THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The Stock Exchange of Hong Kong Limited ("Stock Exchange") and Hong Kong Securities Clearing Company Limited ("HKSCC") take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

Capitalised terms used in this prospectus shall have the same meanings as defined in the section headed "Definitions" in this prospectus.

If you are in doubt as to any aspect of this prospectus or as to the action to be taken, you should obtain professional advice.

If you have sold or transferred all your shares in UDL Holdings Limited ("Company"), you should at once hand this prospectus, together with the accompanying Provisional Allotment Letter and Excess Application Form, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

A copy of this prospectus, together with copies of the Provisional Allotment Letter, the Excess Application Form and (where applicable) the documents mentioned in the paragraph headed "Documents delivered to the Registrars of Companies" in Appendix III to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance and filed with the Registrar of Companies in Bermuda pursuant to section 26 of the Companies Act 1981 of Bermuda. The Registrar of Companies in Hong Kong and the Registrar of Companies in Bermuda take no responsibility as to the contents of this prospectus.

Dealing in the securities of the Company and the Rights Shares in their nil-paid and fully-paid forms may be settled through CCASS and you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange as well as the compliance with the stock admission requirements of HKSCC, the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS Operational Procedures in effect from time to time.

UDL 太元

UDL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 620)

RIGHTS ISSUE OF 5,045,033,739 RIGHTS SHARES OF HK$0.01 EACH AT HK$0.035 PER RIGHTS SHARE, PAYABLE IN FULL ON ACCEPTANCE (IN THE PROPORTION OF ONE RIGHTS SHARE FOR EVERY ONE EXISTING SHARE HELD) BY NO LATER THAN 4:00 P.M. ON WEDNESDAY, 8 OCTOBER 2008

Underwriters

taifook
TAIFOOK SECURITIES COMPANY LIMITED

HARBOUR FRONT LIMITED

It should be noted that Taifook (on behalf of the Underwriters) reserves the right to terminate its obligations under the Underwriting Agreement on the occurrence of certain events. Taifook (on behalf of the Underwriters) may terminate its commitment under the Underwriting Agreement prior to the Latest Time for Termination if prior to the Latest Time for Termination:

(1) in the reasonable opinion of Taifook (on behalf of the Underwriters), the success of the Rights Issue would be materially and adversely affected by:

  (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of Taifook (on behalf of the Underwriters) materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or

  (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of Taifook (on behalf of the Underwriters) materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

  (c) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or

  (d) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

(2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this paragraph includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the U.S.) occurs which in the reasonable opinion of Taifook (on behalf of the Underwriters) makes it inexpedient or inadvisable to proceed with the Rights Issue; or

(3) this prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the reasonable opinion of Taifook (on behalf of the Underwriters) is material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue.

If the Underwriting Agreement is terminated by Taifook (on behalf of the Underwriters) on or before the Latest Time for Termination or does not become unconditional, the Rights Issue will not proceed.

The Shares have been dealt in on an ex-rights basis since Wednesday, 17 September 2008. Dealings in the Rights Shares in their nil-paid form will take place from Wednesday, 24 September 2008 to Thursday, 2 October 2008 (both days inclusive). If the conditions of the Rights Issue are not fulfilled and/or waived at or before 4:00 p.m. on Monday, 13 October 2008 (or such later time and/or date as the Company and Taifook (on behalf of the Underwriters) may determine), the Underwriting Agreement shall terminate and the Rights Issue will not proceed. Any persons contemplating buying or selling Shares up to the date on which all the conditions of the Rights Issue are fulfilled and/or waived, and any dealing in the Rights Shares in their nil-paid form between Wednesday, 24 September 2008 to Thursday, 2 October 2008 (both days inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating dealing in the Shares or the Rights Shares in their nil-paid form are recommended to consult their own professional advisers.

The latest time for acceptance and payment for the Right Shares is 4:00 p.m. on Wednesday, 8 October 2008. The procedures for acceptance and transfer are set out on pages 13 to 14 of this prospectus.

22 September 2008

CONTENTS

EXPECTED TIMETABLE

	2008
Record Date	Saturday, 20 September
Register of members re-opens	Monday, 22 September
Despatch of Rights Issue Documents	Monday, 22 September
First day of dealings in nil-paid Rights Shares	Wednesday, 24 September
Latest time for splitting of nil-paid Rights Shares	4:30 p.m. on Friday, 26 September
Last day of dealings in nil-paid Rights Shares	Thursday, 2 October
Latest Acceptance Date	4:00 p.m. on Wednesday, 8 October
Latest time for the Rights Shares to become unconditional	4:00 p.m. on Monday, 13 October
Announcement of results of acceptance of and excess applications for the Rights Issue	Tuesday, 14 October
Despatch of refund cheques in respect of unsuccessful or partially unsuccessful excess applications for excess Rights Shares on or before	Tuesday, 14 October
Despatch of certificates for fully-paid Rights Shares on or before	Tuesday, 14 October
Commencement of dealings in fully-paid Rights Shares	9:30 a.m. on Thursday, 16 October

All time references contained in this prospectus refer to Hong Kong time.

EFFECT OF BAD WEATHER ON THE LATEST ACCEPTANCE DATE

The Latest Acceptance Date will not take place on 8 October 2008 if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning

in force in Hong Kong on such day at any time between 12:00 noon and 4:00 p.m., the Latest Time for Acceptance will be postponed to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 12:00 noon and 4:00 p.m..

If the Latest Time for Acceptance does not take place on 8 October 2008, the dates mentioned in the section headed "Expected timetable" in this prospectus may be affected. Announcement will be made by the Company in such event.

FORCE MAJEURE

It should be noted that Taifook (on behalf of the Underwriters) reserves the right to terminate its obligations under the Underwriting Agreement on the occurrence of certain events. Taifook (on behalf of the Underwriters) may terminate its commitment under the Underwriting Agreement prior to the Latest Time for Termination if prior to the Latest Time for Termination:

(1) in the reasonable opinion of Taifook (on behalf of the Underwriters), the success of the Rights Issue would be materially and adversely affected by:

   (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of Taifook (on behalf of the Underwriters) materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or

   (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of Taifook (on behalf of the Underwriters) materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

   (c) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or

   (d) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

(2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this paragraph includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the U.S.) occurs which in the reasonable opinion of Taifook (on behalf of the Underwriters) makes it inexpedient or inadvisable to proceed with the Rights Issue; or

(3) this prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the reasonable opinion of Taifook (on behalf of the Underwriters) is material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue.

If the Underwriting Agreement is terminated by Taifook (on behalf of the Underwriters) on or before the Latest Time for Termination or does not become unconditional, the Rights Issue will not proceed.

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

"2007 Annual Report"	the annual report of the Company for the financial year ended 31 July 2007
"Acquisitions"	collectively: (1) the acquisition of the Lead Ocean Shares and the Lead Ocean Debts pursuant to the Lead Ocean Agreement; (2) the acquisition of the Net Excel Shares and the Net Excel Debts pursuant to the Net Excel Agreement; and (3) the acquisition of the 10 vessels pursuant to the Vessel Agreement.
"Announcement"	the announcement of the Company dated 1 August 2008 in connection with the proposed Rights Issue and the Acquisitions
"associate(s)"	shall have the same meaning as defined in the Listing Rules
"BMA"	the Bermuda Monetary Authority
"Board"	the board of Directors
"Business Day"	a day (excluding Saturday, Sunday and any day on which a tropical cyclone warning number 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business
"BVI"	the British Virgin Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Company"	UDL Holdings Limited, a company incorporated in Bermuda with limited liability with registration number 16542, the shares of which are listed on the Main Board of the Stock Exchange
"Circular"	the circular of the Company dated 4 September 2008 in connection with, among other matters, the proposed Rights Issue and the Acquisitions

"Director(s)"	the director(s) of the Company
"Excess Application Form(s)"	form(s) of application for excess Rights Shares
"Excluded Shareholders"	Overseas Shareholders to whom the Board, based on legal opinions provided by legal advisers, considers it necessary or expedient not to offer the Rights Shares on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"Finance Agreement"	the conditional agreement dated 1 August 2008 and entered into between Harbour Front as lender, and the Company as borrower for the loans to be given by Harbour Front to the Company for financing part payment of the consideration payable for the Acquisitions
"Group"	the Company and its subsidiaries from time to time
"Harbour Front"	Harbour Front Limited, a company incorporated in BVI and the controlling shareholder of the Company. Mrs. Leung Yu Oi Leung, Irene, Ms. Leung Chi Yin, Gillian and Mr. Leung Chi Hong, Jerry, each being an executive Director, holds one-third of the issued share capital of Harbour Front
"Harbour Front Concert Parties"	Harbour Front and parties acting in concert with it
"Harbour Front Finance"	the loans to be given by Harbour Front to the Company pursuant to the Finance Agreement
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Acceptance Date"	8 October 2008, being the last date for acceptance of and payment for the Rights Shares and application for excess Rights Shares
"Latest Practicable Date"	17 September 2008, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained herein

"Latest Time for Acceptance"	4:00 p.m. on 8 October 2008 or such later time as may be agreed between the Company and the Underwriters, being the latest time for acceptance of the offer of Rights Shares and if there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on such day at any time between 12:00 noon and 4:00 p.m., the Latest Time for Acceptance will be postponed to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 12:00 noon and 4:00 p.m.
"Latest Time for Termination"	4:00 p.m. on 13 October 2008, being the third Business Day after the Latest Acceptance Date
"Last Trading Day"	1 August 2008, being the last full trading day of the Shares prior to the release of the Announcement
"Lead Ocean"	Lead Ocean Assets Management Limited, a company incorporated in the BVI
"Lead Ocean Agreement"	the conditional agreement dated 1 August 2008 and entered into between Harbour Front as vendor, and the Company as purchaser for the acquisition of the Lead Ocean Shares and the Lead Ocean Debts
"Lead Ocean Debts"	such amounts as equals 100% of the face value of the loans outstanding as at completion of the acquisition of Lead Ocean (which amount should be construed according to the terms and conditions of the Lead Ocean Agreement) made by or on behalf of Harbour Front to Lead Ocean
"Lead Ocean Group"	Lead Ocean and its subsidiaries
"Lead Ocean Shares"	the 100 issued shares of US$1.00 each in the capital of Lead Ocean, representing the entire issued share capital of Lead Ocean
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Net Excel"	Net Excel Management Limited, a company incorporated in the BVI
"Net Excel Agreement"	the conditional agreement dated 1 August 2008 and entered into between Harbour Front as vendor, and the Company as purchaser for the acquisition of the Net Excel Shares and the Net Excel Debts

"Net Excel Debts"	such amounts as equals 100% of the face value of the loans outstanding as at completion of the acquisition of Net Excel (which amount should be construed according to the terms and conditions of the Net Excel Agreement) made by or on behalf of Harbour Front to Net Excel
"Net Excel Group"	Net Excel and its subsidiaries
"Net Excel Shares"	the 100 issued shares of US$1.00 each in the capital of Net Excel, representing the entire issued share capital of Net Excel
"Overseas Shareholder(s)"	the Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose registered address(es) on that date is/are outside Hong Kong
"Percentage Ratios"	the percentage ratios (other than the equity ratio) under Rule 14.07 of the Listing Rules
"PRC"	the People's Republic of China, which, for the purpose of this prospectus, excludes, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Provisional Allotment Letter(s)"	provisional allotment letter(s) for the Rights Issue
"Qualifying Shareholder(s)"	the Shareholder(s), other than the Excluded Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date
"Record Date"	20 September 2008 or such other date as may be agreed between the Company and the Underwriters in accordance with the relevant regulations or requirements
"Resultant Group"	the Company and its subsidiaries immediately after the completion of the Rights Issue and the Acquisitions, assuming each of such transactions is completed in accordance with its terms
"Rights Issue"	the proposed issue of Rights Shares on the basis of one Rights Share for every one existing Share to the Qualifying Shareholders by way of rights or to holders of nil-paid Rights Shares at the Subscription Price, pursuant to the terms and conditions of the Rights Issue
"Rights Issue Documents"	this prospectus, the Provisional Allotment Letter and Excess Application Form

"Rights Share(s)"	5,045,033,739 new Share(s) to be issued by the Company pursuant to the Rights Issue
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company convened and held at 9:30 a.m. on 20 September 2008 for the purpose of approving, among other matters, the Rights Issue and the Acquisitions
"Share(s)"	ordinary shares which have a par value of HK$0.01 each in the capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	subscription price of HK$0.035 per Rights Share
"Taifook"	Taifook Securities Company Limited, a company incorporated in Hong Kong and a licensed corporation under the SFO to carry on Type 1 (dealing in securities), 3 (leveraged foreign exchange trading) and 4 (advising on securities) regulated activities
"UK"	the United Kingdom
"Underwriters"	Taifook and Harbour Front
"Underwriting Agreement"	the underwriting agreement dated 1 August 2008 and entered into between the Company, Harbour Front and Taifook in relation to the Rights Issue
"Vessel Agreement"	the conditional agreement dated 1 August 2008 and entered into between Harbour Front as vendor, and the Company as purchaser for the acquisition of 10 vessels
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

* the English translation of the Chinese name of the relevant companies is for information purposes only, and should not be regarded as the official English translation of such name.

UDL HOLDINGS LIMITED

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

Executive Directors:
Mr. Leung Yat Tung
Mrs. Leung Yu Oi Ling, Irene
Ms. Leung Chi Yin, Gillian
Mr. Leung Chi Hong, Jerry

Independent non-executive Directors:
Mr. Pao Ping Wing, *JP*
Professor Yuen Ming Fai, Matthew
Ms. Tse Mei Ha

Registered office:
Crawford House
1st Floor
50 Cedar Avenue
Hamilton HM11
Bermuda

Head office and principal place of business in Hong Kong:
Room 702, 7th Floor
Aitken Vanson Centre
61 Hoi Yuen Road
Kwun Tong
Kowloon
Hong Kong

22 September 2008

To the Qualifying Shareholders and,
for information only, the Excluded Shareholders

Dear Sir or Madam

RIGHTS ISSUE OF 5,045,033,739 RIGHTS SHARES OF HK$0.01 EACH AT HK$0.035 PER RIGHTS SHARE, PAYABLE IN FULL ON ACCEPTANCE (IN THE PROPORTION OF ONE RIGHTS SHARE FOR EVERY ONE EXISTING SHARE HELD) BY NO LATER THAN 4:00 P.M. ON WEDNESDAY, 8 OCTOBER 2008

INTRODUCTION

Reference is made to the Announcement, in which the Company announced, among other matters, the Rights Issue and the Acquisitions.

On 4 September 2008, the Circular containing details of the Rights Issue and the Acquisitions was despatched to each Shareholder. A copy of the Circular is available for inspection as set out in the paragraph headed "Documents available for inspection" in Appendix III to this prospectus.

At the SGM held on 20 September 2008, an ordinary resolution was passed on poll by the Independent Shareholders to approve, among other matters, the Rights Issue.

The primary purpose of this prospectus is to provide you with further details of the Rights Issue, including information on dealing in, transfer and acceptance of the Rights Shares, and certain financial and other information in respect of the Group.

PROPOSED RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue:	One Rights Share for every one existing Share held on the Record Date
Number of existing Shares in issue:	5,045,033,739 Shares as at the Latest Practicable Date
Number of Rights Shares:	5,045,033,739 Rights Shares

The nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represent 100% of the Company's existing issued share capital and 50% of the Company's issued share capital as enlarged by the issue of the Rights Shares.

Share option scheme

As at the Latest Practicable Date, there are no outstanding share options granted under the share option scheme of the Company or any other warrants, options or securities convertible into Shares.

