associate		**50**	(5)
Loss before taxation	9	**(27,184)**	(975)
Income tax	10	**(1,053)**	(1,013)
Loss attributable to equity holders of the Company	13	**(28,237)**	(1,988)
Loss per share			
– Basic	14(a)	**(0.31 cents)**	(0.04 cents)
– Diluted	14(b)	**(0.31 cents)**	(0.04 cents)

The notes on pages 27 to 97 form an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 July 2009

	Note	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**113,962**	34,752
Prepaid lease payments	17	**57,768**	901
Intangible assets	18	**30,912**	–
Club membership	19	**200**	–
Interest in an associate	20(a)	**–**	1,081
		202,842	36,734
Current assets			
Inventories	22	**61,492**	36,957
Prepaid lease payments	17	**1,956**	68
Trade and other receivables	23	**27,888**	20,260
Amounts due from customers for contract work	24	**9,549**	2,765
Amounts due from related parties	34(b)	**2,183**	16,248
Cash and cash equivalents	25	**65,109**	57,600
		168,177	133,898
Current liabilities			
Obligations under finance leases	26	**82**	–
Trade and other payables	27	**21,297**	11,023
Amounts due to related parties	34(c)	**4,602**	4,595
Amounts due to directors	34(d)	**214**	176
Amount due to an associate	20(b)	**–**	1,076
Taxation	10	**1,861**	1,118
		28,056	17,988
Net current assets		**140,121**	115,910
Total assets less current liabilities		**342,963**	152,644
Non-current liabilities			
Obligations under finance leases	26	**52**	–
Loan from a related company	34(e)	**44,945**	–
		44,997	–
NET ASSETS		**297,966**	152,644
CAPITAL AND RESERVES			
Share capital	29	**100,900**	50,450
Reserves	30	**197,066**	102,194
TOTAL EQUITY		**297,966**	152,644

Approved and authorised for issue by the Board of Directors on 27 November 2009

Leung Yu Oi Ling, Irene	**Leung Yat Tung**
Director	*Director*

The notes on pages 27 to 97 form an integral part of these financial statements.

Balance Sheet

As at 31 July 2009

	Note	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**10**	13
Investments in subsidiaries	21	**322,310**	65,983
		322,320	65,996
Current assets			
Trade and other receivables	23	**465**	658
Amounts due from subsidiaries	21	**48,272**	41,211
Cash and cash equivalents	25	**903**	41,581
		49,640	83,450
Current liabilities			
Trade and other payables	27	**2,030**	1,649
Amounts due to subsidiaries	21	**35,611**	21,988
Amounts due to related parties	34(c)	**10**	–
Amounts due to directors	34(d)	**166**	162
		37,817	23,799
Net current assets		**11,823**	59,651
Total assets less current liabilities		**334,143**	125,647
Non-current liabilities			
Loan from a related company	34(e)	**44,945**	–
NET ASSETS		**289,198**	125,647
CAPITAL AND RESERVES			
Share capital	29	**100,900**	50,450
Reserves	30	**188,298**	75,197
TOTAL EQUITY		**289,198**	125,647

Approved and authorised for issue by the Board of Directors on 27 November 2009

Leung Yu Oi Ling, Irene
Director

Leung Yat Tung
Director

The notes on pages 27 to 97 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 July 2009

	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Revaluation reserve HK$'000	Scheme reserve HK$'000	Total HK$'000
At 1 August 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, net	–	–	–	–	–	–	1,115	–	1,115
Loss for the year	–	–	–	–	–	(1,988)	–	–	(1,988)
At 31 July 2008 and 1 August 2008	50,450	185,810	–	1,264	5,306	(1,147,578)	3,297	1,054,095	152,644
Exchange realignment arising from retranslation of foreign subsidiaries	–	–	–	–	(5,235)	–	–	–	(5,235)
Previous revaluation surplus on shipyard written back	–	–	–	–	–	–	(1,718)	–	(1,718)
Revaluation surplus arising from other property, plant and equipment, net	–	–	–	–	–	–	5,402	–	5,402
Issue of shares under rights issue	50,450	126,126	–	–	–	–	–	–	176,576
Expenses for rights issue	–	(2,796)	–	–	–	–	–	–	(2,796)
Equity settled share based payment transactions	–	–	1,330	–	–	–	–	–	1,330
Loss for the year	–	–	–	–	–	(28,237)	–	–	(28,237)
At 31 July 2009	100,900	309,140	1,330	1,264	71	(1,175,815)	6,981	1,054,095	297,966

The notes on pages 27 to 97 form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 July 2009

	Note	2009 HK$'000	2008 HK$'000
Operating activities			
Loss before taxation		**(27,184)**	(975)
Adjustments for:			
Depreciation and amortization		**12,643**	2,158
Impairment on doubtful debts		**229**	102
Write down of inventories		**1,245**	–
Interest expenses		**2,277**	17
Interest income		**(1,776)**	(1,884)
Gain on disposal of property, plant and equipment		**(12)**	–
Discount on step-up acquisition of interest in an associate		**(48)**	–
Loss on disposal of available for sale financial asset		**6**	–
Equity settled share-based payment expenses		**1,330**	–
Impairment on leasehold shipyard – Singapore		**18,588**	–
Provision for reinstatement cost for shipyard – Singapore		**4,000**	–
Share of (profit)/loss of an associate		**(50)**	5
Operating profit/(loss) before working capital changes		**11,248**	(577)
Increase in inventories		**(25,780)**	(5,457)
Increase in trade and other receivables		**(3,752)**	(11,772)
Increase in amounts due from customers for contract work		**(6,784)**	(2,765)
Decrease/(increase) in amounts due from related parties		**47,370**	(2,746)
Decrease in trade and other payables		**(2,099)**	(144)
(Decrease)/increase in amounts due to related parties		**(15,550)**	1,109
Increase/(decrease) in amounts due to directors		**38**	(788)
Cash generated from/(used in) operations		**4,691**	(23,140)
Overseas tax paid		**(310)**	(8)
Interest paid		**–**	(17)
Interest received		**1,776**	1,884
Net cash generated from/(used in) operating activities		**6,157**	(21,281)
Investing activities			
Acquisition of subsidiaries	35	**(206,910)**	–
Net cash inflow from step-up acquisition of interest in an associate	36	**8**	–
Proceeds from disposal of available for sale financial assets		**13**	–
Proceeds from disposal of property, plant and equipment		**272**	–
Purchase of property, plant and equipment		**(5,109)**	(1,563)
Net cash used in investing activities		**(211,726)**	(1,563)

Consolidated Cash Flow Statement

For the year ended 31 July 2009

	2009 HK$'000	2008 HK$'000
Financing activities		
Repayment to ultimate holding company	**–**	(102)
Proceeds from shares issued under rights issue	**176,576**	–
Payment for rights issue expenses	**(2,796)**	–
Repayment of other loans from a related party	**–**	(3,832)
Interest paid	**(2,259)**	–
Loan from a related company	**44,945**	–
Interest element on finance lease payments	**(18)**	–
Capital element of finance lease payments	**(109)**	–
Net cash generated from/(used in) financing activities	**216,339**	(3,934)
Net increase/(decrease) in cash and cash equivalents	**10,770**	(26,778)
Cash and cash equivalents at 1 August	**57,600**	83,606
Effect of foreign exchange rate changes	**(3,261)**	772
Cash and cash equivalents at 31 July	**65,109**	57,600
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**61,915**	16,051
Time deposits (with original maturities less than 3 months)	**3,194**	41,549
	65,109	57,600

Major non-cash item

During the year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value of HK$239,000 at the inception.

The notes on pages 27 to 97 form an integral part of these financial statements.

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 sales of vessels, marine engineering and construction and engineering and related services, and leasing of plant and equipment for port works.

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

These consolidated financial statements are presented in thousands of units of Hong Kong dollars ("HK$"), unless otherwise stated. The functional currency of the Group and the Company is HK$.

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(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.

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

1 Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2009
4 Effective for annual periods beginning on or after 1 July 2009
5 Effective for annual periods beginning on or after 1 January 2010
6 Effective for annual periods beginning on or after 1 October 2008
7 Effective for transfers on or after 1 July 2009

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

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 at fair value.

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 entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)(ii)), unless the investment is classified as held for sale (on included in a disposal group that is classified as held for sale).

(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.

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. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in 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 (see note 2(j)(ii)), unless it is classified as held for sale.

(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 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 recognised 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.

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

(f) Foreign currency translation

The functional currency and presentation currency of the Group and the Company is Hong Kong dollars. Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of operations outside Hong Kong are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

On disposal of an operation outside Hong Kong, the cumulative amount of the exchange differences recognised in equity which relates to that operation is included in the calculation of the profit or loss on disposal.

(g) 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.

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

(g) Property, plant and equipment *(Continued)*

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 shipyard and buildings outside Hong Kong in Singapore	Over the unexpired term of the lease
Leasehold shipyard and buildings outside Hong Kong in the PRC	20 years or over the lease term whichever is shorter
Leasehold improvements	$33^1/_3$%
Floating craft and vessels	10%
Furniture, fixtures and office equipment	10 – $33^1/_3$%
Plant, machinery and workshop equipment	10 – $33^1/_3$%
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.

Where part of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonableness basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Intangible assets

On initial recognition, intangible assets acquired separately and through business combinations are recognised at cost and at fair value respectively. After initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Intangible assets represent port work and structural steel engineering work licences acquired through business combinations at fair value. After initial recognition, intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of asset and are recognised in the income statement when the asset is derecognised.

(i) Prepaid lease payments

Prepaid lease payments represent up-front payments to acquire land use rights/lease hold land. They are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated on a straight line basis over the lease term.

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

(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.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

(j) Impairment of assets *(Continued)*

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

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);

– prepaid lease payments;

– intangible assets; and

– investments in subsidiaries and associates.

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 the 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).

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

(j) Impairment of assets *(Continued)*

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

– 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.

(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.

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, deemed deposits with banks and other financial institutions and short-term highly liquid investments that are 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

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised with reference to the percentage of completion of the contract activity at the balance sheet date, as measured by the proportion that the value of work carried out during the year.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(o) Inventories

Inventories, which represent the vessels held for trading, are stated at the lower of cost and net realisable 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 realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

(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.

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

(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 of discounting 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 a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(s) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leaves, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined contribution pension plan obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administrated fund. The Group's contributions vest fully with the employees when contributed into the MPF Scheme.

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

(s) Employee benefits *(Continued)*

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date after taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where the forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company’s shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iv) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(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.

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 difference 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.

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

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

(t) Income tax *(Continued)*

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

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases except for land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, which is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous leasee.

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

(u) Leases *(Continued)*

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset or, if lower, the present value of the minimum lease payments of such assets is included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2 (g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2 (j)(ii). Finance charge implicit in the lease payments are charged to income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to income statement in equal instalments over the accounting period covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentive received is recognised in income statement in the accounting period in which they are incurred.

The cost of acquiring land under an operating lease is amortised on a straight-line basis over the period of the lease term.

(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:

(i) Revenue from marine engineering and construction and structural steel engineering contracts is recognised on the percentage of completion method, measured by reference to the stage of completion of the contract activity of the balance sheet date, as measured by the proportion that the value of work carried out during the year.

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

(iii) Revenue from property, plant and equipment hire income is recognised on an accrual basis over the duration for which the assets are hired.

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

(v) Recognition of revenue *(Continued)*

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

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

(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 excise 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

(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.

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

(x) 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.

3. FINANCIAL RISK MANAGEMENT

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

For cash and cash equivalents and deposits with banks, the Group deposits the cash with reputable financial institutions.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

For the year ended 31 July 2009, the largest and the five largest customers of the Group in aggregate accounted for approximately 55% (2008: 39%) and 84% (2008: 74%) respectively of the Group's total sales. At 31 July 2009, approximately 44% and 82% (2008: 30% and 90%) of trade receivables was due from the largest and the five largest customers respectively. 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.

(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 a related 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.

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 rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay.

The Group

	2009				
	Carrying amount HK$'000	**Total contractual undiscounted cash flow HK$'000**	**Within 1 year or on demand HK$'000**	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**
Trade and other payables	**21,297**	**21,297**	**21,297**	**–**	**–**
Obligations under finance leases	**134**	**145**	**91**	**54**	**–**
Amounts due to related parties	**4,602**	**4,602**	**4,602**	**–**	**–**
Amounts due to directors	**214**	**214**	**214**	**–**	**–**
Loan from a related company	**44,945**	**51,125**	**2,247**	**2,247**	**46,631**
	71,192	**77,383**	**28,451**	**2,301**	**46,631**

	2008				
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
Trade and other payables	11,023	11,023	11,023	–	–
Amounts due to related parties	4,595	4,595	4,595	–	–
Amounts due to directors	176	176	176	–	–
Amount due to an associate	1,076	1,076	1,076	–	–
	16,870	16,870	16,870	–	–

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(b) Liquidity risk *(Continued)*

The Company

	2009				
	Carrying amount HK$'000	**Total contractual undiscounted cash flow HK$'000**	**Within 1 year or on demand HK$'000**	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**
Trade and other payables	**2,030**	**2,030**	**2,030**	**–**	**–**
Amounts due to related parties	**10**	**10**	**10**	**–**	**–**
Amounts due to subsidiaries	**35,611**	**35,611**	**35,611**	**–**	**–**
Amounts due to directors	**166**	**166**	**166**	**–**	**–**
Loan from a related company	**44,945**	**51,125**	**2,247**	**2,247**	**46,631**
	82,762	**88,942**	**40,064**	**2,247**	**46,631**

	2008				
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
Trade and other payables	1,649	1,649	1,649	–	–
Amounts due to subsidiaries	21,988	21,988	21,988	–	–
Amounts due to directors	162	162	162	–	–
	23,799	23,799	23,799	–	–

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 of changes on interest-bearing financial assets which are mainly short term bank deposits at market rates and on loan from a related company which bears interest at prevailing prime rates offered by The Hongkong and Shanghai Banking Corporation Limited.

The sensitivity analyses below, which include interest rate exposure on variable interest bearing bank deposits and loan from related company, 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 variable were held constant, the Group's loss would decrease/increase by HK$202,000 (2008: HK$576,000).

(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$"). Management monitors the Group's exposure to foreign currency risk, and will consider hedging significant foreign currency exposure should the need arise.

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

	2009		2008	
	S$'000	**RMB'000**	S$'000	RMB'000
Trade and other receivables	**1,354**	**1,565**	1,662	232
Cash and cash equivalents	**11,356**	**2,318**	1,752	1,051
Trade and other payables	**(1,101)**	**(4,475)**	(1,074)	(222)
Net exchange exposure arising from recognised financial assets and liabilities	**11,609**	**(592)**	2,340	1,061

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(d) Foreign exchange risk *(Continued)*

	2009 Increase/(decrease) in foreign exchange rate	2009 Effect on loss after tax HK$'000	2008 Increase/(decrease) in foreign exchange rate	2008 Effect on loss after tax HK$'000
S$	**5%**	**580**	5%	117
	(5)%	**(580)**	(5)%	(117)
RMB	**5%**	**30**	5%	53
	(5)%	**(30)**	5%	(53)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' loss after tax measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet dates for presentation purposes.