Subscription Price

The Subscription Price for the Rights Shares is HK$0.035 per Rights Share, payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price:

– represents a premium of approximately 20.69% over the closing price of HK$0.029 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

– represents a discount of approximately 10.26% to the closing price of HK$0.039 per Share as quoted on the Stock Exchange on 1 August 2008, being the Last Trading Day;

– represents a discount of approximately 12.94% to the average closing price of HK$0.0402 per Share for the five consecutive trading days up to and including 1 August 2008, being the Last Trading Day;

– represents a discount of approximately 14.84% to the average closing price of HK$0.0411 per Share for the 10 consecutive trading days up to and including 1 August 2008, being the Last Trading Day;

– represents a discount of approximately 5.41% to the theoretical ex-rights price of approximately HK$0.037 per Share based on the closing price as quoted on the Stock Exchange on 1 August 2008, being the Last Trading Day; and

– represents a premium of approximately 16.67% over the audited consolidated net tangible asset value of approximately HK$0.030 per Share as at 31 July 2007.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriters with reference to the market price of the Shares in the six consecutive months from January 2008 to June 2008 and most recently in July 2008. During the six consecutive months from January 2008 to June 2008, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange was HK$0.039 per Share recorded on each of 27 June 2008 and 30 June 2008 and HK$0.089 per Share recorded on 29 February 2008 respectively. The Subscription Price represents a discount of approximately 44.36% to the average closing price in January 2008, while the Subscription Price represents a discount of approximately 30.14% and 16.27% to the average closing price in June and July 2008 respectively. In light of the recent volatility and generally downward trend of the prices of the Shares, the Company considers that the Subscription Price, representing a premium of approximately 16.67% over the audited consolidated net tangible asset value of approximately HK$0.030 per Share as at 31 July 2007, is reasonable. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Directors consider the Subscription Price fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares, when allotted and fully-paid, will rank pari passu with the then existing Shares in issue in all respects. Holders of such Rights Shares will be entitled to receive all future dividends and distributions which are declared after the date of allotment and issue of the Rights Shares.

Fractional entitlements

Fractional entitlements for the nil-paid Rights Shares will not be issued but will be aggregated and sold, if a premium (net of expenses) can be obtained, for the benefit of the Company.

Share certificates for the Rights Shares

Subject to the fulfilment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to the Qualifying Shareholders who have accepted and applied for (where appropriate), and paid for the Rights Shares by ordinary post at their own risk.

Qualifying Shareholders

The Company will send the Rights Issue Documents to the Qualifying Shareholders only.

To qualify for the Rights Issue, the Shareholder must be registered as a member of the Company at the close of business on the Record Date. However, Overseas Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date to whom the Board, based on legal opinions provided by legal advisers, considers it necessary or expedient not to offer the Rights Shares on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place will not be regarded as Qualifying Shareholders.

The Company retains the right, however, in its discretion to vary the requirements set out above to avoid any offer of Rights Shares to Shareholders (without compliance with registration or other legal requirements) outside Hong Kong.

Rights of Excluded Shareholders

The Rights Issue Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than Hong Kong and Bermuda. The Company will send this prospectus (without the Provisional Allotment Letters and Excess Application Forms) to the Excluded Shareholders for their information only.

Based on the register of members of the Company, there were 27 Shareholders with registered addresses in 11 jurisdictions outside Hong Kong as at the Latest Practicable Date. Pursuant to Rule 13.36(2) of the Listing Rules, the Board has made enquiries with its legal advisers in these 11 jurisdictions as to whether there is any legal restriction under the applicable securities legislation of the relevant jurisdiction or requirement of any relevant regulatory body or stock exchange with respect to the offer of Rights Shares to such Overseas Shareholders.

The Company has been advised by its legal advisers on the laws of Malaysia and the U.S. that either (i) the Rights Issue Documents will be required to be registered or filed with or subject to approval by the relevant regulatory authorities in the relevant jurisdictions (as the case may be); or (ii) the Company would need to take additional steps to ensure compliance with the regulatory requirements of the relevant regulatory authorities in the relevant jurisdictions. Therefore, the Company would need to take additional steps to ensure compliance with the relevant laws and regulations if the Rights Issue is to be offered to the Overseas Shareholders with registered addresses in these two jurisdictions. Having considered the circumstances, the Directors are of the view that it is not expedient to extend the Rights Issues to such Overseas Shareholders taking into consideration that the time and costs involved in complying with the legal requirements of these jurisdictions would outweigh the possible benefits to the relevant Overseas Shareholders and the Company. In addition, the Company has been advised by its legal advisers on the laws of Australia that under Australia's Corporations Act 2001 (Cth), unless a suitable exemption applies, the Company can only offer shares or other securities to persons located in Australia using a prospectus or other disclosure document that complies with the requirements of Part 6D.2 of that Act and which has been lodged with the Australian Securities and Investment Commission before the making of the offer. Having noted this requirement and considered the exemptions that may be available in the circumstances, the Directors consider that it is not expedient to comply with this requirement or seek to rely on any such exemptions and therefore consider it expedient not to offer Rights Shares to the Overseas Shareholder with a registered address in Australia or Shareholders who will otherwise receive the offer in Australia. Thus, the Rights Issue will not be extended to the Overseas Shareholders in Malaysia, the U.S. and Australia. The Company will send this prospectus, for information only, to such Overseas Shareholders with registered addresses in Malaysia, the U.S. and Australia but will not send them the Provisional Allotment Letters and the Excess Application Forms.

The Company has also been advised by its legal advisers on the laws of BVI, Macau, New Zealand, the PRC, Singapore, Spain, Taiwan and UK that either (i) there is no legal restriction under the applicable legislation of the relevant jurisdictions or requirement of any relevant regulatory body or stock exchange with respect to the offer of the Rights Issue to the Overseas Shareholders in the relevant jurisdictions; or (ii) the Company would be exempt from obtaining approval from, and/or registration or lodgement of the Rights Issue Documents with, the relevant regulatory authorities under the applicable laws and regulations of the relevant jurisdictions since the Company would meet the relevant requirements for exemption under the relevant jurisdictions. Based on the advice of the Company's legal advisers on the laws of BVI, Macau, New Zealand, the PRC, Singapore, Spain, Taiwan and UK, the Directors believe that the Rights Issue Documents would not be required to be registered or lodged with the relevant regulatory bodies under the relevant laws and regulations of these eight jurisdictions and may be despatched to the Overseas Shareholders with registered addresses in these eight jurisdictions without any restrictions. In view of this, the Directors have decided to extend the Rights Issue to the Overseas Shareholders with registered addresses in BVI, Macau, New Zealand, the PRC, Singapore, Spain, Taiwan and UK and such Overseas Shareholders, together with the Shareholders with registered addresses in Hong Kong, are Qualifying Shareholders for the purpose of the Rights Issue. The Company will send the Rights Issue Documents to such Qualifying Shareholders.

In addition, the Directors have been advised by its legal advisers on the laws of the PRC that while the Overseas Shareholder with its registered address in the PRC may be lawfully offered the Rights Shares, it needs to comply with the relevant foreign exchange control regulations in the PRC and the necessary approval and registration requirements under the applicable PRC laws if it wishes to take up the Rights Shares. Therefore, although the Overseas Shareholder with its registered address in the PRC will not be excluded from the Rights Issue, such Overseas Shareholder is advised to consult its own professional advisers whether it would be beneficial or expedient for it to participate in the Rights Issue and if so, to ensure that it has complied with all the applicable foreign exchange control regulations in the PRC before taking up the Rights Shares.

The attention of the Overseas Shareholders having his/her/its/their registered address(es) in the PRC, Singapore and UK is drawn to Appendix IV to this prospectus.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders in nil-paid form, to be sold as soon as practicable after dealings in nil-paid Rights Shares commence, if a premium, net of expenses, can be obtained. The proceeds of each sale, less expenses, of HK$100 or more will be paid to the Excluded Shareholders in Hong Kong dollars pro rata to their respective shareholding. The Company will keep individual amounts of less than HK$100 for its own benefit.

Procedures for acceptance and transfer

Qualifying Shareholders will find enclosed with this prospectus a Provisional Allotment Letter which entitles Qualifying Shareholders to subscribe for the number of Rights Shares shown therein. **If you wish to exercise your rights to subscribe for all the Rights Shares specified in the Provisional Allotment Letter, you will need to lodge the Provisional Allotment Letter in accordance with the instructions printed thereon, together with a remittance (or such other mode of payment as may be agreed between the Company and such Qualifying Shareholder) for the full amount payable on acceptance, with Tricor Tengis Limited, the Company's branch registrar and transfer office in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on Wednesday, 8 October 2008. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, and cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "UDL HOLDINGS LIMITED – RIGHTS ISSUE ACCOUNT" and crossed "ACCOUNT PAYEE ONLY"**.

It should be noted that unless the duly completed Provisional Allotment Letter, together with the appropriate remittance (or such other mode of payment as may be agreed between the Company and such Qualifying Shareholder), has been lodged with Tricor Tengis Limited, the Company's branch registrar and transfer office in Hong Kong at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:00 p.m. on Wednesday, 8 October 2008, whether by the original allottee or any person in whose favour the rights have been validly transferred, the relevant provisional allotment and all rights and entitlement thereunder will be deemed to have been declined and will be cancelled and such Rights Shares will be available for application on Excess Application Forms by Qualifying Shareholders.

If you wish to accept only part of your provisional allotment and/or to transfer part of your right to subscribe for the Rights Shares provisionally allotted to you or to transfer your rights to more than one person, the entire Provisional Allotment Letter must be surrendered by no later than 4:30 p.m. on Friday, 26 September 2008, to Tricor Tengis Limited, the Company's branch registrar and transfer office in Hong Kong at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong which will cancel the entire Provisional Allotment Letter and issue new Provisional Allotment Letters in the denominations required.

The Provisional Allotment Letter contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of your provisional allotment.

All cheques and cashier's orders accompanying completed Provisional Allotment Letters will be presented for payment immediately upon receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and return of a Provisional Allotment Letter with a cheque and/or a cashier's order, whether by you or by any nominated transferee, will constitute a warranty by the applicant that the cheque and/or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any Provisional Allotment Letter in respect of which the accompanying cheque and/or cashier's order is dishonoured on first presentation, and, in such event, the relevant provisional allotment and all rights and entitlement given pursuant to which will be deemed to have been declined and will be cancelled.

If Taifook (on behalf of the Underwriters) terminates the Underwriting Agreement before the Latest Time for Termination, the monies received in respect of acceptance of Rights Shares will be returned to the Qualifying Shareholders or such other persons in whose favour the nil-paid Rights Shares shall have been validly transferred without interest by means of cheques despatched by ordinary post to the respective addresses on the register of members at their own risk as soon as practicable thereafter.

Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for any unsold entitlements of the Excluded Shareholders, unsold Rights Shares created by adding together fractions of the Rights Shares and any nil-paid Rights Shares provisionally allotted but not accepted.

Applications may be made by completing the Excess Application Form in accordance with the instructions printed thereon and lodging the same with a separate remittance (or such other mode of payment as may be agreed between the Company and such Qualifying Shareholder) for the excess Rights Shares applied for with Tricor Tengis Limited, the Company's branch registrar and transfer office in Hong Kong, by no later than 4:00 p.m. on Wednesday, 8 October 2008. **All remittances accompanying the Excess Application Forms must be made in Hong Kong dollars. Cheques must be drawn on an account with, and cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "UDL HOLDINGS LIMITED – EXCESS APPLICATION ACCOUNT" and crossed "ACCOUNT PAYEE ONLY"**. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

(1) preference shall be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings;

(2) any excess Rights Shares remaining after satisfying the allocation under paragraph (1) above shall then be allocated to the remaining applicants of the excess Rights Shares in proportion to their "respective proportion" which is to be calculated with reference to the number of nil-paid Rights Shares provisionally allotted to a Qualifying Shareholder and the aggregate number of nil-paid Rights Shares provisionally allotted to all Qualifying Shareholders; and

(3) any further remaining excess Rights Shares will be allocated to applicants in proportion to the excess Rights Shares applied by them after netting off their respective entitlements as calculated in paragraph (2) above.

The Shareholders with the Shares held by a nominee company should note that for the purposes of principle (1) above, the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. The Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

Principle (1) is devised to facilitate Shareholders holding odd lot of Shares to top-up their Shares to a board lot and is thus considered as fair and equitable. In addition, it is fair to the Shareholders that, in accordance with principle (2), the remaining excess Rights Shares were allocated to the remaining applicants of the excess Rights Shares in proportion to (without involving any fraction of a Share) their "respective proportion" (which was calculated with reference to the number of nil-paid Rights Shares provisionally allotted to such Qualifying Shareholder and the aggregate number of nil paid Rights Shares provisionally allotted to all such Qualifying Shareholders) since the percentage shareholding of each Shareholder (except for those who did not take up their rights entitlements under the provisional allotment and/or apply for excess Right Shares) after the completion of the Rights Issue be largely maintained. The Board considers that the allocation of the excess Rights Shares based on the principles set out above is fair and equitable and such allocation mechanism is in line with the allocation basis adopted by the Company in its previous rights issue exercises.

The Qualifying Shareholder(s) will be notified of any allotment of excess Rights Shares made to him/her/it/them on or about Tuesday, 14 October 2008 by way of an announcement.

If no excess Rights Shares are allotted to the Qualifying Shareholder(s) who has/have applied for excess Rights Shares, it is expected that a cheque for the amount tendered on application in full without interest will be posted to the Qualifying Shareholder's address on the register of members of the Company by ordinary post at his/her/its/ their own risk on or about Tuesday, 14 October 2008. If the number of excess Rights Shares allotted to the Qualifying Shareholder(s) is less than that applied for, it is expected that a cheque for the amount of the surplus application monies, without interest, will be posted to the Qualifying Shareholder's address on the register of members of the Company without interest at the Qualifying Shareholder's own risk on or about Tuesday, 14 October 2008.

All cheques and cashier's orders will be presented for payment immediately following receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and return of the Excess Application Form together with a cheque or cashier's order in payment for the excess Rights Shares applied for will constitute a warranty by the applicant that the cheque or cashier's order will be honoured on first presentation. If any cheque or cashier's order accompanying a completed Excess Application Form is dishonoured on first presentation, without prejudice to the other rights of the Company, such Excess Application Form is liable to be rejected.

An Excess Application Form is for use only by the Qualifying Shareholder(s) to whom it is addressed and is not transferable. All documents, including cheques, will be despatched by ordinary post at the risk of the recipients to their addresses as appeared on the Company's register or members.

If Taifook (on behalf of the Underwriters) terminates the Underwriting Agreement before the Latest Time for Termination, the monies received in respect of applications for excess Rights Shares will be returned to the applicants without interest by means of cheques despatched by ordinary post to their addresses on the register of members of the Company at the risk of such applicants as soon as practicable thereafter.

Application for listing of the Right Shares on the Stock Exchange

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms.

Provisional allotments of the Rights Shares made to Qualifying Shareholders will be transferable and there will be trading in the nil-paid entitlements on the Stock Exchange from Wednesday, 24 September 2008 to Thursday, 2 October 2008 (both days inclusive). It is expected that dealings in the Rights Shares (in their fully-paid forms) on the Stock Exchange will commence on Thursday, 16 October 2008. However, it should be noted that if Taifook (on behalf of the Underwriters) exercises its right to terminate its obligations under the Underwriting Agreement, the Rights Issue will not proceed. Nil-paid Rights Shares are expected to be traded in board lots of 40,000 (Shares in issue are traded in board lots of 40,000). If the theoretical ex-rights price of HK$0.037 per Share calculated based on the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day is used as the basis, the expected market value of one board lot of 40,000 Shares is estimated to be HK$1,480. If the theoretical ex-rights price of HK$0.032 per Share calculated based on the closing price of the Shares as quoted on the Stock Exchange on the Latest Practicable Date is used as the basis, the expected market value of one board lot of 40,000 Shares is estimated to be HK$1,280. Dealings in nil-paid and fully-paid Rights Shares will be subject to the payment of stamp duty in Hong Kong.

None of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought.

Subject to the granting of listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled:

(1) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, all the Rights Shares (in their nil-paid and fully-paid forms); and

(2) the Underwriting Agreement becoming unconditional and not being terminated by Taifook (on behalf of the Underwriters) in accordance with its terms.

None of the Company, Taifook and Harbour Front may waive condition (1) set out above and the conditions of the Underwriting Agreement are set out in the paragraph headed “Conditions of the Underwriting Agreement” below. The Rights Issue will not become unconditional and complete if the Acquisitions do not proceed.

Reasons for the Rights Issue and the use of proceeds

The principal activity of the Company is investment holding and the principal activities of its principal subsidiaries are mainly marine engineering, contracting, structural steel engineering and vessel sales.