(e) Reliance on major customers

For the year ended 31 July 2009, the largest and the five largest customers of the Group in aggregate approximately 52% (2008: 39%) and 89% (2008: 74%) respectively of the Group's total turnover, evidencing a significant reliance on the Group's largest customer for the year ended 31 July 2009. During the years 31 July 2009 and 2008, 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 the immediate or short-term maturity.

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 judgement, 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 that occurred since the date of the transactions.

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

As described in note 16, leasehold buildings are stated at fair value based on a 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.

(d) ***Impairment of property, leasehold lease payments, plant and equipment and intangible assets***

The Group assesses annually whether property, plant and equipment and intangible assets have any indications of impairment in accordance with the relevant accounting policies. If such indication exists, the recoverable amounts of the assets would be determined by reference to value in use and net selling price. Value in use is determined using the discounted cash flow method. Owing to inherent risks associated with estimations in the timing and magnitude of the future cash flows and net selling prices, the estimated recoverable amount of the assets may be different from its actual recoverable amount and profit or loss could be affected by the accuracy of the estimations.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

Key sources of estimation uncertainty *(Continued)*

(e) Impairment of trade and other receivables

If circumstances indicate that the carrying amount of trade 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 the trade and other receivables with reference to the age of the trade receivable, debtors' credit-worthiness and repayment history.

(f) 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 realiseable value in accordance with the accounting policy as set out in note 2 (o). Management estimates the net realizable 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.

(g) Construction contract revenue recognition

According to the accounting policies of construction contracts as stated in note 2(n), the Group uses the percentage of completion method to determine the appropriate revenue to be recognised in a given period. The stage of completion is measured by the value of work carried out over total estimated contract sum.

Upon applying the percentage of completion method, the Group needs to estimate the gross profit margin of each construction contract, which was determined based on the estimated total contract costs and total contract sum, including variation orders and claims. If the actual gross profit margin of the contract differs from the management's estimates, the contract revenue to be recognised within the next accounting period will be adjusted accordingly.

(h) Deprecation

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.

(i) 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. As a result, no provision has been made in the financial statements.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

Key sources of estimation uncertainty *(Continued)*

(j) Lease for shipyard – Singapore

The Group has submitted an 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 on 31 December 2010. Subsequent to the balance date and on 25 November 2009, the Group received a fax letter dated 20 November 2009 issued by JTC of Singapore which formally declining the application for the renewal of the lease. Further details are disclosed in note 37(b) to the financial statement. The management has taken steps on following up with JTC on this matter.

The Singapore shipyard has been written down to its expected recoverable value by the directors of the Company taking into account of the expected economic benefit to be generated from the shipyard in the remaining lease term. Impairment loss of HK$18,588,000 (2008: Nil) has been recognised in the income statement for the year ended 31 July 2009.

In addition, reinstatement cost of approximately of HK$4,000,000 has also been provided based on the best estimates of the management for those reinstatement costs to be carried out upon expiration of the existing lease.

5. TURNOVER AND REVENUE

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

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

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.

6. SEGMENT INFORMATION *(CONTINUED)*

(a) Business segments

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

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

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

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 2009 and 2008:

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

6. SEGMENT INFORMATION *(CONTINUED)*

(b) Geographical segments

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

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

7. OTHER REVENUE AND INCOME

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

8. FINANCE COSTS

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

9. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

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

Note: Auditor's remuneration for non-audit services amounted to HK$660,000 for the current year was capitalised as cost of business combination as disclosed in note 35 to the financial statements.

10. INCOME TAX

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

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

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

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

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

Current taxation in the balance sheet represents:

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

10. INCOME TAX *(CONTINUED)*

Taxation in the consolidated income statement represents:

	2009	2008
	HK$'000	HK$'000
Current tax-overseas		
Provision for the year	**1,053**	1,013
Deferred taxation (note 28)	**–**	–
	1,053	1,013

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

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

11. DIRECTORS' EMOLUMENTS

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

The emoluments of every director of the Company for the year ended 31 July 2009 is set out below:

Name of director	Fees	Salary paid by the company	Salary paid by subsidiaries	Discretionary bonuses	Share based payments	Other benefits	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors								
Leung Yu Oi Ling, Irene	–	409	289	–	–	440	12	1,150
Leung Chi Yin, Gillian	–	482	194	–	–	–	12	688
Leung Chi Hong, Jerry	–	363	–	–	–	–	12	375
Leung Yat Tung	212	1,340	904	–	1,330	–	12	3,798
Independent non-executive Directors								
Pao Ping Wing	60	–	–	–	–	70	–	130
Yuen Ming Fai	60	–	–	–	–	60	–	120
Tse Mei Ha	60	–	–	–	–	80	–	140
	392	2,594	1,387	–	1,330	650	48	6,401

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

Name of director	Fees	Salary paid by the company	Salary paid by subsidiaries	Discretionary bonuses	Share based payments	Other benefits	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors								
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
Independent non-executive Directors								
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

During the years ended 31 July 2009 and 2008, 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.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2008: four) of them are executive directors whose emoluments are disclosed in note 11. The emoluments in respect of the remaining one (2008: one) individuals are as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other benefits	**1,212**	432

The emoluments were within the following bands:

Emoluments bands	**Number of individuals**	
HK$	**2009**	2008
Nil – 1,000,000	**–**	1
1,000,001–1,500,000	**1**	–

13. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company includes a loss of HK$11,559,000 (2008: profit of HK$8,529,000) which has been dealt with in the financial statements of the Company.

14. LOSS PER SHARE

(a) Basic loss per share

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

Weighted average number of ordinary shares

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

The issue of 5,045,033,739 new ordinary shares under the rights issue in October 2008 as referred to note 29(a) did not give rise to a bonus element as the exercise price was higher than the average market price and therefore, no adjustment on the comparative weighted average number of ordinary shares for 2008 has been required.

14. LOSS PER SHARE *(CONTINUED)*

(b) Diluted loss per share

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

Weighted average number of ordinary shares (diluted)

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

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

15. DIVIDENDS

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

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold shipyard and buildings HK$'000	Leasehold improvements HK$'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
Cost or valuation							
At 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
Elimination of depreciation on revaluation	(444)	–	(655)	–	–	–	(1,099)
Exchange realignments	2,434	–	–	145	326	16	2,921
At 31 July 2008 and 1 August 2008	25,669	376	5,740	2,043	3,246	317	37,391
Acquisition of subsidiaries	60,501	–	29,250	163	11,180	480	101,574
Additions	–	–	1,713	1,356	1,230	809	5,108
Previous surplus on revaluation written back	(1,718)	–	–	–	–	–	(1,718)
Surplus on revaluation	1,645	–	3,757	–	–	–	5,402
Disposal	–	–	–	(66)	(40)	(231)	(337)
Elimination of depreciation on revaluation	(21,302)	–	(3,910)	–	–	–	(25,212)
Exchange realignments	(1,837)	–	–	(109)	(81)	(8)	(2,035)
At 31 July 2009	62,958	376	36,550	3,387	15,535	1,367	120,173
Accumulated depreciation and impairment							
At 1 August 2007	–	–	–	342	989	92	1,423
Depreciation charge for the year	444	18	655	626	320	30	2,093
Elimination on revaluation	(444)	–	(655)	–	–	–	(1,099)
Exchange realignments	–	–	–	68	144	10	222
At 31 July 2008 and 1 August 2008	–	18	–	1,036	1,453	132	2,639
Depreciation charge for the year	3,015	37	3,910	969	2,454	297	10,682
Written back on disposal	–	–	–	–	–	(78)	(78)
Impairment for the year (note 37(b))	18,588	–	–	–	–	–	18,588
Elimination on revaluation	(21,302)	–	(3,910)	–	–	–	(25,212)
Exchange realignments	(301)	–	–	(88)	(17)	(2)	(408)
At 31 July 2009	–	55	–	1,917	3,890	349	6,211
Net book value							
At 31 July 2009	62,958	321	36,550	1,470	11,645	1,018	113,962
At 31 July 2008	25,669	358	5,740	1,007	1,793	185	34,752

16. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

The Company

	Office equipment HK$'000
Cost	
At 1 August 2007	9
Additions	9
At 31 July 2008 and 1 August 2008	18
Additions	–
At 31 July 2009	18
Accumulated depreciation	
At 1 August 2007	3
Charge for the year	2
At 31 July 2008 and 1 August 2008	5
Charge for the year	3
At 31 July 2009	8
Net book value	
At 31 July 2009	10
At 31 July 2008	13

(a) The analysis of cost or valuation of the above assets at 31 July 2009 is as follows:

	Leasehold buildings HK$'000	Leasehold improvements HK$'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
At Cost	–	376	–	3,387	15,535	1,367	20,665
At professional valuation 2009	58,758	–	36,550	–	–	–	95,308
At directors' valuation 2009	4,200	–	–	–	–	–	4,200
	62,958	376	36,550	3,387	15,535	1,367	120,173

16. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

(a) *(Continued)*

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

	Leasehold buildings	Leasehold improvements	Floating craft and vessels	Furniture, fixtures and office equipment	Plant, machinery and workshop equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At Cost	–	376	–	2,043	3,246	317	5,982
At professional valuation 2008	25,669	–	5,740	–	–	–	31,409
	25,669	376	5,740	2,043	3,246	317	37,391

(b) The analysis of net book value of properties is as follows:

	2009	2008
	HK$'000	HK$'000
Outside Hong Kong		
– Medium-term leases, PRC	**58,758**	–
– Short leases, Singapore	**4,200**	25,669
	62,958	25,669

(c) At the balance sheet date, the net book value of motor vehicles held under finance leases of the Group was HK$157,000 (2008: Nil). These assets are pledged to secure the Group's obligations under finance leases (note 26).

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

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

16. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

(e) The Group' leasehold buildings in the PRC held for own use were revalued as at 31 July 2009 at their open market value by reference to recent market transactions in comparable properties. The valuation was performed by independent professional valuer, BMI Appraisals Limited, with recent experience in the location and category of properties being valued. The revaluation surplus of HK$1,645,000 (2008: Nil) have been transferred to the revaluation reserve.

(f) The Group's floating craft and vessels were revalued individually on 31 July 2009 by Win Well Engineering & Surveyors Limited, an independent professional valuer in Hong Kong, at their open market value. The revaluation surplus of HK$3,757,000 (2008: surplus of HK$671,000) has been transferred to the revaluation reserve of the Group.

(g) Had the floating craft and vessels and leasehold buildings been carried at cost less accumulated depreciation, their carrying amounts would have been HK$30,357,000 and HK$61,315,000 (2008: HK$4,161,000 and HK$11,275,000), respectively.

17. PREPAID LEASE PAYMENTS

The Group

	2009 HK$'000	2008 HK$'000
Leasehold land in the PRC		
Medium-term lease	**59,724**	969
Analysed for reporting purposes as:		
Current portion	**1,956**	68
Non-current portion	**57,768**	901
	59,724	969

The movements in the Group's prepaid lease payments during the year:

	2009 HK$'000	2008 HK$'000
At 1 August	**969**	941
Acquisition of subsidiaries *(note 35)*	**61,060**	–
Amortisation	**(1,961)**	(65)
Exchange realignment	**(344)**	93
	59,724	969

Prepaid lease payments represent payments for land use rights located in the PRC with expiry through 2022 and 2040. The Group's prepaid lease payments were revalued by an independent professional valuer, BMI Appraisals Limited, on open market value, at HK$61,709,000 as at 31 July 2009. No provision for impairment loss is required.

18. INTANGIBLE ASSETS

The Group

	Note	Port work and structural steel licences HK$'000
Cost		
At 1 August 2008		–
Acquisition of subsidiaries	35	30,912
At 31 July 2009		30,912

The port work and structural steel licences ("the Licences"), which were purchased as part of a business combinations that occurred in the current year as detailed in note 35 to the financial statements. The directors of the Company are of the opinion that the Group can renew or maintain the Licences continuously and has the ability to do so. Various studies including market trends have been performed by management of the Group, which support that the Licences have no foreseeable limit to the period over which they are expected to generate net cash inflows to the Group. As a result, the Licences are considered by the management of the Group as having indefinite useful lives. They will not be amortised until the useful lives are determined to be finite upon reassessment of its useful lives annually and whenever there is an indication that it may be impaired.

Impairment test on intangible assets

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

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

18. INTANGIBLE ASSETS *(CONTINUED)*

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

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

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

19. CLUB MEMBERSHIP

	2009 **HK$'000**	2008 HK$'000
Acquisition of subsidiaries *(note 35)*	**200**	–

At the balance sheet date, the directors carried out a review of the carrying amount of the club membership. Based on their review, no impairment loss provision is required. The estimate of the recoverable amount was based on recent observable market prices.

20. INTEREST IN AN ASSOCIATE

(a) Share of net assets of an associate

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(note (c) below)			
At 1 August	**–**	1,086	**–**	–
Share of post acquisition profits of an associate	**–**	(5)	**–**	–
At 31 July	**–**	1,081	**–**	–
Amount due to an associate	**–**	(1,076)	**–**	–

(b) Amount due to an associate

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

(c) On 30 September 2008, the Group acquired the remaining 50% issued share capital of its associated company, Press United Logistics Limited ("Press Limited"), from Ying Kee Newspaper Agency Limited, an independent third party. Subsequent to the acquisition completed on 30 September 2008, Press United became a wholly-owned subsidiary of the Company.

Particulars of Press United Logistics Limited are disclosed in note 21 to the financial statements.

21. INVESTMENTS IN SUBSIDIARIES

	2009 HK$'000	2008 HK$'000
Unlisted shares, at cost	**257,988**	149,115
Loans to subsidiaries (note a)	**159,166**	–
Less: Impairment loss	**(94,844)**	(83,132)
	322,310	65,983
Amounts due from subsidiaries (note b)	**65,116**	59,784
Less: Impairment loss	**(16,844)**	(18,573)
	48,272	41,211
Amounts due to subsidiaries (note b)	**35,611**	21,988

Notes:

(a) The loans to subsidiaries are unsecured, interest-free and in substance form part of the Company's interests in subsidiaries as quasi-equity contributions.

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

(c) Aggregate allowance for loan to subsidiaries and amounts due from subsidiaries of HK$111,688,000 (2008: HK$101,705,000) was recognised as at 31 July 2009 because the related recoverable amounts of the individual balance of loan to subsidiaries and amounts due from subsidiaries were estimated to be less than their carrying amounts.