Upon the full subscription of the Rights Shares, the Company will receive, net of expenses of approximately HK$4 million (including the commission to be paid to the Underwriters and the related professional fees and expenses), approximately HK$172 million. The Directors intend to use the net proceeds of the Rights Issue as follow:

(a) Assuming all rights entitlements are taken up by the respective Shareholders:

– as to approximately HK$93 million to be applied towards payment for the consideration of the Acquisitions; and

– as to approximately HK$79 million to be applied towards the general working capital of the Group; or

(b) Assuming no Shareholders have taken up their rights entitlements and the Underwriters are required to perform their underwriting obligations in pursuance of the Underwriting Agreement in full:

– as to approximately HK$159 million to be applied towards payment for the consideration of the Acquisitions; and

– as to approximately HK$13 million to be applied towards the general working capital of the Group.

During 12 months immediately preceding the Last Trading Day, the Company had not carried out any fund raising exercise or issued any equity securities. In February 2006, in order to remove all the then uncertain factors affecting the going concern of the Group, the Company raised fund by way of a rights issue of 2,374,133,524 rights shares of HK$0.01 each at HK$0.03 per rights share (in the proportion of 12 rights shares for every five then existing shares held). The net proceeds of such rights issue of approximately HK$69.7 million were largely applied towards payment for the consideration of various acquisitions as proposed in the prospectus dated 15 February 2006 of the Company and repayment of HK$5 million interim finance provided to the Group by Harbour Front. As only approximately HK$1.3 million from the net proceeds of such rights issue remained and was used as general working capital of the Group, the Directors (including the independent non-executive Directors) considered that it was in the best interest of the Company and the then Shareholders to raise further capital by way of another rights issue to strengthen its capital base and at the same time to allow all the then qualifying shareholders of the Company the opportunity to maintain their respective pro rata shareholding interests in the Company if they so wish.

Hence, in July 2007, the Company raised fund by way of another rights issue of 1,681,677,913 rights shares of HK$0.01 each at HK$0.09 per rights share (in the proportion of one rights share for every two then existing shares held). Around half of the net proceeds of such rights issue of approximately HK$148 million were applied towards repayment of HK$75 million interim finance provided to the Group by Harbour Front and the balance of the net proceeds of such rights issue has been applied as general working capital of the Group and would be utilised in line with the business development of the Group. Although the Company has conducted two rights issue in the last two consecutive years and it is now conducting the third rights issue, the Board considers that such frequent fund raising exercises necessary due to its corporate and business needs are reasonable and the Directors (including the independent non-executive Directors) consider that it is in the best interest of the Company and the Shareholders to raise further capital by way of the Rights Issue to further strengthen its capital base for the development of its business plan as detailed in the paragraph headed “Future prospects and outlook” under the section headed “Management discussion and analysis” in the 2007 Annual Report and at the same time to allow all Qualifying Shareholders the opportunity to maintain their respective pro rata shareholding interests in the Company if they so wish.

The Board also considers that it is in the best interest of the Company and the Shareholders to utilise the proceeds of the Rights Issue together with the Harbour Front Finance to finance the Acquisitions.

Underwriting arrangements

Underwriting Agreement

Date:	1 August 2008. The Underwriting Agreement was entered into by the parties after the close of the trading hours on 1 August 2008.
Parties:	(1) the Company;
	(2) Harbour Front, the controlling shareholder of the Company, which, together with parties acting in concert with it, is interested in approximately 54.54% of the existing issued share capital of the Company as at the Latest Practicable Date; and
	(3) Taifook, immediately before the signing of the Underwriting Agreement did not have any interest in any Shares.
Number of Shares underwritten:	5,045,033,739 Rights Shares (in which 500,000,000 Rights Shares are to be underwritten by Taifook and 4,545,033,739 Rights Shares are to be underwritten by Harbour Front) ("Underwritten Shares"). The basis for the allocation of 500,000,000 Rights Shares and 4,545,033,739 Rights Shares to Taifook and Harbour Front respectively is subject to the commercial decision of Taifook and Harbour Front.
Commission:	2.50% of the total Subscription Price of the Rights Shares (other than such number of Rights Shares which will be allotted and issued under the Rights Issue in respect of the Shares owned by the Harbour Front Concert Parties as at the Record Date and as at the Latest Practicable Date, such Shares amounted to 2,751,673,320 Shares) underwritten by the Underwriters.

Conditions of the Underwriting Agreement

The obligations of the Underwriters in underwriting the Underwritten Shares are conditional upon:

(1) the Company despatching the Circular to the Shareholders containing, among other matters, details of the Rights Issue together with the proxy form and the notice of the SGM;

(2) the passing by the Independent Shareholders at the SGM of an ordinary resolution to approve the Rights Issue (including, but not limited to, the exclusion of the offer of the Rights Issue to the Excluded Shareholders) by no later than the date of this prospectus;

(3) each of the conditions precedent to the Acquisitions (other than the condition relating to the Rights Issue having become unconditional and completed) is fulfilled (or waived, where appropriate);

(4) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, all the Rights Shares (in their nil-paid and fully-paid forms);

(5) the filing and registration of all documents relating to the Rights Issue, which are required to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies Ordinance and the filing of all documents relating to the Rights Issue, which are required to be filed with the Registrar of Companies in Bermuda in accordance with the Companies Act of Bermuda;

(6) the posting of this prospectus and the relevant documents to Qualifying Shareholders; and

(7) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement.

None of the Company, Harbour Front and Taifook may waive the conditions (1), (2), (4), (5) and (6) set out above. Taifook (on behalf of the Underwriters) may waive the condition (7) set out above in whole or in part by written notice to the Company. By mutual agreement between the Company and the Underwriters, condition (3) set out above may be waived in whole or in part.

If the conditions of the Underwriting Agreement are not satisfied and/or waived (to the extent such condition is capable of being waived) in whole or in part by the Underwriters by 30 October 2008 or such later date or dates as Taifook (on behalf of the Underwriters) may agree with the Company in writing, the Underwriting Agreement shall terminate and no party will have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breach. As at the date of this prospectus, apart from conditions (1) and (2) set out above, none of the conditions has been fulfilled.

As at the Latest Practicable Date, Harbour Front was the controlling shareholder of the Company. Pursuant to Rule 7.19(6) of the Listing Rules, Harbour Front and its associates abstained from voting in respect of the ordinary resolution in respect of the approval of the Rights Issue. Details of the interest in the Shares of Harbour Front and its associates are set out in the paragraph headed "Substantial shareholders' interests" in the Appendix III to this prospectus. At the SGM, an ordinary resolution was passed, on a poll, by the Independent Shareholders to approve, among other matters, the Rights Issue.

Termination of the Underwriting Agreement

The Underwriting Agreement contains provisions granting Taifook (on behalf of the Underwriters), by notice in writing, the ability to terminate its obligations thereunder on the occurrence of certain events. Taifook (on behalf of the Underwriters) may terminate its commitment under the Underwriting Agreement prior to the Latest Time for Termination if prior to the Latest Time for Termination:

(1) in the reasonable opinion of Taifook (on behalf of the Underwriters), the success of the Rights Issue would be materially and adversely affected by:

  (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of Taifook (on behalf of the Underwriters) materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or

  (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of Taifook (on behalf of the Underwriters) materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

  (c) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or

  (d) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

(2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the reasonable opinion of Taifook (on behalf of the Underwriters) makes it inexpedient or inadvisable to proceed with the Rights Issue; or

(3) this prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the reasonable opinion of Taifook (on behalf of the Underwriters) is material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue.

If the Underwriting Agreement is terminated by Taifook (on behalf of the Underwriters) on or before the Latest Time for Termination or does not become unconditional, the Rights Issue will not proceed.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

The Shares have been dealt in on an ex-rights basis from 17 September 2008. Dealing in the Rights Shares in the nil-paid form will take place from 24 September 2008 to 2 October 2008 (both days inclusive). If the conditions of the Rights Issue are not fulfilled and/or waived, or the Underwriting Agreement is terminated by Taifook (on behalf of the Underwriters), the Rights Issue will not proceed and the Rights Issue will lapse.

Any persons contemplating buying or selling Shares up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form, bear the risk that the Rights Issue may not become unconditional or may not proceed.

Any Shareholders or other persons contemplating dealings in the Shares or nil-paid Rights Shares are recommended to consult their own professional advisers.

EXPECTED TIMETABLE

A detailed expected timetable for the Rights issue is set out in the section headed "Expected timetable" in this prospectus.

SHAREHOLDING STRUCTURE OF THE COMPANY BEFORE AND AFTER THE RIGHTS ISSUE

The following table illustrates the shareholding changes as a result of the Rights Issue based on the shareholding of Harbour Front Concert Parties as at the Latest Practicable Date:

	As at the Latest Practicable Date		Assuming all rights entitlements are taken up by the respective Shareholder		Assuming no Shareholders have taken up their rights entitlements and the Underwriters are required to perform their underwriting obligations in pursuance of the Underwriting Agreement in full	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
Harbour Front Concert Parties *(Note 1)*	2,751,673,320	54.54	5,503,346,640	54.54	7,296,707,059	72.31
Non-public *(Note 2)*	4,800	*Note 3*	9,600	*Note 3*	4,800	*Note 3*
Public Shareholders						
Other public	2,293,355,619	45.46	4,586,711,238	45.46	2,293,355,619	22.73
Taifook and sub-underwriter(s) (if any)	–	–	–	–	500,000,000	4.96
					2,793,355,619	27.69
	5,045,033,739	100%	10,090,067,478	100%	10,090,067,478	100%

Notes:

1. Mrs. Leung Yu Oi Ling, Irene, Ms. Leung Chi Yin, Gillian and Mr. Leung Chi Hong, Jerry, each being an executive Director, holds one-third of the issued share capital of Harbour Front. As at the date of the Announcement, Harbour Front Concert Parties were interested in 2,642,993,320 Shares, representing approximately 52.39% of the issued share capital of the Company. Subsequent to the date of the Announcement, and up to the Latest Practicable Date, Harbour Front Concert Parties acquired 108,680,000 Shares in the market.

2. These Shares are registered in the name of the spouse of Professor Yuen Ming Fai, Matthew, one of the independent non-executive Directors.

3. The percentage shareholding is negligible.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

VERY SUBSTANTIAL ACQUISITIONS AND CONNECTED TRANSACTIONS

The Directors are pleased to announce that three acquisition agreements, which are inter-conditional upon each other, were entered into between the Company and Harbour Front on 1 August 2008. Details of the Acquisitions, involving the Lead Ocean Agreement, the Net Excel Agreement and the Vessel Agreement are set out below.

(1) Lead Ocean Agreement

Date:	1 August 2008
Parties:	(i) Harbour Front, an investment holding company incorporated in the BVI (as vendor), the controlling Shareholder; and (ii) the Company (as purchaser).
Subject matter of the Lead Ocean Agreement:	the Lead Ocean Shares, being 100 issued shares of US$1.00 each in the capital of Lead Ocean, a company incorporated in the BVI and is engaged in investment holding of a shipbuilding and structural steel production yard in the PRC

Consideration

The consideration of HK$136,786,171.70 of which the amount of about HK$36,000,911.59 and about HK$100,785,260.11 are attributable to the Lead Ocean Shares and the Lead Ocean Debts respectively. The consideration was determined following arms' length negotiation between Harbour Front and the Company with reference to (i) the unaudited net asset value of Lead Ocean and its subsidiaries (approximately HK$26,000,911.50) and the unaudited book value of the Lead Ocean Debts (approximately HK$100,785,260.11) as at 31 March 2008; and (ii) the licence and approval obtained by 東莞振華建造工程有限公司 (Dongguan Chun Wah Engineering and Heavy Industry Co., Ltd.) to manufacture steel frames and products for both PRC internal sale and export business.

The portion of consideration payable under the Lead Ocean Agreement attributable to the Lead Ocean Shares is subject to pro tanto downward adjustments in the event that the audited net asset value of Lead Ocean and its subsidiaries as at 31 July 2008 or an agreed date being not more than three months before completion of the Lead Ocean Agreement, whichever the later, is less than HK$26,000,911.59.

The portion of consideration payable under the Lead Ocean Agreement attributable to the Lead Ocean Debts is subject to pro tanto downward adjustment in the event that the Lead Ocean Debts as at 31 July 2008 or an agreed date being not more than three months before completion of the Lead Ocean Agreement, whichever the later, is less than HK$100,785,260.11.

The consideration shall be paid by the Company to Harbour Front in cash at completion of the Lead Ocean Agreement.

Completion and conditions of the Lead Ocean Agreement

Completion of the Lead Ocean Agreement shall take place on the second Business Day falling on the date on which all the following conditions are fulfilled or, as the case may be, waived:

(1) the Independent Shareholders approving, by way of ordinary resolution and on a poll at the SGM, among other matters, the Lead Ocean Agreement and the transactions contemplated therein and all other consents and acts required under the Listing Rules being obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules being obtained from the Stock Exchange;

(2) if necessary, all approvals, consents, authorisations and licences in relation to the change of beneficial ownership of Lead Ocean as contemplated by the Lead Ocean Agreement having been obtained from the requisite government or regulatory authorities or any third parties;

(3) the BVI and PRC legal opinions regarding, among others, the legality and validity of Lead Ocean's and its subsidiaries' incorporation and operations and subsistence and Lead Ocean's and its subsidiaries' interests in property to be issued before the completion of the Lead Ocean Agreement in such form and substance to the satisfaction of the Company having been obtained;

(4) the Company being satisfied with the results of the review of the assets, liabilities, activities, operations, prospects and affairs of Lead Ocean in accordance with the provisions in the Lead Ocean Agreement;

(5) the Rights Issue becoming unconditional and is completed in accordance with the Underwriting Agreement; and

(6) the Company being satisfied that the Net Excel Agreement and the Vessel Agreement having been completed contemporaneously with or immediately after completion of the Lead Ocean Agreement in accordance with their respective terms.

The Company is entitled to waive the conditions specified above in whole or in part except for the conditions referred to in paragraphs (1) and (3). If any of the above conditions has not been satisfied (or, as the case may be, waived by the Company) at or before 12:00 noon on 30 October 2008, or such later date as the Company may agree, the Lead Ocean Agreement shall cease and determine and none of the parties shall have any obligations and liabilities thereunder save for any prior breaches. The Directors advise that the Company will only waive the condition referred to in paragraph (5) subject to the payment in advance of an amount representing the subscription proceeds by Harbour Front as agreed as if the Rights Issue were becoming unconditional and/or the availability of the Harbour Front Finance.

At the SGM, an ordinary resolution was passed, on a poll, by the Independent Shareholders to approve, among other matters, the Lead Ocean Agreement and the transactions therein. As at the date of this prospectus, except for the condition referred to in paragraph (1) above, none of the conditions has been fulfilled.

Information on Lead Ocean

Lead Ocean is a private company incorporated in the BVI and is the holding company of each of Argos Engineering (International) Company Limited and Cochrane Enterprises Limited, which pursuant to a Dong Guan Chunwah Engineering and Heavy Industry Co., Ltd. Joint-Venture Contract and another Dong Guan Hing Wah Shipbuilding Co., Ltd. Joint-Venture Contract both dated 18 October 1990, entered into between each of them respectively and Shatian Foreign Trade and Economic Development Company, have (1) established two PRC companies, 東莞振華建造工程有限公司 (Dongguan Chun Wah Engineering and Heavy Industry Co., Ltd.) and 東莞興華造船工程有限公司 (Dongguan Hing Wah Shipbuilding Co., Ltd.); and (2) obtained the allocation of the land use rights of certain collectively-owned land with a yard site area of approximately 154,000 sq.m. for a term of 50 years for manufacturing structural steel frames and fabrication of ships and other ancillary businesses. Lead Ocean has an authorised capital of US$50,000 divided into 50,000 shares of US$1.00 each and 100 fully paid shares of which have up to the Latest Practicable Date been issued and beneficially owned by Harbour Front.

The Dongguan yard abovementioned is situated along the bank of a branch of Dongjiang with deep water access channel. Lead Ocean has extensive steel fabrication and assembly capability over 15 years of track record in completing major fabrication and assembly projects of bridges, buildings and structures in the PRC, Hong Kong and Macau. 東莞振華建造工程有限公司 (Dongguan Chun Wah Engineering and Heavy Industry Co., Ltd.) has obtained a licence to manufacture steel frames and products for both PRC internal sale and export business and necessary approvals to operate a pier in the yard for exporting its products directly from Dongguan.