Particulars of the principal subsidiaries as at 31 July 2009 are as follows:

Name	Place of incorporation/ operation	Particulars of issued/registered share capital	Percentage of issued/registered capital held by the Group	Percentage of issued/registered capital held by the Company	Principal activities
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*	Singapore	S$10,000,000	100%	100%	Marine engineering and ship management services

21. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

Name	Place of incorporation/ operation	Particulars of issued/registered share capital	Percentage of issued/registered capital held by the Group	Company	Principal activities
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 work 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 work
UDL Dredging Limited	Hong Kong	HK$2	100%	100%	Engineering work
UDL E & M (BVI) Limited	British Virgin Islands	US$1	100%	100%	Dormant
UDL Employment Services Limited	Hong Kong	HK$2	100%	100%	Provision of human resources management services

21. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

Name	Place of incorporation/ operation	Particulars of issued/registered share capital	Percentage of issued/registered capital held by the Group	Company	Principal activities
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 work 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$10,400,000 (2008: HK$10,000,000)	100%	–	Dormant
Press United Logistics Limited	Hong Kong	HK$5,000,000	100%	–	Dormant
Net Excel Management Limited	British Virgin Islands	HK$780	100%	100%	Investment holding
Chui Hing Construction Company Limited	Hong Kong	HK$1,820,000	100%	–	Rental of motor vehicles
Tonic Engineering and Construction Company Limited	Hong Kong	HK$8,325,317	100%	–	Civil engineering work and contracting services
Gitanes Engineering Company Limited	Hong Kong	HK$63,711,772	100%	–	Plant hire and contracting services

21. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ operation	Particulars of issued/registered share capital	Percentage of issued/registered capital held by the Group	Percentage of issued/registered capital held by the Company	Principal activities
廣東積達工程有限公司 (note)	PRC	HK$2,000,000	100%	–	Dormant
Lead Ocean Assets Management Limited	British Virgin Islands	HK$780	100%	100%	Investment holding
Argos Engineering (International) Company Limited	Hong Kong	HK$2	100%	–	Investment holding
東莞振華建造工程有限公司 (note)	PRC	HK$20,000,000	100%	–	Property holding
Cochrane Enterprises Limited	Hong Kong	HK$10,000	100%	–	Investment holding
東莞興華造船有限公司 (note)	PRC	HK$27,523,826	100%	–	Property holding

* 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: These subsidiaries are wholly-foreign-owned enterprises established in the PRC.

22. INVENTORIES

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

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

23. TRADE AND OTHER RECEIVABLES

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

Included in other receivables at 31 July 2009 is the aggregate amount of HK$10,485,000 (2008: HK$8,118,000) incurred by the Group to pursue arbitration and/or legal proceedings to recover the asset under a Scheme of Arrangement (the "Scheme") as referred to note 30(c). Pursuant to the Scheme, the Group shall act as nominee of Harbour Front to recover these Scheme Assets and the Group will be reimbursed for such recovery costs upon the successful recovery of these Scheme Assets. The modifications of the Scheme were sanctioned by the High Court of Hong Kong in June and July 2006, respectively, under which the Scheme Assets were transferred to Harbour Front in September 2006. Based on an undertaking letter dated 23 October 2008 issued by Harbour Front, the Group is entitled to the reimbursement of these recovery costs.

(a) Ageing analysis

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

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

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

23. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

(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:

	2009	2008
	HK$'000	HK$'000
At 1 August	**1,297**	1,195
Impairment loss recognised	**229**	102
At 31 July	**1,526**	1,297

As at 31 July 2009, the Group's trade receivables of HK$229,000 (2008: HK$102,000) were individually determined to be impaired. The individually impaired receivables related to customers that were past due and slow-paying or in financial difficulties and management assessed that these receivables are irrecoverable.

The Group does not hold any collateral over these balances.

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

	2009	2008
	HK$'000	HK$'000
Neither past due nor impaired		
Current	**4,953**	6,046
1 – 3 months	**1,100**	1,527
4 – 6 months	**890**	1,252
7 – 12 months	**1,938**	41
Over 1 year	**317**	524
	9,198	9,390

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.

24. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2009 HK$'000	2008 HK$'000
Contract costs incurred plus recognised profits less recognised losses to date	**36,202**	11,734
Less: Progress billings	**(26,653)**	(8,969)
	9,549	2,765
Amounts due from customers for contract work	**9,549**	2,765
Amounts due to customers for contract work	**–**	–
	9,549	2,765

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

At 31 July 2009 and 2008, the ageing analysis of debtors, based on the due date of invoices, which is past due but not considered impaired.

	2009 HK$'000	2008 HK$'000
1 to 90 days	**9,549**	2,765

The maximum exposure to credit risk at each of the balance dates is the fair value of the receivables mentioned above.

25. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Cash and bank balances	**61,915**	16,051	**903**	4,548
Time deposits with banks (with original maturities less than 3 months)	**3,194**	41,549	**–**	37,033
	65,109	57,600	**903**	41,581

Time deposits carry interest at effective rates ranging from 1% to 2.5% per annum.

26. OBLIGATIONS UNDER FINANCE LEASES

At 31 July 2009, the Group had the following obligations under finance leases:

	2009 Present value of the minimum lease payments HK$'000	2009 Total minimum lease payments HK$'000	2008 Present value of the minimum lease payments HK$'000	2008 Total minimum lease payments HK$'000
Within 1 year	**82**	**90**	–	–
After 1 year but within 2 years	**52**	**54**		
After 2 years but within 5 years	**–**	**–**	–	–
	52	**54**	–	–
	134	**144**	–	–
Less: Total future finance charges		**(10)**		–
Present value of lease obligations		**134**		–

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets (note 16).

27. TRADE AND OTHER PAYABLES

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

27. TRADE AND OTHER PAYABLES *(CONTINUED)*

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

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

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:

	Accelerated depreciation allowance HK$'000	**Revaluation reserve** HK$'000	**Tax losses** HK$'000	**Total** HK$'000
At 1 August 2007	717	381	(1,098)	–
(Credited)/charged to income statement (note 10)	(3)	111	(108)	–
At 31 July 2008 and 1 August 2008	714	492	(1,206)	–
(Credited)/charged to income statement (note 10)	66	187	(253)	–
At 31 July 2009	780	679	(1,459)	–

	The Group		**The Company**	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Deferred tax liabilities recognised	**1,459**	1,206	**3**	2
Deferred tax assets recognised	**(1,459)**	(1,206)	**(3)**	(2)
	–	–	**–**	–

At 31 July 2009, no deferred tax assets was recognised in respect of unused tax loss of HK$223,618,000 (2008: HK$215,111,000) due to the unpredictability and uncertainty of the respective tax jurisdiction of future taxable profits streams against which these tax losses can be utilized in the foreseeable future. The tax losses do not expire under the current tax regulation.

29. SHARE CAPITAL

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

(a) Issue of ordinary shares under rights issue

On 13 October 2008, 5,045,033,739 ordinary shares of HK$0.01 each were issued at a price of HK$0.035 per share by way of a rights issue for a total cash consideration of HK$176,576,000, before issue expenses of HK$2,796,000, on the basis of one rights share for every one existing share held on the record date. These shares rank pari passu in all respects with the then existing ordinary shares of the Company. The net proceeds of the rights issue were applied towards payment for the acquisition of subsidiaries and business as detailed in note 35 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 2009 and 2008, the Group consistently followed the objectives and applied the policies and process on managing capital. The Company or its subsidiaries are not subject to externally imposed capital requirements.