Referring to the paragraph headed "Proposed settlement agreement and issue of promissory notes – Background" in the "Letter from the Board" in the Company's circular dated 27 January 2006, upon implementation of the scheme of arrangement of the Company and its subsidiaries in mid-2000, Argos Engineering (International) Company Limited and Cochrane Enterprises Limited were transferred by the Company to the scheme administrator as part of the concerned unencumbered assets. According to the memorandum of understanding entered into between the scheme administrator, the Company and Harbour Front in 2005 outlining the global solution settling the outstanding issues of the scheme of arrangement of the Company and its subsidiaries as more particularised in that circular, Harbour Front acquired Argos Engineering (International) Company Limited and Cochrane Enterprises Limited as part of the acquisition of the concerned unencumbered assets from the scheme administrator in September 2006.

Ever since the entering into of the abovementioned memorandum of understanding, Harbour Front started to resolve issues related to the Dongguan yard facilities by paying outstanding annual licence fee and title fees, carrying out annual government licence audit and settling current liabilities of Argos Engineering (International) Company Limited and Cochrane Enterprises Limited. Significant improvements to the yard facilities have also been made to meet the current needs for efficient production.

Lead Ocean was incorporated on 2 May 2008 to hold Argos Engineering (International) Company Limited and Cochrane Enterprises Limited within the group of companies held by Harbour Front. The audited net profit/(loss) of the Lead Ocean Group (prepared in accordance with Hong Kong Financial Reporting Standards) for the two years ended 31 March 2008 was approximately as follows:

	For the year ended 31 March 2007	**For the year ended 31 March 2008**
Net profit/(loss) (before taxation and extraordinary items)	(HK$5,985,000)	(HK$4,140,000)
Net profit/(loss) (after taxation and extraordinary items)	(HK$5,985,000)	(HK$4,140,000)

The audited net asset value of the Lead Ocean Group (prepared in accordance with Hong Kong Financial Reporting Standards) as at 31 March 2007 and 31 March 2008 was approximately HK$28,413,000 and HK$33,294,000 respectively. As at 31 March 2008 and as if Lead Ocean has been incorporated, the pro forma value of Lead Ocean Debts amounted to approximately HK$97,380,000 which is less than the unaudited book value of the Lead Ocean Debts of approximately HK$100,785,260.11 as at 31 March 2008 referred to in the paragraph headed "Consideration" on page 24 of this prospectus due to audit adjustments for current account made by the reporting accountants. The portion of consideration payable under the Lead Ocean Agreement attributable to the Lead Ocean Debts is subject to pro tanto downward adjustment as detailed in that paragraph.

The aggregate effect of the Acquisitions of which the acquisition of the Lead Ocean Shares and the Lead Ocean Debts forms a part (including the effect of the use of Harbour Front Finance and/or the net proceeds from the Rights Issue), are as follows:

Non-current assets	: Increase from approximately HK$32.357 million to approximately HK$243.174 million
Current assets	: Increase from approximately HK$137.260 million to approximately HK$197.534 million
Total assets	: Increase from approximately HK$169.617 million to approximately HK$440.708 million
Current liabilities	: Increase from approximately HK$19.608 million to approximately HK$118.366 million
Non-current liabilities	: Increase from approximately HK$0 million to approximately HK$0.171 million
Total liabilities	: Increase from approximately HK$19.608 million to approximately HK$118.537 million
Earnings	: Loss increase from approximately HK4.341 million to approximately HK$5.313 million

Reasons for the acquisition of Lead Ocean

Given the enhanced capital base of the Group since mid-2007, upgrading works toits yard facilities in both Singapore and Zhongshan, the PRC, have gone underway so as to meet the surging demands in the shipbuilding and offshore engineering sector with the synergy from the combined capacity of these two yard facilities and the sound competitive edge in the market due to their independent advantages. The growth in global demand for oil has been strong and steady for over five years and operators are likely to continue investing in exploration and production to replace depleting reserves. This translates demand in the related shipbuilding and offshore engineering market. In addition to the existing yard facilities in Singapore and Zhongshan, the Group consider the longer term arrangement in taking up and utilise facilities in Dongguan, the PRC held by the group of companies of Lead Ocean could combine and consolidate the mutually matching and critical mass effect between the existing and additional facilities to promote the enhanced capabilities in the shipbuilding, marine and offshore engineering activities.

Demand in the shipbuilding, marine and offshore engineering sector is robust and will increase with oil price continuing to sustain at record high level. Rigs utilisation is now at full capacity which transpires demand for further building and related work. Level of enquiries for shipbuilding and offshore industry support work is growing, some of which has already rendered into order, including specialised building such as derricks. Demand for offshore support vessels (OSVs) will also be strong given the existing positive outlook for the offshore industry. Ship repair and modification works in the regional market also have robust demand. Our historical performance in similar building projects and current combined capacities prepare us to meet all these market needs.

The Group's current combined production capacities from its Zhongshan and Singapore yards are 4 to 6 units of 5,000 DWT class vessels and annual steel fabrication projects of up to 20,000 tons. Intended integration of the additional Dongguan yard facilities could beef up total production capacities of up to 40,000 tons per year. The Dongguan yard with deep water access channel is suitable for the construction of vessels of up to 200 metres in length, oil rigs and semi-subs. A key element in this business plan is to leverage the Dongguan yard's extensive steel fabrication capability, low production cost and cheap supply of materials with the Group's image for quality and reliability, and Singapore's excellent supply chain, sub-contractors, and supporting infrastructure to provide the Group with a sustainable competitive edge. The Dongguan yard will undertake the construction of steel structures and vessel components. After which, the components fabricated and constructed in the PRC will be transported to the Singapore yard of the Group for assembly into complete product. With the promising prospect in the shipbuilding marine and offshore engineering sector, together with the anticipated increase in production capacities and synergies derived from integration of the yard facilities, the Directors expect to see overall performance of the Group improving at a multiple factor.

The Directors are of the view that the terms of the Lead Ocean Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole.

(2) Net Excel Agreement

Date:	1 August 2008
Parties:	(i) Harbour Front, an investment holding company incorporated in the BVI (as vendor), the controlling Shareholder; and (ii) the Company (as purchaser).
Subject matter of the Net Excel Agreement:	the Net Excel Shares, being 100 issued shares of US$1.00 each in the capital of Net Excel, a company incorporated in the BVI and is engaged in investment holding of contracting companies having licences for port works engineering and construction in both Hong Kong and PRC

Consideration

The consideration of HK$70,869,363.36 of which the amount of about HK$70,564,363.36 and about HK$305,000 are attributable to the Net Excel Shares and the Net Excel Debts respectively. The consideration was determined following arms' length negotiation between Harbour Front and the Company with reference to (i) the unaudited net asset value of Net Excel and its subsidiaries (approximately HK$51,898,778.75) and the unaudited book value of the Net Excel Debts (approximately HK$305,000) as at 31 March 2008; and (ii) the licences obtained by the subsidiaries of Net Excel for port works engineering and construction in Hong Kong and PRC which are more particularly set out in the paragraph headed "Information on Net Excel" below.

The portion of consideration payable under the Net Excel Agreement attributable to the Net Excel Shares is subject to pro tanto downward adjustments in the event that the audited net asset value of Net Excel and its subsidiaries as at 31 July 2008 or an agreed date being not more than three months before completion of the Net Excel Agreement, whichever the later, is less than HK$51,898,778.75.

The portion of consideration payable under the Net Excel Agreement attributable to the Net Excel Debts is subject to pro tanto downward adjustment in the event that the Net Excel Debts as at 31 July 2008 or an agreed date being not more than three months before completion of the Net Excel Agreement, whichever the later, is less than HK$305,000.

The consideration shall be paid by the Company to Harbour Front in cash at completion of the Net Excel Agreement.

Completion and conditions of the Net Excel Agreement

Completion of the Net Excel Agreement shall take place on the second Business Day falling on the date on which all the following conditions are fulfilled or, as the case may be, waived:

(1) the Independent Shareholders approving, by way of ordinary resolution and on a poll at the SGM, among other matters, the Net Excel Agreement and the transactions contemplated therein and all other consents and acts required under the Listing Rules being obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules being obtained from the Stock Exchange;

(2) if necessary, all approvals, consents, authorisations and licences in relation to the change of beneficial ownership of Net Excel as contemplated by the Net Excel Agreement having been obtained from the requisite government or regulatory authorities or any third parties;

(3) the BVI and PRC legal opinions regarding, among others, the legality and validity of Net Excel's and its subsidiaries' incorporation and operations and subsistence to be issued before the completion of the Net Excel Agreement in such form and substance to the satisfaction of the Company having been obtained;

(4) the Company being satisfied with the results of the review of the assets, liabilities, activities, operations, prospects and affairs of Net Excel in accordance with the provisions in the Net Excel Agreement;

(5) the Rights Issue becoming unconditional and is completed in accordance with the Underwriting Agreement; and

(6) the Company being satisfied that the Lead Ocean Agreement and the Vessel Agreement having been completed contemporaneously with or immediately after completion of the Net Excel Agreement in accordance with their respective terms.

The Company is entitled to waive the conditions specified above in whole or in part except for the conditions referred to in paragraphs (1) and (3). If any of the above conditions has not been satisfied (or, as the case may be, waived by the Company) at or before 12:00 noon on 30 October 2008, or such later date as the Company may agree, the Net Excel Agreement shall cease and determine and none of the parties shall have any obligations and liabilities thereunder save for any prior breaches. The Directors advise that the Company will only waive the condition referred to in paragraph (5) subject to the payment in advance of an amount representing the subscription proceeds by Harbour Front as agreed as if the Rights Issue were becoming unconditional and/or the availability of the Harbour Front Finance.

At the SGM, an ordinary resolution was passed, on a poll, by the Independent Shareholders to approve, among other matters, the Net Excel Agreement and the transactions therein. As at the date of this prospectus, except for the condition referred to in paragraph (1) above, none of the conditions has been fulfilled.

Information on Net Excel

Net Excel is a private company incorporated in the BVI and is holding company of each of Tonic Engineering & Construction Company Limited, Gitanes Engineering Company Limited and its PRC subsidiary, 廣東積達工程有限公司 (Guangdong Gitanes Engineering Co., Limited), which collectively have obtained licence for port works engineering and construction in Hong Kong and PRC, and Chiu Hing Company Limited which has a track record in civil engineering public works projects in Hong Kong. Net Excel has an authorised capital of US$50,000 divided into 50,000 shares of US$1.00 each and 100 fully paid shares of which have up to the Latest Practicable Date been issued and beneficially owned by Harbour Front.

Tonic Engineering & Construction Company Limited and Gitanes Engineering Company Limited holds respectively a Hong Kong public works Group B (confirmed) and Group C (probationary) licence for port works engineering and construction. Group B (confirmed) licence represents a qualification for tendering of unlimited number of contracts of value up to HK$50,000,000 and Group C (probationary) licence represents a qualification for tendering of maximum of two contracts of value exceeding HK$50,000,000 provided the total value of contract works does not exceed HK$180,000,000. Confirmation to Group C licence is achievable after satisfactory completion of at least one public works Group C contract of value over HK$90,000,000 and Group C (confirmed) licence represents a qualification for tendering of unlimited number of contracts of value exceeding HK$50,000,000. 廣東積達工程有限公司 (Guangdong Gitanes Engineering Co., Limited) was established by Gitanes Engineering Company Limited in late 2004 pursuant to the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) and has a licence for port works engineering and construction in the PRC.

Referring to the paragraph headed "Proposed settlement agreement and issue of promissory note – Background" in the "Letter from the Board" in the Company's circular dated 27 January 2006, upon implementation of the scheme of arrangement of the Company and its subsidiaries in mid-2000, shareholding of the Group in Tonic Engineering & Construction Company Limited and Gitanes Engineering Company Limited were transferred by the Group to the scheme administrator as part of the concerned unencumbered assets. According to the memorandum of understanding entered into between the scheme administrator, the Company and Harbour Front in 2005 outlining the global solution settling the outstanding issues of the scheme of arrangement of the Company and its subsidiaries as more particularised in that circular, Harbour Front acquired the concerned shareholding in Tonic Engineering & Construction Company Limited and Gitanes Engineering Company Limited as part of the acquisition of the concerned unencumbered assets from the scheme administrator in September 2006. Both Tonic Engineering & Construction Company Limited and Gitanes Engineering Company Limited were not subsidiaries of the Company before implementation of the scheme of arrangement. Harbour Front has also completed acquisition of all the remaining shareholding in Tonic Engineering & Construction Company Limited and Gitanes Engineering Company Limited from the then shareholders of these companies.

Ever since the entering into of the abovementioned memorandum of understanding, Harbour Front started to resolve issues related to these contracting companies including settling issue related to sufficiency of capital for maintenance of port works licence, injection of necessary additional capital and carrying out PRC annual government licence audit.

Net Excel was incorporated on 23 May 2008 to hold Tonic Engineering & Construction Company Limited, Gitanes Engineering Company Limited and Chui Hing Company Limited within the group of companies held by Harbour Front. The audited net profit/(loss) of the Net Excel Group (prepared in accordance with Hong Kong Financial Reporting Standards for the two years ended 31 March 2008 was approximately as follows:

	For the year ended 31 March 2007	**For the year ended 31 March 2008**
Net profit/(loss) (before taxation and extraordinary items)	HK$385,000	HK$3,168,000
Net profit/(loss) (after taxation and extraordinary items)	HK$385,000	HK$3,168,000

The net asset value of the Net Excel Group (prepared in accordance with Hong Kong Financial Reporting Standards as at 31 March 2007 and 31 March 2008 was approximately HK$25,729,000 and HK$50,160,000 respectively. As at 31 March 2008 and as if Net Excel has been incorporated, the pro forma value of Net Excel Debts amounted to approximately HK$0 which is less than the unaudited book value of the Net Excel Debts of approximately HK$305,000 as at 31 March 2008 referred to in the paragraph headed "Consideration" on page 29 of this prospectus due to audit adjustments for current account made by the reporting accountants. The portion of consideration payable under the Net Excel Agreement attributable to the Net Excel Debts is subject to pro tanto downward adjustment as detailed in that paragraph.

Please refer to the section headed "Information on Lead Ocean" above for the aggregate effect of the Acquisitions of which the effect of the acquisition of the Net Excel Shares and the Net Excel Debts forms a part (including the effect of the use of Harbour Front Finance and/or the net proceeds from the Rights Issue).

Reasons for the acquisition of Net Excel

Given the enhanced capital base of the Group since mid-2007, the Group has succeeded in securing port works projects as sub-contractors including submarine pipelines for Permanent Aviation Fuel Facilities for the Hong Kong International Airport in Chek Lap Kok. Performance in the contracting divisions to improve can be foreseen. The Hong Kong government has committed to push forward 10 large scale infrastructure projects in the coming years. The Group is confident to harvest from the forthcoming opportunities.

With the Hong Kong public works licences possessed by Net Excel's subsidiaries, the Group would be able to re-access the main contractor market for port works which was one of the major activities of the Group before the implementation of the scheme of arrangement in 2000. With a better and direct control of engineering and construction projects and together with a complete fleet of marine engineering vessels, the Group would be able to improve its management and production efficiency and have a sustainable competitive edge.

With the continuous commitment by both government of the PRC and Hong Kong to improve the existing arrangement under CEPA, 廣東積達工程有限公司 (Guangdong Gitanes Engineering Co., Limited) would be able to provide a solid platform for the Group to access the PRC market for a sustainable growth of its port works business in the long term.

The Directors are of the view that the terms of the Net Excel Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole.

(3) Vessel Agreement

Date:	1 August 2008
Parties:	(i) Harbour Front, an investment holding company incorporated in the BVI (as vendor), the controlling Shareholder; and
	(ii) the Company (as purchaser).
Subject matter of the Vessel Agreement:	10 vessels

Consideration

The aggregate consideration of HK$21,800,000 for the 10 vessels were determined after arm's length negotiation between the Company and Harbour Front and on normal commercial terms with reference to the prevailing market price and valuations.

The 10 vessels agreed to be sold under the Vessel Agreement, are vessels held by the group of companies controlled by Harbour Front and will be sold by Harbour Front as beneficial owner and authorised agent of the registered owner.

Harbour Front and the Company has jointly instructed a valuer to carry out a valuation on the 10 vessels as at 31 July 2008 or at a date being not earlier than three months prior to completion of the Vessel Agreement, whichever the later. The consideration payable under the Vessel Agreement is subject to pro tanto downward adjustments if the aggregate valuation of the 10 vessels is less than HK$21,800,000.

The consideration of the 10 vessels shall be paid by the Company to Harbour Front in cash at completion of the Vessel Agreement.

Completion and conditions of the Vessel Agreement

Completion of the Vessel Agreement shall take place on the second Business Day falling on the date on which all the following conditions are fulfilled or, as the case may be, waived:

(1) the Independent Shareholders approving, by way of ordinary resolution and on a poll at the SGM, the Vessel Agreement and the transactions contemplated therein and all other consents and acts required under the Listing Rules being obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules being obtained from the Stock Exchange;

(2) if necessary, all approvals, consents, authorisations and licences in relation to the change of beneficial ownership of the 10 vessels as contemplated by the Vessel Agreement having been obtained from the requisite government or regulatory authorities or any third parties;

(3) the Rights Issue becoming unconditional and is completed in accordance with the Underwriting Agreement; and

(4) the Company being satisfied that the Lead Ocean Agreement and the Net Excel Agreement having been completed contemporaneously with or immediately after completion of the Vessel Agreement in accordance with their respective terms.

The Company is entitled to waive the conditions specified above in whole or in part except for the condition referred to in paragraph (1). If any of the above conditions has not been satisfied (or, as the case may be, waived by the Company) at or before 12:00 noon on 30 October 2008, or such later date as the Company may agree, the Vessel Agreement shall cease and determine and none of the parties shall have any obligations and liabilities thereunder save for any prior breaches. The Directors advise that the Company will only waive the condition referred to in paragraph (3) subject to the payment in advance of an amount representing the subscription proceeds by Harbour Front as agreed as if the Rights Issue were becoming unconditional and/or the availability of the Harbour Front Finance.

At the SGM, an ordinary resolution was passed, on a poll, by the Independent Shareholders to approve, among other matters, the Vessel Agreement and the transactions therein. As at the date of this prospectus, except for the condition referred to in paragraph (1) above, none of the conditions has been fulfilled.

Information on the 10 vessels

The 10 vessels are crafts and vessels for marine construction works, general marine transportation and engineering supporting services. The original purchase cost of the 10 vessels is approximately HK$20,000,000 and the value of the 10 vessels as at 31 July 2008 based on a valuation conducted by an independent third party on an open market value for continued existing use approach was approximately HK$21,800,000.

Please refer to the section headed "Information on Lead Ocean" above for the aggregate effect of the Acquisitions of which the acquisition of the 10 vessels forms a part (including the effect of the use of Harbour Front Finance and/or the net proceeds from the Rights Issue).

Reasons for the acquisition of the 10 vessels

The Group's shipbuilding business started well before the 90s' and in 1991 when the Company became listed on the Stock Exchange, this business sector contributed over 22% of the Group's overall turnover of approximately HK$252 million. Shipbuilding business then remained one of the important business segments of the Group in the subsequent years. From the year ended 31 March 1995, the shipbuilding business started to be integrated with the marine engineering business to fulfil the huge ship repair requirements of the Group's own large fleet of marine engineering vessels. Shipbuilding business operation as very important logistic support for the Group's marine engineering operations and also reduced the Group's external repair and maintenance expenses substantially.

In view of the Group's past experience and operations with extensive customers and vendors network, which was built up in the 90s' in the shipbuilding industry which closely relates to the marine construction engineering industry, the Group has already resumed its shipbuilding business and has received considerable orders for the supply of various kinds of reconditioned second hand marine engineering vessels. Turnover attributable to shipbuilding business amounted to HK$9,624 million and HK$13,980 million for the years ended 31 July 2006 and 31 July 2007, representing around 43% and 36% of the Group's total turnover for the respective year.

The Group intends to acquire the 10 unencumbered vessels for sale after reconditioning so as to further expand its operation in the supply of reconditioned second-hand marine engineering vessels. Subject to the marine engineering construction market conditions, the vessels could also be used in the Group's operations if not sold.

The acquisition of these 10 vessels will also provide the Group with a broadened base of resources to normalise and expand its existing principal businesses, in particular the marine construction engineering business. Turnover attributable to marine engineering business amounted to HK$8,894 million and HK$19,410 million for the years ended 31 July 2006 and 31 July 2007, representing around 40% and 51% of the Group's total turnover for the respective year. Furthermore, the acquisition will also enable the Company to maintain a complete fleet of vessels for general marine engineering operation in line with its development of business for port works engineering and construction.

With the 10 large scale infrastructure developments expected to be implemented in the coming years together with the increase in demand for marine construction engineering services in the adjacent areas like Macau and the Guangdong Province, the Group is actively pursuing marketing and tendering work in order to secure orders and contracts for marine construction works under these large scale developments and projects which will have a large demand for marine construction plant like those to be acquired by the Group under the Vessel Agreement. The Group's marine construction engineering operations are expected to be expanded accordingly and to make positive contribution to the Group's revenue for the financial year ended 31 July 2006 onwards.

The Directors are of the view that the terms of the Vessel Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole.

Relationship between the parties and implication of the Listing Rules

Currently, Harbour Front is the controlling shareholder of the Company.

In view of the above relationship between parties, each of the Rights Issue, the transactions contemplated under the Lead Ocean Agreement, the Net Excel Agreement and the Vessel Agreement constitutes a connected transaction of the Company for the purposes of Chapter 14A of the Listing Rules.

Since the Rights Issue would increase the issued share capital of the Company by more than 50%, the Rights Issue must be made conditional on approval by the Independent Shareholders for the purposes of Rule 7.19(6) of the Listing Rules. As the aggregate consideration of the Acquisitions represent more than 100% in terms of two of the Percentage Ratios, the Acquisitions constitute a very substantial acquisition of the Company for the purposes of Chapter 14 of the Listing Rules.

Accordingly, the Rights Issue and the Acquisitions (as contemplated under the Lead Ocean Agreement, the Net Excel Agreement and the Vessel Agreement) were approved, on a poll, by the Independent Shareholders at the SGM pursuant to Rule 7.19(6), Rule 14.49 and Rule 14A.17 of the Listing Rules. Harbour Front, with a material interest in the Acquisitions and the Rights Issue, and its associates abstained from voting at the SGM in respect of the relevant resolutions. The Acquisitions contemplated under the Lead Ocean Agreement, the Net Excel Agreement and the Vessel Agreement are inter-conditional upon each other and the Rights Issue is conditional upon the conditions precedent to the Acquisitions being fulfilled (or waived). As at the latest Practicable Date, the conditions precedent to the Acquisitions had not been fully fulfilled (or waived) and completion of the Acquisitions had not taken place. The Company and Harbour Front will use their best endeavours to procure completion of the Acquisitions to take place before 16 October 2008, being the commencement date of dealings in fully-paid Rights Shares. The Rights Issue will not become unconditional and complete if the Acquisitions do not proceed. Any persons contemplating buying or selling Shares up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form, bear the risk that the Rights Issue may not become unconditional or may not proceed. However, the Acquisitions may still proceed if the Rights Issue is not completed as the Company can waive such condition precedent.

FINANCE ARRANGEMENT WITH HARBOUR FRONT

To provide alternative source of funding for the Company to finance the Acquisitions in addition to utilising the proceeds of the Rights Issue, the Company has secured a financing facility from Harbour Front pursuant to the Finance Agreement and made between Harbour Front and the Company. The major terms of such facility are set out below:

Facility:	Facility, of which drawing shall be made in two tranches, up to HK$136,950,768.85 (the exact amount of the facility to be made available by Harbour Front to the Company under the Finance Agreement shall be determined by Harbour Front and the Company in accordance with terms below on or before the drawdown of such facility).

Unless otherwise agreed between Harbour Front and the Company prior to the drawdown of the facility (in the event conditions precedent (b) and/or (c) as referred to in the paragraph headed "Conditions precedent" below is waived by Harbour Front) and subject to the determination below, the aggregate amount of drawing by the Company shall not exceed HK$136,950,768.85.

Harbour Front and the Company agreed that the amount of the facility and amount of draw down under Tranche B shall be determined as follows:

Amount of the Facility:

F = A – B x C

where:

"F" is the amount of the facility (unless otherwise agreed between Harbour Front and the Company prior to the drawdown of the facility (in the event conditions precedent (b) and/or (c) as referred to in the paragraph headed "Conditions precedent" below is waived by Harbour Front)

"A" is the total consideration for the Acquisitions

"B" is the number of untaken Shares for which Harbour Front is obliged to subscribe or procure subscribers to subscribe pursuant to the Underwriting Agreement (and for the avoidance of doubt, shall include the number of excluded Shares and excess Rights Shares which have been accepted or taken up by Harbour Front and parties acting in concert with it in accordance with the provisions of the Underwriting Agreement)

"C" is HK$0.035, being the Subscription Price

In the event that condition precedent (b) as referred to in the paragraph headed "Conditions precedent" below is waived by Harbour Front, "F" will be equal to the total consideration for the Acquisitions.

Amount of draw down under Tranche B:

D = F – G

Where:

"D" is the amount of draw down under Tranche B

"F" is the amount of facility as determined above

"G" is HK$57,873,464.56, being the maximum amount of draw down under Tranche A

Tranche A: The maximum aggregate amount of draw down under this tranche is HK$57,873,464.56.

The draw down of Tranche A of the Facility shall be made by the Company to Harbour Front for settlement or set-off of part of the total consideration for the Acquisitions payable by the Company to Harbour Front.

Tranche B: Subject to the determination of the amount of the facility as set out above and unless otherwise agreed between Harbour Front and the Company prior to the drawdown of the facility (in the event conditions precedent (b) and/or (c) as referred to in the paragraph headed "Conditions precedent" below is waived by Harbour Front), the maximum aggregate amount of draw down under this tranche is HK$79,077,304.29.

The draw down of Tranche B of the Facility shall be made by the Company to Harbour Front for settlement or set-off of part of the total consideration for the Acquisitions payable by the Company to Harbour Front.

Interest: Hong Kong Dollars best lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited per annum on the amount of facility drawn down.

Repayment: The Company shall be obliged to repay the amount of the facility drawn down together with any interest accrued thereon ("**Loan**") in the following circumstances and manner:

Tranche A of the facility

Principal amount together with interest accrued thereon shall be repaid (in whole or in part) when:

(a) the Company or its subsidiaries generate surplus income from its/their operations; or

(b) termination of the Finance Agreement.

Tranche B of the facility

Tranche B of the facility shall be for a fixed term ("**Term**") of eighteen (18) months from the date of draw down of the relevant facility and shall be repaid together with interest accrued thereon (i) upon the expiry of the Term; or (ii) before the expiry of the Term when:

(c) the Company or its subsidiaries receives proceeds arising from equity fund raising (other than the Rights Issue), assets disposals or realisations;

(d) the Company or its subsidiaries generate surplus income from its/their operations (and Tranche A of the facility together with interest accrued thereon has been fully repaid);

(e) the Company or its subsidiaries receive any loan or finance proceeds by entering into a loan or finance agreement or arrangement with any parties other than Harbour Front or its nominees without the prior consent of Harbour Front; or

(f) termination of the Finance Agreement.

The above conditions are not interdependent and if the proceeds or funds received pursuant to any relevant repayment condition becoming operative are insufficient to repay the full amount of the Loan, the remaining amount of the Loan shall be repaid upon any other conditions becoming operative until the Loan is fully repaid.

Conditions precedent:

(a) The Independent Shareholders approving, by way of ordinary resolution and on a poll at the SGM, the Lead Ocean Agreement, the Net Excel Agreement, the Vessel Agreement, the Underwriting Agreement and the transactions contemplated thereby and all other consents and acts required under the Listing Rules being obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules being obtained from the Stock Exchange;

(b) the Rights Issue becoming unconditional and is completed in accordance with the terms of the Underwriting Agreement; and

(c) the Lead Ocean Agreement, the Net Excel Agreement and the Vessel Agreement having been completed in accordance with their respective terms.

If any of the conditions set out above has not been satisfied(or, in the event conditions precedent (b) and/or (c) waived by Harbour Front) on or before 12:00 noon on 30 October 2008, or such later date as Harbour Front may agree, the Finance Agreement shall cease and determine and none of Harbour Front or the Company shall have any obligations and liabilities thereunder save for any prior breaches of the terms thereof.

At the SGM, an ordinary resolution was passed, on a poll, by the Independent Shareholders to approve, among other matters, the Lead Ocean Agreement, the Net Excel Agreement, the Vessel Agreement, the Underwriting Agreement and the transactions contemplated thereby.

Implication of the Listing Rules

Currently, Harbour Front is the controlling shareholder of the Company. In view of such relationship between Harbour Front and the Company, the transactions contemplated under the Finance Agreement constitute a connected transaction of the Company. Pursuant to Rule 14A.65(4) of the Listing Rules, financial assistance provided by a connected person for the benefit of a listed issuer on normal commercial terms (or better to the listed issuer) where no security over the assets of the listed issuer is granted in respect of the financial assistance is exempted from the reporting, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules. The transactions contemplated by the Finance Agreement fall within Rule 14A.65(4) of the Listing Rules, and hence is exempted from the reporting, announcement and Independent Shareholders' approval requirements.

PROCEDURES FOR DEMANDING A POLL AT A GENERAL MEETING OF THE COMPANY

Pursuant to bye-law 70 of the bye-laws of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

(i) by the Chairman of the meeting; or

(ii) by at least three members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or

(iii) by any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iv) by any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this prospectus.

Yours faithfully,
For and on behalf of the Board of
UDL Holdings Limited
Leung Yu Oi Ling, Irene
Chairman

1. FINANCIAL SUMMARY

Set out below is the summary of the financial information extracted from the relevant annual reports of the Company and the auditors' reports contained in the annual reports of the Company for the audited financial statements of the Group for the three years ended 31 July 2007. Please refer below to the qualifications as stated in the report of the auditors for the financial statements of the Group for the year ended 31 July 2005. There are no qualifications in the audited financial statements of the company for the two years ended 31 July 2007.

(i) Consolidated Income Statement

	Year ended 31 July		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	38,141	22,113	11,093
Profit/(Loss) before taxation	(4,291)	29,620	(27,750)
Tax	(50)	98	279
Profit/(Loss) attributable to Shareholders	(4,341)	29,718	(27,471)
Dividends	0	0	0
Earning/(Loss) per Share	(HK$0.0010)	HK$0.0116	HK$(0.0200)
		(restated)	(restated)

Note: For each of the three years ended 31 July 2007, no extraordinary item, exceptional item or minority interest is applicable to be disclosed in the audited financial statements of the Group of the relevant periods.

(ii) Consolidated Assets and liabilities

	As at 31 July		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	32,357	29,366	79,162
Current assets	137,260	64,536	17,881
Total assets	169,617	93,902	97,043
Non-current liabilities	0	(22,500)	(100,490)
Current liabilities	(19,608)	(59,391)	(52,170)
Total liabilities	(19,608)	(81,891)	(152,660)
Net assets/(liabilities)	150,009	12,011	(55,617)

(iii) Reports of the auditors for the financial statements of the Group for the three years ended 31 July 2007

A. Report of the auditors for the financial statements of the Group for the year ended 31 July 2005

The following is the full text of the reproduced report of CCIF CPA Limited, the auditors of the Company, for the year ended 31 July 2005 extracted from pages 17 to 19 of the annual report of the Company for the year ended 31 July 2005 ("**2005 Annual Report**"). The page references in this reproduced report are the same as those in the 2005 Annual Report.

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

TO THE MEMBERS OF UDL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 20 to 63 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion 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 this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believed that our audit provides a reasonable basis for our opinion.

Fundamental uncertainty relating to going concern of the Group

As further explained in note 3, the financial statements, which report net current liabilities of approximately HK$34,347,000 and a deficiency of assets of approximately HK$55,617,000 for the Group at 31 July 2005, have been prepared on a going concern basis, the validity of which is dependent upon:

(i) The continued financial support (the "Financial Support") of the related companies (the "Related Party Lenders") which have refinanced the secured borrowings of the Company's operating subsidiaries that were overdue, into secured long term loans totalling approximately HK$100,490,000 as at 31 July 2005;

(ii) The ability of one of the Related Party Lenders which has refinanced approximately HK$71,448,000 of a subsidiary's secured borrowings referred to above, to meet the payment schedule agreed with and the revised payment schedule proposed to the original secured lender (the "Assignment Payments"); failing which the original secured lender has recourse to the subsidiary for immediate repayment of the full amount due;

(iii) The Group's ability to raise additional funding to overcome any short term financing difficulties and possible negative cash flows arising from the Group's business; and

(iv) The Group's ability to overcome the financing difficulties in respect of the adverse effects on cash flow of any repayments under the Shortfall Undertaking arising from the Scheme of Arrangement entered into by the Company in April 2000 which become due since last year and the feasibility of the new scheme of arrangement "Global Solution" which is an arrangement among the Company, Harbour Front Limited and the Scheme Administrator targeted to settle the Shortfall Undertaking. Further details of which are set out in note 2(b) to the financial statements ("Shortfall Undertaking").