The Group sets the amount of shareholders' equity in proportion to its overall financing structure. Debts include obligations under finance leases, trade and other payables, amounts due to directors and amount due to a related parties. Shareholders' equity comprises all components of equity attributable to the equity shareholders of the Company. The net cash-to-capital ratio at 31 July 2009 and 2008 was as follows:

29. SHARE CAPITAL *(CONTINUED)*

(b) Capital management *(Continued)*

Group

	2009 **HK$'000**	2008 HK$'000
Obligations under finance leases	**134**	–
Loan from a related company	**44,945**	–
Trade and other payables	**21,297**	11,023
Amounts due to related parties	**4,602**	4,595
Amounts due to directors	**214**	176
Amount due to an associate	**–**	1,076
Total debts	**71,192**	16,870
Less: Cash and cash equivalents	**(65,109)**	(57,600)
Net debt/(cash)	**6,083**	(40,730)
Total equity	**297,966**	152,644
Net debt-to-capital ratio	**2.04%**	N/A

Company

	2009 **HK$'000**	2008 HK$'000
Loan from a related company	**44,945**	–
Trade and other payables	**2,030**	1,649
Amounts due to related parties	**10**	–
Amounts due to directors	**166**	162
Amounts due to subsidiaries	**35,611**	21,988
Total debts	**82,762**	23,799
Less: Cash and cash equivalents	**(903)**	(41,581)
Net debt/(cash)	**81,859**	(17,782)
Total equity	**289,198**	125,647
Net debt-to-capital ratio	**28%**	N/A

30. RESERVES

The Group

	Share premium HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Revaluation reserve HK$'000	Scheme reserve HK$'000	Total HK$'000
At 1 August 2007	185,810		1,264	1,798	(1,145,590)	2,182	1,054,095	99,559
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 and 1 August 2008	185,810	–	1,264	5,306	(1,147,578)	3,297	1,054,095	102,194
Exchange realignment arising from retranslation of foreign subsidiaries	–	–	–	(5,235)	–	–	–	(5,235)
Previous revaluation surplus on shipyard written back	–	–	–	–	–	(1,718)	–	(1,718)
Revaluation surplus arising from property, plant and equipment	–	–	–	–	–	5,402	–	5,402
Issue of shares under rights issue	126,126	–	–	–	–	–	–	126,126
Expenses for rights issue	(2,796)	–	–	–	–	–	–	(2,796)
Equity settled share based payment transactions	–	1,330	–	–	–	–	–	1,330
Loss for the year	–	–	–	–	(28,237)	–	–	(28,237)
At 31 July 2009	309,140	1,330	1,264	71	(1,175,815)	6,981	1,054,095	197,066

30. RESERVES *(CONTINUED)*

The Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Share contributed surplus HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Scheme reserve HK$'000	Total HK$'000
At 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 and 1 August 2008	185,810	1,264	21,689	–	(421,090)	287,524	75,197
Issue of shares under rights issue	126,126	–	–	–	–	–	126,126
Expenses for rights issue	(2,796)	–	–	–	–	–	(2,796)
Equity settled share based payment transactions	–	–	–	1,330	–	–	1,330
Loss for the year	–	–	–	–	(11,559)	–	(11,559)
At 31 July 2009	309,140	1,264	21,689	1,330	(432,649)	287,524	188,298

(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 in prior years, 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 be met.

30. RESERVES *(CONTINUED)*

(c) Scheme reserve

The scheme reserve of the Group and the Company represents the net liabilities of the Scheme Participating Companies and the Company as at 28 April 2000, which were discharged pursuant 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.

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 modification of the Scheme was sanctioned by the High Court of Hong Kong on 7 June 2006 and 21 July 2006, under which, the Scheme Administrator was authorised 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 of the Company, 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(f).

30. RESERVES *(CONTINUED)*

(e) Share option reserve

The share option reserve represents the fair value of the actual and estimated number of unexercised share options granted to a director of the Company during the year ended 31 July 2009 recognised in accordance with the accounting policy adopted for share-based payments in note 2(s)(iii).

(f) Revaluation reserve

This reserve has been set up and is dealt with in accordance with accounting policy adopted for property, plant and equipment in note 2(g).

(g) Distributability of reserves

In the opinion of the directors, at 31 July 2009, the Company did not have any reserve available for distribution to equity shareholders (2008: Nil).

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 shall be 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 sheet on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealings in securities; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share. Under the share option scheme, the total numbers of shares in respect of which options may be granted shall be 1,009,006,747 shares, representing 10% of the issued share capital of the Company as at the date of adoption of the share option scheme. Options for a total number of 100,900,674 shares were granted during the year ended 31 July 2009 and the exercise price for each share was HK$0.024.

(a) The terms and condition of the grants that existed during the years are as follows, whereby all options are settled by physical delivery of shares:

	Number of shares issuable under options	Vesting conditions	Contractual life of option
Options granted to a director			
Mr Leung Yat Tung			
– on 23 March 2009	100,900,674	–	10 years

31. EQUITY COMPENSATION BENEFITS *(CONTINUED)*

(b) The number and weighted average exercise prices of share options are as follows:

	2009	
	Weighted average exercise price	**Number of shares issuable under options**
Outstanding at the beginning of the year	**–**	**–**
Granted during the year	**0.024**	**100,900,674**
Exercised during the year	**–**	**–**
Outstanding at the end of the year	**0.024**	**100,900,674**
Exercisable at the end of the year	**0.024**	**100,900,674**

The options outstanding at 31 July 2009 had an exercise price of HK$0.024 and a weighted average remaining contractual life of 9.33 years.

None of these options were exercised subsequent to the balance sheet date.

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Binomial Option Pricing Model (the "Model"). The contractual life of the share options is used as an input into this model. Expectations of early exercise are incorporated into the Model.

Fair value of share options and assumptions

Fair value at measurement date	HK$1,330,000
Share price	HK$0.02377
Exercise price	HK$0.024
Expected volatility	140.65%
Option life	10 years
Expected dividend yield	–
Risk-free interest rate	1.937%

32. COMMITMENTS

(a) Operating lease commitments

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

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Land and buildings				
Within one year	**3,634**	4,339	**64**	–
In the second to fifth year inclusive	**3,128**	6,354	**–**	–
More than five years	**4,273**	4,753	**–**	–
	11,035	15,446	**64**	–

(b) Capital commitments

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

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

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 the directors of the Company on 28 April 2002 and on 27 September 2002, respectively. The Bermuda Writ recited the basis of the Petitioners' Complaint with respect of Charterbase Management Limited, namely, that the circular regarding the Subscription misdescribed the Scheme Administrator's voting capacity in respect of the Shares held by the Scheme Administrator under the Scheme. The Bermuda Writ alleged that the Company was negligent and its directors were negligent and/or in breach of their fiduciary duty in misdescribing the Scheme Administrator's voting capacity in the circular regarding the Subscription. The Bermuda Writ claimed HK$3,000,000 being Charterbase Management Limited's estimated costs of the Petitioners' Complaint. On 15 August 2002, the Company entered an appearance to the Bermuda Writ, and the Company filed its defence on 12 September 2002. The Company has been advised by its Bermuda lawyers that it has good grounds to resist the Bermuda Writ. Charterbase Management Limited has taken no further steps in the proceedings since the defence was filed.

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

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

In addition to the matters pleaded in the original Petition, the Amended Petition complained about the Company's non-acceptance of a conditional credit facility from Hung Ngai Holdings Limited and about the Rights Issue in November 2002 (the "2002 rights issue"), in particular the allocation of 2002 Rights Shares to Harbour Front, and other allegedly prejudicial conduct of the Company.

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 as represented by the number of shares each owned at the Subscription SGM, and are entitled to vote in the same manner at all future general meetings of the Company;

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

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

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

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

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

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

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

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

33. CONTINGENCIES AND LITIGATIONS *(CONTINUED)*

(a) *(Continued)*

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

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

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

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

As an alternative, the Joint Petitioners sought an order that a provisional liquidator be appointed pending the effective hearing of the Amended Petition and an order that the Company be wound up.