The financial statements do not include any adjustments that would result from the failure of (a) the Group to obtain the Financial Support and the additional funding; (b) Related Party Lenders' ability to meet its Assignment Payments; and (c) the Group's ability to discharge the Shortfall Undertaking and the feasibility and efficiency in implementation of "Global Solution". Due to the significant net assets' deficits at 31 July 2005 and the uncertainty as mentioned in the preceding paragraphs, we are not able to determine whether the going concern basis used in preparing these financial statements is appropriate. Accordingly, we have disclaimed our opinion in respect of this issue.

QUALIFIED OPINION: DISCLAIMER ON VIEW GIVEN BY FINANCIAL STATEMENTS

Because of the significance of the fundamental uncertainties relating to the going concern basis, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of the affairs of the Company and of the Group as at 31 July 2005 or its loss and cash flows for the year then ended. In all other respects, in our opinion the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Chan Wai Dune, Charles
Practising Certificate Number P00712

Hong Kong, 5 October 2005

B. Report of the auditors for the financial statements of the Group for the year ended 31 July 2006

The following is the full text of the reproduced report of CCIF CPA Limited, the auditors of the Company, for the year ended 31 July 2006 extracted from pages 21 to 22 of the annual report of the Company for the year ended 31 July 2006 ("**2006 Annual Report**"). The page references in this reproduced report are the same as those in the 2006 Annual Report.

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

TO THE MEMBERS OF UDL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 23 to 87 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion 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 this report.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believed that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of the Company and the Group as at 31 July 2006 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Choi Man On
Practising Certificate Number P02410

Hong Kong, 24 November 2006

C. Reports of the auditors for the financial statements of the Group for the year ended 31 July 2007

The following is the full text of the reproduced report of CCIF CPA Limited, the auditors of the Company, for the year ended 31 July 2007 extracted from pages 21 to 22 of the annual report of the Company for the year ended 31 July 2007 ("**2007 Annual Report**"). The page references in this reproduced report are the same as those in the 2007 Annual Report.

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

TO THE SHAREHOLDERS OF UDL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of UDL Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 79, which comprise the consolidated and company balance sheets as at 31 July 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2007 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
Leung Chun Wa
Practising Certificate Number P04963

Hong Kong, 23 November 2007

2. SUMMARY OF AUDITED FINANCIAL STATEMENTS

Set out below is the audited financial statements together with the relevant notes to the financial statements of the Group as extracted from the 2007 Annual Report of the Company for the year ended 31 July 2007.

Consolidated Income Statement
For the year ended 31 July 2007

	Note	2007 HK$'000	2006 HK$'000
Turnover	5	38,141	22,113
Other revenue and income	7	1,191	1,195
Staff costs	9	(3,553)	(4,148)
Marine engineering and structural steel engineering costs and cost of vessels		(24,198)	(13,550)
Depreciation and amortisation		(1,686)	(756)
Other operating expenses		(10,501)	(6,702)
Loss from operations		(606)	(1,848)
Finance costs	10	(3,586)	(2,584)
Share of losses of associates		(99)	(65)
Gain on disposal of subsidiaries	8	–	38,130
Restructuring expenses		–	(4,013)
(Loss)/profit before taxation	9	(4,291)	29,620
Taxation	11	(50)	98
(Loss)/profit attributable to equity holders of the Company	14	(4,341)	29,718
(Loss)/earnings per share – basic and diluted	15	(0.10 cents)	1.16 cents

Consolidated Balance Sheet
As at 31 July 2007

	Note	**2007** *HK$'000*	**2006** *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	31,468	28,392
Prepaid lease payments	17	879	888
Investments in associates	18	10	86
		32,357	29,366
Current assets			
Inventories	20	31,500	34,908
Prepaid lease payments	17	62	58
Trade and other receivables	21	8,590	13,251
Amounts due from related companies	36	13,502	15,281
Cash and cash equivalents	22	83,606	1,038
		137,260	64,536
Current liabilities			
Other loans from a related company	23	3,832	5,633
Trade and other payables	24	11,167	13,321
Promissory notes	25	–	7,500
Amount due to ultimate holding company	26	102	25,692
Amounts due to related companies	36	3,486	6,241
Amounts due to directors	27	964	920
Provision for taxation		57	84
		19,608	59,391
Net current assets		117,652	5,145
Total assets less current liabilities		150,009	34,511
Non-current liabilities			
Promissory notes	25	–	22,500
NET ASSETS		150,009	12,011
CAPITAL AND RESERVES			
Share capital	29	50,450	33,634
Reserves	30	99,559	(21,623)
TOTAL EQUITY		150,009	12,011

Balance Sheet
As at 31 July 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	6	8
Investments in subsidiaries	19	11,224	25,717
Investment in an associate	18	–	16
		11,230	25,741
Current assets			
Trade and other receivables	21	187	2,172
Amount due from a subsidiary	19	39,053	38,096
Amounts due from related companies	36	10	–
Cash and cash equivalents	22	74,874	23
		114,124	40,291
Current liabilities			
Other loans from a related company	23	3,832	5,633
Trade and other payables	24	3,730	7,210
Promissory notes	25	–	7,500
Amount due to ultimate holding company	26	102	25,692
Amounts due to related companies	36	6	4
Amounts due to directors	27	566	631
		8,236	46,670
Net current assets/(liabilities)		105,888	(6,379)
Total assets less current liabilities		117,118	19,362
Non-current liabilities			
Promissory notes	25	–	22,500
NET ASSETS/(LIABILITIES)		117,118	(3,138)
CAPITAL AND RESERVES			
Share capital	29	50,450	33,634
Reserves	30	66,668	(36,772)
TOTAL EQUITY/(CAPITAL DEFICIENCY)		117,118	(3,138)

Consolidated Statement of Changes in Equity

For the year ended 31 July 2007

	Share capital	Share premium	Capital redemption reserve	Exchange fluctuation reserve	Capital reserve	Accumulated losses	Revaluation reserve	Scheme reserve	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 August 2005	9,717	8,179	1,264	(4,444)	717	(1,220,142)	52,590	1,096,502	(55,617)
Issue of shares by rights issue *(note 29)*	23,742	47,482	–	–	–	–	–	–	71,224
Issue of shares by exercise of options *(note 29)*	175	395	–	–	–	–	–	–	570
Exchange realignment – subsidiaries	–	–	–	717	–	–	–	–	717
Revaluation surplus arising from property, plant and equipment *(note 16)*	–	–	–	–	–	–	357	–	357
Disposal of subsidiaries	–	–	–	4,132	(717)	49,175	(52,590)	–	–
Issue of promissory notes *(note 25)*	–	–	–	–	–	–	–	(30,000)	(30,000)
Waiver of scheme expenses	–	–	–	–	–	–	–	(4,958)	(4,958)
Profit for the year	–	–	–	–	–	29,718	–	–	29,718
At 31 July 2006	33,634	56,056	1,264	405	–	(1,141,249)	357	1,061,544	12,011
Issue of shares by rights issue *(note 29)*	16,816	129,754	–	–	–	–	–	–	146,570
Exchange realignment – subsidiaries	–	–	–	1,393	–	–	–	–	1,393
Revaluation surplus arising from property, plant and equipment *(note 16)*	–	–	–	–	–	–	1,825	–	1,825
Scheme expenses	–	–	–	–	–	–	–	(7,449)	(7,449)
Loss for the year	–	–	–	–	–	(4,341)	–	–	(4,341)
At 31 July 2007	50,450	185,810	1,264	1,798	–	(1,145,590)	2,182	1,054,095	150,009

Consolidated Cash Flow Statement
For the year ended 31 July 2007

	2007	2006
	HK$'000	*HK$'000*
Operating activities		
(Loss)/profit before taxation	(4,291)	29,620
Adjustments for:		
Depreciation and amortisation	1,686	756
Gain on disposal of subsidiaries	–	(38,130)
Impairment on doubtful debts	1,195	125
Impairment on leasehold buildings	–	631
Provision on stock obsolescence	200	–
Interest expenses	3,586	2,584
Interest income	(174)	(18)
Negative goodwill written off	–	(684)
Reversal of provision for annual leave	–	(60)
Reversal of impairment on doubtful debts	–	(278)
Reversal of impairment on leasehold buildings	(631)	–
Share of losses of associates	99	65
Operating profit/(loss) before working capital changes	1,670	(5,389)
Decrease/(increase) in inventories	3,208	(34,908)
Increase in trade and other receivables, net	(3,833)	(5,207)
Decrease/(increase) in amounts due from related companies	1,779	(2,317)
Decrease in trade and other payables	(2,304)	(2,068)
Decrease in amounts due to related companies	(2,755)	(3,379)
Increase in amounts due to directors	44	311
Cash used in operations	(2,191)	(52,957)
Tax paid	(84)	(45)
Interest paid	(3,586)	(2)
Net cash used in operating activities	(5,861)	(53,004)

	Note	2007 HK$'000	2006 HK$'000
Investing activities			
Interest received		174	18
Acquisition of subsidiaries	31(a)	–	(20,985)
Acquisition of an associate		–	(151)
Disposal of subsidiaries	31(b)	–	436
Purchase of property, plant and equipment		(1,078)	(5,480)
Decrease in amount due to an associate		(23)	–
Net cash used in investing activities		(927)	(26,162)
Financing activities			
(Repayment)/advances from ultimate holding company		(25,590)	15,610
Proceeds from shares issued under rights issue		146,570	71,794
Repayment of other loans from a related company		(1,801)	(8,079)
Proceeds from other loans from a related company		–	630
Repayment of promissory notes	25	(30,000)	–
Net cash generated from financing activities		89,179	79,955
Net increase in cash and cash equivalents		82,391	789
Cash and cash equivalents at 1 August		1,038	238
Effect of foreign exchange rate changes		177	11
Cash and cash equivalents at 31 July		83,606	1,038
Analysis of balances of cash and cash equivalents			
Cash and bank balances		8,958	1,038
Time deposits		74,648	–
	22	83,606	1,038

Notes to the Financial Statements

For the year ended 31 July 2007

1. GENERAL INFORMATION

(a) The Company was incorporated in Bermuda as an exempted company with limited liability. 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.

(b) The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are the sales of vessels, marine engineering and structural steel engineering business.

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

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

(e) Scheme of Arrangement

The Company and its subsidiaries had experienced significant financial difficulties in 2000. 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 on 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 were sanctioned by the High Court of HK on 7 June 2006 and 21 July 2006, under which, the Scheme Administrator was approved to enter into a settlement of the shortfall of Scheme Undertaking with the Company.

On 1 September 2006, the Company entered into a Settlement Structure Agreement with the Scheme Administrator and Trustee under the Scheme, in consideration of the issue of HK$30,000,000 of promissory notes to the Scheme Administrator, the Company is 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.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which also include Hong Kong Accounting Standards ("HKASs") and interpretations, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of floating crafts and vessels and leasehold buildings.

The HKICPA has issued certain new and revised HKFRSs that are first effective for the current accounting period of the Group and the Company. The adoption of these new HKFRSs, to the extent that they are relevant to the Group, did not have significant effect on the Group's results of operations and financial position for the current or prior accounting periods presented in these financial statements.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

The Group has not early adopted the following new or revised standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment[3]
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions[4]
HK(IFRIC) – Int 12	Service Concession Arrangements[5]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[6]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[5]

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 November 2006
[4] Effective for annual periods beginning on or after 1 March 2007
[5] Effective for annual periods beginning on or after 1 January 2008
[6] Effective for annual periods beginning on or after 1 July 2008

(b) Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 July.

(i) Subsidiaries

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

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

(ii) 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 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 changes 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 for the year of the associate, including any impairment loss on goodwill recognised for the year relating to the interests in the associate.

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

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

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

(c) Goodwill

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

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

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

On the 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.

(d) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

(e) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

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

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transaction); and

(c) all resulting exchange differences are recognised as a separate component of equity.

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

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

(f) Property, plant and equipment

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

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

Any revaluation increase arising from revaluation of 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:

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.

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

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

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

(g) Prepaid lease payments

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

(h) Impairment

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

(i) 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. For an asset that does not generate cash inflows and which is largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit).

(ii) Recognition of impairment losses

An impairment loss is recognised in the 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 cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating 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.

(iii) Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimate used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognized in prior years.

Reversal of impairment losses are credited to income statement in the year in which the reversals are recognised.

(i) 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.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, deemed deposits with banks and other financial institutes 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.

(k) 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.

(l) Construction contracts

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

(m) Inventories

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

(n) 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.

(o) 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.

(p) Provisions and contingent liabilities

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

(q) Employee benefits

(i) Employee entitlements

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

(ii) Pension obligations

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

For employees in Singapore, the Group made contributions to the Central Provident Fund, a defined contribution plan regulated and managed by the government of Singapore.

(iii) Share-based payment

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

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

(r) Taxation

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 income statement except to the extent that they relate to items recognised 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.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liabilities in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

(s) Leases

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

The Group as lessor

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

The Group as lessee

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

(t) Recognition of revenue

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

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

Revenue from sales of vessels is recognised when goods are delivered and title has passed.

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

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

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

(u) 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 influence by, that individual in their dealings with the entity.

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities are exposed to a variety of financial risks such as credit risk, liquidity risk, fair value or cash flow interest-rate risks and foreign exchange risk.

The Group's risk management program seeks to minimise the potential adverse effects of financial risks on the Group's performance.

(i) Credit risk

The Group has policies in place to ensure that provision of services is made to customers with an appropriate credit history.

(ii) Liquidity risk

The Group monitors current and expected liquidity requirements to ensure that sufficient cash and adequate amount of committed credit facilities are maintained.

(iii) Fair value or cash flow interest rate risk

The Group has no significant interest-bearing assets. The Group's income and cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value.

(iv) Foreign exchange risk

The Group mainly operates in Singapore and Hong Kong with most of the transactions settled in Hong Kong dollars. The Group's assets and liabilities, and transactions arising from its operations that are exposed to foreign exchange risk are primarily to Singapore dollars. The Group has not used any forward contracts or currency borrowings to hedge its exposure as foreign exchange risk is considered minimal.

(b) Fair value estimation

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial assets and liabilities for disclosure purposed is estimated by discounting the future contracted cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions about the future. The resulting accounting estimates will, by definition, seldom equal to 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 craft and vessels

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

– current prices in an active market for vessels of different nature, condition or location, adjusted to reflect those differences; and

– recent prices of similar vessels in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

(b) Valuation of leasehold buildings

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

(c) Recognition of deferred tax

The Group provides for deferred tax in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are only recognised to the extent that it is probable that future taxation profits will be available against which the unused tax losses or unused tax credits can be utilized, and significant judgment is required in determining whether it is probable.

(d) Impairment of trade receivables

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

(e) Outstanding litigations

As detailed in note 35, 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 giving due consideration to the advice from the Company's legal counsels, that the claims and damages can be successfully defended and recovered by the Group. The directors are also of the opinion that as the outcome of the litigations against the Group and the related legal costs cannot be estimated reliably, no provision has been made in the financial statements.

5. TURNOVER

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

	2007	**2006**
	HK$'000	*HK$'000*
Sales of vessels	13,980	9,624
Marine engineering income	19,410	8,894
Structural steel engineering income	4,751	3,595
	38,141	22,113

6. SEGMENT INFORMATION

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

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

(a) Business segments

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

The following table presents revenue, results and expenditure for the Group's business segments for the two years ended 31 July 2007 and 2006:

	Marine engineering		Structural steel engineering		Sales of vessels		Consolidated	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:								
Sales to external customers	19,410	8,894	4,751	3,595	13,980	9,624	38,141	22,113
Segment results	8,619	5,173	4,442	3,368	882	22	13,943	8,563
Unallocated other revenue and income							1,191	1,195
Unallocated expenses							(15,740)	(11,606)
Loss from operations							(606)	(1,848)
Finance costs							(3,586)	(2,584)
Share of losses of associates							(99)	(65)
Gain on disposal of subsidiaries							–	38,130
Restructuring expenses							–	(4,013)
(Loss)/profit before taxation							(4,291)	29,620
Taxation							(50)	98
(Loss)/profit after taxation							(4,341)	29,718

The following table presents assets, liabilities and expenditure for the Group's business segments for the two years ended 31 July 2007 and 2006:

	Marine engineering		Structural steel engineering		Sales of vessels		Consolidated	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS								
Segment assets	52,594	45,585	2,748	2,772	44,014	43,326	99,356	91,683
Unallocated assets							70,261	2,219
Total consolidated assets							169,617	93,902
LIABILITIES								
Segment liabilities	9,078	33,835	1,176	3,748	1,069	830	11,323	38,413
Unallocated liabilities							8,285	43,478
Total consolidated liabilities							19,608	81,891
OTHER INFORMATION								
Capital expenditure incurred during the year	998	20,894	80	–	–	5,447	1,078	26,341
Depreciation and amortisation	1,045	529	–	–	641	227	1,686	756
Provision on stock obsolescence	–	–	–	–	200	–	200	–
Impairment on property, plant and equipment	–	631	–	–	–	–	–	631
Reversal of impairment on doubtful debts	–	278	–	–	–	–	–	278
Reversal of impairment on property, plant and equipment	631	–	–	–	–	–	631	–
Impairment on doubtful debts	–	125	1,195	–	–	–	1,195	125

(b) Geographical segments

The following table presents revenue, results and certain assets and expenditure for the Group's geographical segments for the two years ended 31 July 2007 and 2006:

	Hong Kong		Singapore		PRC		Consolidated	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:								
Sales to external customers	20,235	17,114	17,906	4,999	–	–	38,141	22,113
Gain on disposal of subsidiaries	–	38,130	–	–	–	–	–	38,130
Other income	1,118	910	73	285	–	–	1,191	1,195
							39,332	61,438
Segment assets	128,856	61,950	34,208	28,098	6,553	3,854	169,617	93,902
Capital expenditure incurred during the year	95	5,455	983	20,886	–	–	1,078	26,341

7. OTHER REVENUE AND INCOME

	2007	**2006**
	HK$'000	*HK$'000*
Net exchange gain	40	141
Negative goodwill *(note 31(a))*	–	684
Interest income	174	18
Reversal of provision for annual leave	–	60
Reversal of impairment on doubtful debts	–	278
Reversal of impairment on leasehold buildings	631	–
Reversal of overprovision of expenses	215	–
Management fee from an associate	68	–
Others	63	14
	1,191	1,195

8. GAIN ON DISPOSAL OF SUBSIDIARIES

On 29 December 2005, the Company entered into sale and purchase agreements with the ultimate holding company, Harbour Front Limited, to dispose of two of its wholly-owned subsidiaries, namely UDL Marine Assets (HK) Limited and UDL Marine Assets (Singapore) Pte Limited for an aggregate consideration of HK$2. These transactions were completed on 14 February 2006. Gain of approximately HK$38,130,000 was derived from the disposal of these subsidiaries (note 31(b)) and recognised in 2006.

9. (LOSS)/PROFIT BEFORE TAXATION

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

	2007	**2006**
	HK$'000	*HK$'000*
Auditors' remuneration	652	580
Depreciation	1,626	698
Operating lease charges in respect of:		
– land and buildings	4,166	2,236
– amortisation of prepaid lease payments	60	58
Staff costs (including directors and key management)		
– salaries, wages and other benefits	3,423	4,002
– contributions to defined contribution scheme	130	146
	3,553	4,148
Provision on stock obsolescence	200	–
Impairment on doubtful debts	1,195	125
Impairment on leasehold buildings	–	631

10. FINANCE COSTS

	2007	**2006**
	HK$'000	*HK$'000*
Interest paid on other loans from a related company	455	741
Interest paid on promissory notes	194	–
Interest paid to ultimate holding company	2,937	1,843
	3,586	2,584

11. TAXATION

No Hong Kong profits tax has been provided in the financial statements as the companies within the Group have either accumulated tax losses brought forward, which exceed the estimated assessable profits for the year, or did not have any assessable profits for the year.

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.

The amount of taxation charged to the consolidated income statement represents:

	2007	**2006**
	HK$'000	*HK$'000*
Current tax-overseas		
Provision for the year	50	–
Over-provision in respect of prior years	–	(98)
	50	(98)
Deferred taxation *(note 28)*	–	–
	50	(98)

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

	2007 *HK$'000*	2006 *HK$'000*
(Loss)/profit before taxation	(4,291)	29,620
Notional tax on (loss)/profit before taxation	(751)	5,183
Effect of different tax rates of subsidiaries operating in other jurisdictions	(168)	(175)
Tax effect of expenses that are non-deductible in determining taxable profit	(121)	(6,183)
Tax effect of tax losses utilised	(246)	(458)
Tax effect of tax losses not recognised	1,336	1,633
Over-provision in prior periods	–	(98)
Actual tax expense/(credit)	50	(98)

12. DIRECTORS' REMUNERATION

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

The remuneration of every director for the year ended 31 July 2007 is set out below:

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

Leung Chi Hong, Jerry was appointed on 1 October 2006.

* Lee Ka Lun, Stephen was resigned on 1 October 2006.

During the year, no emoluments were paid by the Group to the directors as inducement to join, or upon joining the Group, or as compensation for loss of office.

The remuneration of every director for the year ended 31 July 2006 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	–	1,200	95	–	–	418	29	1,742
Leung Chi Yin, Gillian	–	420	71	–	–	–	30	521
Lee Ka Lun, Stephen	–	36	1,376	–	–	–	12	1,424
Independent non-executive Directors								
Pao Ping Wing	40	–	–	–	–	40	–	80
Yuen Ming Fai	40	–	–	–	–	50	–	90
Tse Mei Ha	40	–	–	–	–	50	–	90
	120	1,656	1,542	–	–	558	71	3,947

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2006: three) of them are executive directors whose emoluments are disclosed in note 12. The emoluments in respect of the remaining two (2006: two) individuals are as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Salaries and other benefits	844	625

The emoluments were within the following bands:

Emoluments bands	**Number of individuals**	
	2007	**2006**
HK$Nil – HK$1,000,000	2	2

14. (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company includes a loss of approximately HK$23,832,000 (2006: loss of approximately HK$11,906,000) which has been dealt with in the financial statements of the Company.

15. (LOSS)/EARNINGS PER SHARE

The calculation of (loss)/earnings per share is based on loss attributable to equity holders of the Company of approximately HK$4,341,000 (2006: profit approximately HK$29,718,000) and on the weighted average number of 4,223,030,659 ordinary shares (2006: 2,568,782,859 ordinary shares as adjusted) in issue during the year as adjusted to reflect the rights issue completed during the year.

There were no dilutive potential shares in existence during the years ended 31 July 2006 and 2007, therefore diluted (loss)/earnings per share are same as basic (loss)/earnings per share for both the current and prior years.

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold buildings HK$'000	Floating craft and vessels HK$'000	Furniture, fixtures and office equipment HK$'000	Plant, machinery and workshop equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation						
At 1 August 2005	–	76,319	10	3,284	94	79,707
Additions	20,815	5,440	44	42	–	26,341
Surplus on revaluation	–	357	–	–	–	357
Elimination of depreciation on revaluation	–	(227)	–	–	–	(227)
Disposals	–	(76,319)	(8)	(646)	–	(76,973)
Exchange realignments	672	–	–	45	2	719
At 31 July 2006	21,487	5,570	46	2,725	96	29,924
Additions	–	–	998	–	80	1,078
Surplus on revaluation	1,274	551	–	–	–	1,825
Elimination of depreciation on revaluation	(604)	(581)	–	–	–	(1,185)
Exchange realignments	1,078	–	1	164	6	1,249
At 31 July 2007	23,235	5,540	1,045	2,889	182	32,891
Accumulated depreciation and impairment						
At 1 August 2005	–	919	8	503	45	1,475
Charge for the year	171	227	3	278	19	698
Impairment loss	631	–	–	–	–	631
Written back on disposals	–	(919)	(8)	(147)	–	(1,074)
Elimination of depreciation on revaluation	–	(227)	–	–	–	(227)
Exchange realignments	19	–	–	8	2	29
At 31 July 2006	821	–	3	642	66	1,532
Charge for the year	392	581	331	300	22	1,626
Reversal of impairment	(631)	–	–	–	–	(631)
Elimination of depreciation on revaluation	(604)	(581)	–	–	–	(1,185)
Exchange realignments	22	–	8	47	4	81
At 31 July 2007	–	–	342	989	92	1,423
Net book value						
At 31 July 2007	23,235	5,540	703	1,900	90	31,468
At 31 July 2006	20,666	5,570	43	2,083	30	28,392

The analysis of cost or valuation of the above assets is as follows:

At cost	–	–	1,045	2,889	182	4,116
At professional valuation 2007	23,235	5,540	–	–	–	28,775
	23,235	5,540	1,045	2,889	182	32,891

The Company

	Office equipment
	HK$'000
Cost	
At 1 August 2005	2
Additions	7
At 31 July 2006 and 31 July 2007	9
Accumulated depreciation	
At 1 August 2005	–
Charge for the year	1
At 31 July 2006 and 1 August 2006	1
Charge for the year	2
At 31 July 2007	3
Net book value	
At 31 July 2007	6
At 31 July 2006	8

The Group's leasehold buildings under a short term lease were situated outside Hong Kong. The buildings were built on a piece of leasehold land which was leased from JTC Corporation at a monthly rental of approximately S$49,000 (2006: approximately S$49,000). The buildings were revalued on 31 July 2007 by Vantage Valuers and Property Consultants Pte Limited, an independent professional valuer in Singapore on an open market value basis. The revaluation surplus of approximately of HK$1,274,000 (2006: HK$ Nil) has been transferred to the revaluation reserve.

The Group's floating craft and vessels were revalued individually on 31 July 2007 by Win Well Engineering & Surveyors Limited, an independent professional valuer in Hong Kong, on an open market value basis. The revaluation surplus of approximately HK$551,000 (2006: approximately HK$357,000) has been transferred to the revaluation reserve.

Had the floating craft and vessels and leasehold buildings been carried at cost less accumulated depreciation, their carrying amount would have been approximately HK$4,989,000 and HK$1,372,000 (2006: approximately HK$5,213,000 and HK$1,690,000), respectively.

17. PREPAID LEASE PAYMENTS

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Land use rights outside Hong Kong:		
Medium-term lease	941	946
Analysed for reporting purposes as:		
Current portion	62	58
Non-current portion	879	888
	941	946

Prepaid lease payments represent payments for the land use rights in Mainland China expiring in 2022.

18. INVESTMENTS IN ASSOCIATES

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year	1,185	1,250	9	9
Share of associates' results	(99)	(65)	(9)	–
At end of year	1,086	1,185	–	9
Representing:				
Share of net assets	1,086	1,185	–	–
Amount due from an associate	–	–	–	7
Amount due to an associate	(1,076)	(1,099)	–	–
	(1,076)	(1,099)	–	7
	10	86	–	16

During the year, the Company disposed of its entire interest in an associate, Royal Top Engineering Limited, to a related company, at a nominal consideration of HK$1.

Particulars of the associate at 31 July 2007 are as follows:

Name	Place of incorporation/ operation	Percentage of issued share capital held by the Company	Principal activities
Press United Logistic Limited	Hong Kong	50%	Distribution of newspapers and magazines

The summarised financial information in respect of the Group's associate is set out below:

	2007	2006
	HK$'000	*HK$'000*
Revenue	–	185
Loss for the year	(180)	(131)
Group's share of associates' results for the year	(90)	(65)
Total assets	2,176	2,403
Total liabilities	(5)	(34)
Net assets	2,171	2,369
Group's share of associates' net assets	1,086	1,185

During the year, the Group has discontinued recognition of its share of losses of the associate. The amount of unrecognised share of loss of associate, extract from the relevant management accounts of the associate for the year is as follows:

	2007	2006
	HK$'000	*HK$'000*
Unrecognised share of loss of associate for the year	(9)	–

The amount due from/(to) an associate is unsecured, interest-free and repayable on demand.

19. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	96,105	96,105
Amounts due from subsidiaries	30,683	25,614
	126,788	121,719
Less: Impairment loss	(109,379)	(85,025)
	17,409	36,694
Amounts due to subsidiaries	(6,185)	(10,977)
	11,224	25,717

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

Particulars of the principal subsidiaries as at 31 July 2007 are as follows:

Name	Place of incorporation/ operation	Particulars of issued/registered share capital	Percentage of issued/registered capital held by the Group	Company	Principal activities
China Famous Limited	Hong Kong	HK$1	100%	100%	Trading of vessels
Denlane Offshore Engineering Pte Limited*	Singapore	S$1,000	100%	–	Dormant
Denlane Shipbuilding Pte Limited*	Singapore	S$700,000	100%	100%	Marine engineering and services ship management
East Coast Towing Limited	Hong Kong	HK$2	100%	100%	Dormant
Econo Plant Hire Company Limited	Hong Kong	HK$2,000,000	100%	100%	Dormant
Everpoint Company Limited	Hong Kong	HK$13,720,480	100%	100%	Dormant
Exact Profit Limited	Hong Kong	HK$20	100%	100%	Dormant
Fairking Transportation Limited	Hong Kong	HK$100	100%	100%	Dormant
Faith On International Limited	Hong Kong	HK$2	100%	100%	Dormant
Full Keen Investment Limited	Hong Kong	HK$2	100%	100%	Dormant
Graceful Ease Investment Limited	Hong Kong	HK$2	100%	100%	Dormant
Keen Yield Investment Limited	Hong Kong	HK$2	100%	100%	Dormant
S.K. Luk Construction Company Limited	Hong Kong	HK$500,000	100%	100%	Dormant
UDL Argos Engineering & Heavy Industries Company Limited	Hong Kong	HK$124,000,000	100%	100%	Investment holding, structural steel engineering works and management services
UDL Civil Contractors Limited	Hong Kong	HK$6,800,000	100%	100%	Dormant
UDL Contracting Limited	Hong Kong	HK$50,700,000	100%	100%	Engineering and contracting
UDL Dredging Limited	Hong Kong	HK$2	100%	100%	Inactive
UDL E & M (BVI) Limited	BVI	US$1	100%	100%	Dormant
UDL Employment Services Limited	Hong Kong	HK$2	100%	100%	Provision of human resources management services
UDL Investment Limited	Hong Kong	HK$550,000	100%	100%	Dormant
UDL Management Limited	Hong Kong	HK$2	100%	100%	Dormant

Name	Place of incorporation/ operation	Particulars of issued/registered share capital	Percentage of issued/registered capital held by the Group	Company	Principal activities
UDL Marine Operation Limited	Hong Kong	HK$2	100%	100%	Dormant
UDL Marine Pte Limited*	Singapore	S$3,150,000	100%	100%	Dormant
UDL Ship Management Limited	Hong Kong	HK$2	100%	100%	Marine engineering and ship management services
UDL Steel Fabricators & Shipbuilders Company Limited	Hong Kong	HK$2	100%	100%	Dormant
UDL Ventures Limited	Hong Kong	HK$1	100%	100%	Dormant
Wellfull Time Limited	Hong Kong	HK$2	100%	100%	Dormant
中山太元重工業有限公司	PRC	HK$10,000,000	100%	–	Inactive

* 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 19% and 47%, respectively of the related consolidated totals.

20. INVENTORIES

	The Group 2007	2006
	HK$'000	*HK$'000*
Vessels held for resale	31,500	34,908

21. TRADE AND OTHER RECEIVABLES

	The Group 2007	2006	The Company 2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	3,152	3,736	–	–
Retention money receivable	–	1,098	–	–
Prepayments, deposits and other receivables	5,438	8,417	187	2,172
	8,590	13,251	187	2,172

The aging analysis of trade receivables, net of impairment on doubtful debts of approximately HK$1,195,000 (2006: approximately HK$125,000), of the Group as at the balance sheet date is as follows:

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Current	1,281	354
1 – 3 months	1,147	1,247
4 – 6 months	6	683
7 – 12 months	707	1,057
Over 1 year	11	395
	3,152	3,736

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.