The Company applied for security for costs, in relation to the Amended Petition. A court hearing was held on 28 August 2003 and the Court reserved its judgment. Subsequently, in the judgment dated 14 April 2004, the Court holds that the Joint Petitioners' prayers to wind up the Company and/or to appoint a liquidator are an abuse of the Court's process. The Court therefore considers it unreasonable to permit the Petitioners to pursue such prayers which should not be entertained. In May 2004, the joint petitioners applied to the Court for re-amending the petition (the "Re-amended Petition"). In the event, the Bermuda Court made an order granting the Re-amended Petition leaving out the prayer for winding-up at the request of the Petitioners' attorney during the court hearing. Moreover, in the Re-amended petition, the Petitioners no longer seek an order that a provisional liquidator be appointed pending the effective hearing of the Re-amended Petition.

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

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

33. CONTINGENCIES AND LITIGATIONS *(CONTINUED)*

(b) The Company and the Group had pending litigation in respect of the Statement of Claim for HCA 624 of 2005 dated 28 September 2005. The Group's solicitor is of the view that there are three claims which duplicate partly with each others. Fonfair Company Limited ("Fonfair") claims against the defendants for the amount of HK$19,568,644.66 together with interest and costs, Money Facts Limited ("Money Facts") claim the amount of HK$13,334,211.42 (HK$12,874,121.48 of which is pleaded by the Money Facts as part of its loss and damage suffered by virtue of its 7,900/12,008th interest held in Fonfair) together with interest and costs, and the Leung Yuet Keung claim for the amount of HK$15,190,409.54 (HK$6,667,105.71 of which is pleaded by Leung Yuet Keung as part of his loss and damage suffered by virtue of his 3,950/7,900th interest held in Money Facts) together with interest and costs. As pleaded by the plaintiffs, (a) Harbour Front, which is the majority shareholder of the Company, holds 3,958 out of the 12,008 issued ordinary shares of Fonfair and 3,950 out of the 7,900 issued ordinary shares of Money Facts Limited; (b) Money Facts holds 7,900 out of the 12,008 issued ordinary shares of Fonfair; and (c) Leung Yuet Keung holds 3,950 out of the 7,900 issued ordinary shares of Money Facts. Based on legal advice, the directors of the Company do not believe it probable that the court will place judgement against the Company and the Group, and therefore, no provision has therefore been made in respect of these claims.

(c) UDL Contracting Limited ("UDL Contracting"), a wholly-owned subsidiary of the Company commenced legal action under HCA 1209 of 207 against two defendants on 8 June 2007 to claim damages in relation to the construction of a printing workshop carried out by UDL Contracting. Default judgement in the sum of approximately HK$162 million was awarded by the court in favour of UDL Contracting on 27 June 2007. However, one defendant took out a Summons to apply to set aside the default judgement which has been consented by UDL Contracting. The legal counsels are of the opinion that UDL Contracting is unlikely to incur any liability save for legal costs. The legal costs of the first defendant have been settled amicably upon the claim against the first defendant having been stayed to arbitration. No substantial action has been taken by the second defendant. UDL Contracting is considering further actions on the case. No asset is recognised in respect of this claim, and the recovery of this claim is a Scheme Asset. Based on an irrecoverable letter of undertaking dated 23 October 2008 provided by Harbour Front, UDL Contracting is entitled to the reimbursement of the scheme asset recovery costs.

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

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

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 had been made by the Arbitrator with a net amount of entitlement of HK$3.9 million to UDL Argos. The award of HK$3.9 million, as a Scheme Asset, was received in January 2008. UDL Argos has submitted the claim of legal costs in the amount of HK$1.3 million.

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

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 Miss Leung is a director and shareholder.

(iii) Mrs. Leung and Miss Leung are directors and shareholders of Harbour Front.

(iv) Vital Strategic Corporate Consultancy Limited is a company in which Miss Leung is a director and Mrs. Leung is a shareholder.

Mrs. Leung, Miss Leung and Mr. Leung are the directors of the Company.

34. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Transactions with related parties

	2009 **HK$'000**	2008 HK$'000
Ship management fee income from Harbour Front Assets Investments Limited	**2**	192
Interest expenses paid to Harbour Front Assets Investments Limited	**(2,259)**	–
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
Ship management fee income from Capital Hope Investments Limited	**36**	–
Purchases of fixed assets from Capital Hope Investments Limited	**(240)**	–
Rental charges paid to Brilliant Guide Limited	**(24)**	–
Cost of contract work in progress paid to Bugsy Development Company Limited	**(495)**	–
Cost of contract work in progress paid to Vita Strategic Corporate Consultancy Limited	**(301)**	–
Non-executive management service costs paid to Vita Strategic Corporate Consultancy Limited	**(35)**	–
Interest expenses paid to Marine Lord Systems Limited	**–**	(17)
Plant hire rental paid to UDL Marine Assets (Hong Kong) Limited	**–**	(11)
Ship management fee income from UDL Marine Assets (Singapore) Pte Limited	**–**	101

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.

34. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Amounts due from related parties

The Group

	2009 Maximum amounts HK$'000	2009 Balance HK$'000	2008 Maximum amounts HK$'000	2008 Balance HK$'000
Beaver Marine SDN BHD	**484**	**484**	513	513
Best Year (Asia) Limited	**31**	**29**	107	31
Brilliant Guide Limited	**–**	**–**	11	–
Bugsy Development Company Limited	**–**	**–**	1,608	1,608
Capital Hope Investments Limited	**39**	**39**	27	15
* 東莞振華建造工程有限公司	**–**	**–**	3,808	3,808
Exact Nice Limited	**117**	**117**	322	117
Ferret Marine Pte Ltd	**50**	**50**	–	–
Giant Lead Enterprises Limited	**–**	**–**	15	–
* Gitanes Engineering Company Limited	**–**	**–**	1,253	1,253
* 廣東積達工程有限公司	**–**	**–**	646	646
廣州市太元工程船舶租貸有限公司	**137**	**137**	138	138
Goldfit Engineering Limited	**4**	**4**	4	4
Harbour Front Assets Investments Limited	**485**	**485**	483	483
Harbour Front Shares (Singapore) Pte Limited	**–**	**–**	11	11
Hong Hay Pte Limited	**37**	**37**	208	37
Jelanter Limited	**484**	**382**	484	484
Karral Trading Pte Limited	**–**	**–**	2	–
Libellus Limited	**19**	**19**	19	19
Link Full International Limited	**237**	**231**	237	237
Multi-Ventures Limited	**–**	**–**	60	55
Possider Company Limited	**724**	**632**	724	724
* Tonic Engineering and Construction Company Limited	**–**	**–**	79	–
Tonic Engineering Technical Limited	**156**	**156**	–	–
Top Union Investments Limited	**–**	**–**	93	28
UDL Assets Management Pte Lmited	**42**	**40**	42	42
UDL Construction Pte Limited	**27**	**25**	27	27
UDL Dredging (Singapore) Pte Limited	**12**	**12**	12	12
UDL Engineering Pte Limited	**–**	**–**	6,180	6,100
UDL Marine Assets (Hong Kong) Limited	**–**	**–**	592	94
UDL Marine Assets (Singapore) Pte Limited	**–**	**–**	512	512
UDL Offshore Pte Limited	**28**	**28**	–	–
Universal Grade Limited	**–**	**–**	425	33
Vital Strategic Corp Consultancy Limited	**100**	**100**	–	–
Windermere Pte Limited	**37**	**37**	39	39
		3,044		17,070
Less: Impairment losses recognised		**(861)**		(822)
		2,183		16,248

* Those newly acquired subsidiaries on 1 August 2008 were related parties of the Group in previous years

Amounts due from the above related parties are all unsecured, interest-free and repayable on demand. All these related parties are ultimately owned by Harbour Front Limited. Mrs. Leung Yu Oil Ling Irene, Miss 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.

34. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(c) Amounts due to related parties

	The Group	
	2009	2008
	HK$'000	HK$'000
Best Year (Asia) Limited	**2,587**	–
Brilliant Guide Limited	**2**	2
Bugsy Development Limited	**495**	–
* Gitanes Engineering Company Limited	**–**	42
Harbour Front Assets Investments Limited	**1,417**	1,417
Hong Hay Pte Limited	**–**	804
Slient Glide (Singapore) Pte Limited	**–**	2,149
UDL Engineering Pte Limited	**9**	9
UDL Marine Assets (Singapore) Pte Limited	**82**	64
Vital Strategic Corporate Consultancy Limited	**10**	108
	4,602	4,595

	The Company	
	2009	2008
	HK$'000	HK$'000
Vital Strategic Corporate Consultancy Limited	**10**	–

* Those newly acquired subsidiaries on 1 August 2008 were related parties of the Group in previous years

Amounts due to the above related parties are all unsecured, interest-free and repayable on demand. All these related parties are ultimately owned by Harbour Front Limited. Mrs. Leung Yu Oil Ling Irene, Miss 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.

34. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(d) Amounts due to directors

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Leung Yat Tung	**29**	30	**29**	30
Leung Yu Oi Ling, Irene	**33**	22	**15**	15
Leung Chi Yin, Gillian	**11**	11	**11**	9
Leung Chi Hong, Jerry	**40**	12	**10**	7
Yuen Ming Fai	**40**	40	**40**	40
Tse Mei Ha	**21**	21	**21**	21
Pao Ping Wing	**40**	40	**40**	40
	214	176	**166**	162

(e) Loan from a related company

	Company and Group	
	2009	2008
	HK$'000	HK$'000
Harbour Front Assets Investments Limited	**44,945**	–

The loan is unsecured, bearing interest at prevailing prime rates offered by The Hongkong and Shanghai Banking Corporation Limited and repayable on 30 May 2012. The actual weighted average interest rate charged for the year is 5% per annum (2008: Nil).

On 1 August 2008, the Company and the ultimate holding company, Harbour Front entered into a finance agreement, under which the ultimate holding company had agreed to provide the Company facilities up to HK$136,950,769 (the "Debt"). The facility was unsecured with interest at prime rate per annum on the amount of the facility drawn down.

On 30 November 2008, Harbour Front and the related company, Harbour Front Assets Investments Limited ("HFAI") have entered into an agreement of assignment, whereby Harbour Front transferred and assigned all its rights, title and benefits of the outstanding loan of HK$65,385,965 together with the interest accrued to HFAI in respect the finance agreement dated 1 August 2008.

On 30 May 2009, the Company together with a wholly-owned subsidiary, UDL Ventures Limited (the "companies") and HFAI have entered into a revolving finance agreement, whereby HFAI has agreed to provide a total revolving credit facility of up to HK$45,000,000 to the companies. The facility is unsecured and bears interest at prime rate per annum on the amount of the facility drawn down. The revolving credit facility shall expire in three years from the date of the agreement, subject to further extension if required.

34. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(f) Recovery of Scheme Assets for Habour Front

Included in the other receivables at 31 July 2009 as referred to in note 23 is an aggregate amount of HK$10,485,000 (2008: HK$8,118,000) incurred by the Group to pursue arbitration and/or legal proceedings to recover value of the Scheme Assets. Under the terms of the Scheme as referred to note 30(c), the Group shall act as nominee of Harbour Front to recover the Scheme Assets and will be reimbursed for such recovery costs upon the successful recovery of these Scheme Assets. The modifications of the Scheme were sanctioned by the High Court of Hong Kong in June and July 2006, respectively, under which the Scheme Assets were transferred to Harbour Front in September 2006. Based on an undertaking letter dated 23 October 2008 issued by Harbour Front, the Group is entitled to the reimbursement of these recovery costs.

(g) Acquisition of subsidiaries

On 1 August 2008, the Company acquired, from Harbour Front, 100% of equity interest of Lead Ocean Assets Management Limited and Net Excel Management Limited, together with the advances from Harbour Front of HK$101,090,000, at an aggregate consideration of HK$207,656,000. Details are disclosed in note 35 below.

(h) 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:

	2009 **HK$'000**	2008 HK$'000
Salaries and allowances	**6,919**	3,561
Retirement scheme contributions	**60**	36
	6,979	3,597

35. ACQUISITION OF SUBSIDIARIES AND BUSINESS

On 1 August 2008, the Company acquired, from Harbour Front, 100% of equity interest of Lead Ocean Assets Management Limited and Net Excel Management Limited, together with the equity loan from Harbour Front to them of HK$101,090,000, at an aggregate consideration of HK$207,656,000.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Total purchase consideration	
Direct costs relating to the acquisition	207,656
Fair value of net assets acquired	2,308
	(209,964)
Goodwill	–

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount HK$'000	Fair value HK$'000
Property, plant and equipment	101,574	101,574
Prepaid lease payments	61,060	61,060
Port works and structural steel licences	–	30,912
Club membership	200	200
Available-for-sale investment	19	19
Amounts due from related parties	33,205	33,205
Trade and other receivables	4,105	4,105
Cash and bank balances	3,054	3,054
Trade and other payables	(8,608)	(8,608)
Amounts due to related parties	(15,557)	(15,557)
Net assets acquired	179,052	209,964

Bank and cash balances in subsidiaries acquired	3,054
Direct costs relating to the acquisition	(2,308)
Cash consideration	(207,656)
Net outflow	(206,910)

Since the acquisition, Net Excel and Lead Ocean contributed revenue of HK$7,898,000 and net loss of HK$2,478,000 to the Group for the period from 1 August 2008 to 31 July 2009.

36. STEP-UP ACQUISITION OF INTEREST IN AN ASSOCIATE

On 30 September 2008, the Group acquired the remaining 50% issued share capital of an associate, Press United Logistics Limited, from Ying Kee Newspaper Agency Limited, an independent third party. Upon completion of the acquisition, Press United Logistics Limited became a wholly-owned subsidiary of the Group.

	HK$'000
Purchase consideration	
Cash paid	2
Cash consideration payable	1,081
Fair value of net assets acquired	(1,131)
Discount on step-up acquisition of interest in an associate	(48)

Details of net assets acquired are as follows:

	Fair value HK$'000	**Carrying amount** HK$'000
Property, plant and equipment	3	3
Bank balances and cash	10	10
Amounts due from shareholders	2,156	2,156
Amounts due from related companies	100	100
Other payables	(8)	(8)
Net assets acquired	2,261	2,261
Equity interest acquired	50%	
Total fair value of net assets acquired	1,131	

Net cash outflow arising from the acquisition:	
Purchase consideration settled in cash	(2)
Bank balances and cash acquired	10
Net cash outflow	8

If the acquisition had occurred on 1 August 2008, the associate has no significant contribution to the consolidated revenue and consolidated loss for the year ended 31 July 2009 of the Group.

37. POST BALANCE SHEET EVENTS

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

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

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

38. COMPARATIVE FIGURES

Certain comparative figures in the segment information have been adjusted to conform with the presentation in the current year.

Five Year Summary

For the year ended 31 July 2009

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				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Turnover	**117,436**	69,797	38,141	22,113	11,093
(Loss)/profit before taxation	**(27,184)**	(975)	(4,291)	29,620	(27,750)
Income tax	**(1,053)**	(1,013)	(50)	98	279
Loss/(profit) attributable to equity holders of the Company	**(28,237)**	(1,988)	(4,341)	29,718	(27,471)

	As at 31 July				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**371,019**	170,632	170,693	93,902	97,043
Total liabilities	**(73,053)**	(17,988)	(20,684)	(81,891)	(152,660)
Net assets/(liabilities)	**297,966**	152,644	150,009	12,011	(55,617)