Included in the other receivables on 31 July 2007 is the aggregate amount of approximately HK$4,150,000 incurred by the Group to pursue arbitration and/or legal proceedings to recover the value of the Scheme Assets. Under the terms of the Scheme, the Group will be reimbursed for such recovery costs upon the successful recovery of these assets. As detailed in the last year's annual report, the Scheme was sanctioned by the High Court of Hong Kong in June and July 2006, respectively, for modifications under which the Scheme Assets were transferred to Harbour Front in September 2006. Based on an undertaking letter from Harbour Front, the Group is entitled to a reimbursement of these recovery costs.

22. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	8,958	1,038	226	23
Time deposits	74,648	–	74,648	–
	83,606	1,038	74,874	23

Time deposits carry floating interest rates at an effective interest rate of 3.24% per annum.

Included in cash and cash equivalents in the balance sheet are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	'000	*'000*	*'000*	*'000*
Renminbi	348	256	–	–
United States dollars	600	–	–	–
Singapore dollars	170	152	–	–

23. OTHER LOANS FROM A RELATED COMPANY

	The Group and The Company	
	2007	2006
	HK$'000	*HK$'000*
Other loans-unsecured	3,832	5,633

As at 31 July 2007, the Group's other loans of approximately HK$3,832,000 (2006: HK$5,633,000) were borrowed from a related company, Marine Lord System Limited which were used to finance the Group's operations. The loans are unsecured, repayable on demand and bear interest at Hong Kong prime rate plus 2% per annum.

24. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	1,035	258	–	–
Other payables and accruals	10,132	13,063	3,730	7,210
	11,167	13,321	3,730	7,210

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

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Current	281	94
1 – 3 months	671	61
4 – 6 months	7	1
7 – 12 months	29	10
Over 1 year	47	92
	1,035	258

25. PROMISSORY NOTES

	The Group		The Company	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year and included in current liabilities	–	7,500	–	7,500
After 1 year and included in non-current liabilities				
– After 1 year but within 2 years	–	15,000	–	15,000
– After 2 years but within 5 years	–	7,500	–	7,500
	–	22,500	–	22,500
	–	30,000	–	30,000

The promissory notes was issued to the Scheme Administrator and were unsecured, bearing interest at the rate of 1% per annum. The promissory notes were fully repaid during the year.

26. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount due to ultimate holding company is unsecured, bearing interest at Hong Kong prime rate plus 2% per annum and repayable on demand.

27. AMOUNTS DUE TO DIRECTORS

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

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:

	The Group			
	Accelerated depreciation allowances	**Revaluation reserve**	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 August 2005	3,657	1,829	(5,486)	–
(Credited)/charged to income statement *(note 11)*	(3,010)	(1,767)	4,777	–
At 31 July 2006 and 1 August 2006	647	62	(709)	–
(Credited)/charged to income statement *(note 11)*	70	319	(389)	–
At 31 July 2007	717	381	(1,098)	–

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax liabilities recognised	1,098	709	1	1
Deferred tax assets recognised	(1,098)	(709)	(1)	(1)
	–	–	–	–

At 31 July 2007, the Group has unused tax losses of approximately HK$198,868,000 (2006: approximately HK$192,150,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$6,274,000 (2006: approximately HK$4,055,000) of such losses. No deferred tax assets in respect of the remaining approximately HK$192,594,000 (2006: approximately HK$188,095,000) was recognised due to the unpredictability of future taxable profit streams. This amount of unused tax loss could be carried forward indefinitely.

29. SHARE CAPITAL

	2007	2006
	HK$'000	*HK$'000*
Authorised:		
12,000,000,000 ordinary shares of HK$0.01 each	120,000	120,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each at 1 August	33,634	9,717
Issue of shares by rights issue *(note a)*	16,816	23,742
Issue of shares by exercise of options *(note b)*	–	175
Ordinary shares of HK$0.01 each at 31 July	50,450	33,634

Notes:

a) Issue of shares by rights issue

In February 2006, 2,374,133,524 shares of HK$0.01 each were issued at a price of HK$0.03 per share by way of rights issue for a total cash consideration of approximately HK$71,224,000 on the basis of 12 rights shares for every 5 shares held on 14 February 2006. These shares rank pari passu in all respects with the then existing shares of the Company. The net proceeds of the rights issue were used to finance the acquisition of a subsidiary, vessels and for additional working capital of the Group.

In July 2007, 1,681,677,913 shares of HK$0.01 each were issued at a price of HK$0.09 per share by way of rights issue for a total cash consideration of approximately HK$146,570,000, on the basis of 1 rights share for every 2 existing shares held on 4 July 2007. These shares rank pari passu in all respects with the then existing shares of the Company. The net proceeds of the rights issue were used to repay the interim finance provided by the ultimate holding company, Harbour Front Limited and for additional working capital of the Group.

b) Issue of shares by exercise of options

During the year ended 31 July 2006, options issued to employees were exercised to subscribe for 17,523,000 shares in the Company at subscription prices of HK$0.024 to HK$0.04 per share. The total consideration amounted to approximately HK$570,000 of which approximately HK$175,000 was credited to share capital and the balance of approximately HK$395,000 was credited to the share premium.

30. RESERVES

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Share premium	185,810	56,056
Capital redemption reserve	1,264	1,264
Exchange fluctuation reserve	1,798	405
Accumulated losses	(1,145,590)	(1,141,249)
Revaluation reserve	2,182	357
Scheme reserve	1,054,095	1,061,544
	99,559	(21,623)

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

The Company

	Share premium	**Capital redemption reserve**	**Contributed surplus**	**Accumulated losses**	**Scheme reserve**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 August 2005	8,179	1,264	21,689	(393,881)	324,964	(37,785)
Issue of shares by rights issue *(note 29)*	47,482	–	–	–	–	47,482
Issue of shares by exercise of option *(note 29)*	395	–	–	–	–	395
Issue of promissory notes	–	–	–	–	(30,000)	(30,000)
Waiver of scheme expenses	–	–	–	–	(4,958)	(4,958)
Loss for the year	–	–	–	(11,906)	–	(11,906)
At 1 August 2006	56,056	1,264	21,689	(405,787)	290,006	(36,772)
Issue of shares by rights issue *(note 29)*	129,754	–	–	–	–	129,754
Scheme expenses	–	–	–	–	(2,482)	(2,482)
Loss for the year	–	–	–	(23,832)	–	(23,832)
At 31 July 2007	185,810	1,264	21,689	(429,619)	287,524	66,668

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the issued share capital of the subsidiaries and the aggregate net asset value of the subsidiaries acquired, pursuant to the Group reorganisation in September 1991. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances which the Company cannot currently meet.

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, 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 related scheme expenses for the recovery of Scheme Assets.

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

In December 2005, the Group acquired 100% of the issued share capital of Denlane Shipbuilding Pte Limited from a related company, Best Year (Asia) Limited, for a consideration of approximately HK$21,249,000.

Details of net assets acquired were as follows:

	2006
	HK$'000
NET ASSETS ACQUIRED	
Property, plant and equipment	20,861
Trade receivables	812
Prepayment, deposit and other receivable	3,828
Amount due from related companies	7,114
Cash and bank balances	264
Other payables and accruals	(6,002)
Amounts due to related companies	(4,718)
Provision for taxation	(226)
	21,933
Negative goodwill *(note 7)*	(684)
Total consideration	21,249
SATISFIED BY	
Purchase consideration settled in cash	21,249
Cash and cash equivalents in subsidiaries acquired	(264)
Cash outflow on acquisition	20,985

(b) Disposal of subsidiaries

In February 2006, the Group disposed 100% of the issued share capital of UDL Marine Assets (HK) Limited and UDL Marine Assets (Singapore) Pte Limited to its ultimate holding company, Harbour Front, for a consideration of HK$2.

Details of net assets disposed of were as follows:

	2006
	HK$'000
NET LIABILITIES DISPOSED	
Property, plant and equipment	75,887
Trade and other receivables	1,727
Amounts due from related companies	947
Cash and bank balances	138
Bank and other borrowings	(103,388)
Bank overdrafts	(574)
Trade and other payables	(8,404)
Amounts due to related companies	(4,423)
Amounts due to directors	(40)
Net liabilities disposed of	(38,130)
Gain on disposal of subsidiaries *(note 8)*	38,130
Consideration	–
SATISFIED BY	
Consideration settled in cash	–
Cash and cash equivalents in subsidiaries disposed of	436
Cash inflow on disposal	436

32. RETIREMENT BENEFITS SCHEME

Defined contribution scheme

Up till 30 November 2000, the Group operated a defined contribution retirement benefits scheme for all qualified employees. The assets of the scheme are held separately from those of the Group in funds under the control of an independent trustee.

The retirement benefits scheme contributions represent amounts paid and payable by the Group to the funds at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions made by the employer, the contributions payable by the Group are reduced by the amount of forfeited contributions.

From 1 December 2000, the Group arranged for all its Hong Kong employees to join the Mandatory Provident Fund Scheme ("the MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group and each of its employees make monthly contributions to the scheme at 5% of the employees earnings as defined under the Mandatory Provident Fund legislation. Both the employer's and the employee's contributions are subject to a cap of HK$1,000 per month, and thereafter contributions are voluntary. Contributions to the plan vest immediately.

For employees based in Singapore, the Group contributes to the Central Provident Fund ("CPF"), a defined contribution plan regulated and managed by the Government of Singapore.

For the year ended 31 July 2007, the Group made contributions of approximately HK$130,000 (2006: approximately HK$146,000) towards the MPF Scheme and CPF.

33. EQUITY COMPENSATION BENEFITS

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

	Movements in share options	
	The Company	
	2007	**2006**
	Number ('000)	*Number ('000)*
Outstanding as at 1 August	–	19,431
Granted during the year	–	–
Exercised during the year	–	(17,523)
Cancelled/lapsed during the year	–	(1,908)
Outstanding as at 31 July	–	–

34. OPERATING LEASE COMMITMENTS

At 31 July 2007, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Land and buildings				
Within one year	3,340	3,489	–	401
In the second to fifth years inclusive	8,574	11,093	–	32
More than five years	4,570	4,437	–	–
	16,484	19,019	–	433

The Company has no significant operating lease receipts commitment at the balance sheet date.

35. CONTINGENCIES AND LITIGATIONS

(a) On 31 July 2002, Charterbase Management Limited and United People Assets Limited, the Petitioners, issued the Bermuda Writ against the Company and against Mrs. Leung Yu Oi Ling, Irene,, Mr. Chan Kim Leung, Miss Leung Chi Yin, Gillian, Mr. Pao Ping Wing JP and Mr. Wong Pui Fai who were directors of the Company in April 2001, at the time of the Subscription SGM. Mr. Wong Pui Fai and Mr. Chan Kim Leung subsequently 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 and United People Assets 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. The Petitioners have 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 dates of the summons, originally fixed for 18 and 19 November 2002, were 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 and two new parties were joined as Petitioners, namely Hung Ngai Holdings Limited and Value Partners Investment Limited.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company has 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") had been passed in the Company's Special General Meeting held on 22 August 2003. However, such proposals had not been implemented in result of the Company's intention not to proceed with any of such proposals. The details of which are set out in the Company's Circular dated 27 January 2006.

(b) An amount of SGD358,982 (equivalent to HK$1,766,335) (2006: HK$1,680,233) relating to interest payable on banking facilities was charged to UDL Marine Pte Limited, a subsidiary of the Company. The directors of the subsidiary are disputing this amount and no provision has been made in the financial statements.

(c) The Company and the Group had pending litigation in respect of the Statement of Claim referenced 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") claimed against the Company and the Group for the amount of HK$19,568,644.66 together with interest and costs, Money Facts Limited ("Money Facts") claimed the amount of HK$13,334,211.42 (HK$12,874,121.48 of which was pleaded by Money Facts as part of its loss and damage suffered by virtue of its 7,900/12,008th interest held in Fonfair) together with interest and costs, and Leung Yuet Keung claimed the amount of HK$15,190,409.54 (HK$6,667,105.71 of which was 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. The plaintiffs, (i) Harbour Front is the majority shareholder of the Company, holding 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; (ii) Money Facts holds 7,900 out of the 12,008 issued ordinary shares of Fonfair; and (iii) Leung Yuet Keung holds 3,950 out of the 7,900 issued ordinary shares of Money Facts.

(d) UDL Contracting Limited ("UDL Contracting"), a wholly-owned subsidiary of the Company, commenced legal action 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. The legal counsels are of the opinion that UDL Contracting has merits in its claims and, in the event of an unfavourable outcome, the losses which UDL Contracting may suffer are essentially the legal costs incurred in the proceedings as there is no counterclaim from the defendants. Any recovery of the claim is a Scheme Asset pursuant to the 2000 Scheme.

(e) UDL Argos Engineering & Heavy Industries Co., Ltd ("UDL Argos"), a wholly-owned subsidiary of the Company, has commenced legal action 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. The legal counsels are of the opinion that no monetary claims having been made either by UDL Argos or Dragages, the only liability from this action is the payment of UDL Argos' own costs and the costs of this contractor estimated to be not exceeding HK$150,000. Any recovery of the claim is a Scheme Asset pursuant to the 2000 Scheme.

(f) The Company's wholly-owned subsidiary, UDL Argos has filed a claim against a contractor to recover the sum of approximately HK$6.9 million in respect of services rendered. This contractor also counterclaimed for liquidated damages of HK$4.2 million. Arbitration hearing will be held in November 2007. The directors are of the opinion that the claim can be successfully defended by the Group on the basis that such counterclaims are prohibited by the Scheme.

36. RELATED PARTY TRANSACTIONS

During the year, the Group had the following material transactions with related parties:

		The Group	
		2007	**2006**
	Note	*HK$'000*	*HK$'000*
Purchase of vessels from Bugsy Development Company Limited ("Bugsy") *(note 3)*	(a)	–	35,000
Rental charges paid to Capital Hope Investments Limited ("Capital Hope")	(b)	384	384
Purchase of vessels from Gitanes Engineering Company Limited ("Gitanes") *(note 3)*	(c)	–	5,200
Rental charges paid to Decorling Limited ("Decorling")	(d)	996	627
Interest expenses paid to Harbour Front Limited ("Harbour Front") *(note 1)*	(e)	2,937	1,843
Commission fee paid to Harbour Front	(e)	1,258	–
Interest expenses paid to Best Year (Asia) Limited ("Best Year")	(f)	–	79
Purchase of subsidiaries from Best Year	(f)	–	21,249
Interest expenses paid to Multi ventures Limited ("Multi-Ventures")	(g)	–	165
Interest expenses paid to Marine Lord Systems Limited ("Marine Lord") *(note 2)*	(h)	455	497
Other loans from Marine Lord *(note 2)*	(h)	3,832	5,474
Purchase of vessels from UDL Marine Assets (Hong Kong) Limited ("UMAHK") *(note 3)*	(i)	7,350	–
Disposal of an associate to Harbour Front Assets Investments Limited ("Harbour Front Assets") at nominal consideration of HK$1	(j)	–	–
Purchase of vessels from UDL Marine Assets (Singapore) Pte Ltd ("UMASPG") *(note 3)*	(k)	1,530	–
Management fee income from Royal Top Engineering Limited ("Royal Top")	(l)	68	–

(a) Bugsy is a wholly-owned subsidiary of Harbour Front.

(b) Capital Hope is a company in which Ms. Leung Chi Yin, Gillian is a director and shareholder.

(c) Gitanes is a company in which Mrs. Leung Yu Oi Ling, Irene is a director and Ms. Leung Chi Yin, Gillian is a shareholder.

(d) Decorling is a company in which Mrs. Leung Yu Oi Ling, Irene and Ms. Leung Chi Yin, Gillian are directors.

(e) Harbour Front is a major shareholder of the Company. Mrs. Leung Yu Oi Ling, Irene and Ms. Leung Chi Yin, Gillian are directors and shareholders of Harbour Front.

(f) Best Year is a wholly-owned subsidiary of Harbour Front.

(g) Multi-Ventures is a wholly-owned subsidiary of Harbour Front.

(h) Marine Lord is a wholly-owned subsidiary of Harbour Front.

(i) UMAHK is a wholly-owned subsidiary of Harbour Front.

(j) Harbour Front Assets is a wholly-owned subsidiary of Harbour Front.

(k) UMASPG is a wholly-owned subsidiary of Harbour Front.

(l) Royal Top was an associate of the Company and was disposed of during the year.

Mrs. Leung Yu Oi Ling, Irene, Ms. Leung Chi Yin, Gillian and Mr. Leung Chi Hong, Jerry are the directors of UDL Holdings Limited.

Notes:

(1) The amount due to Harbour Front is unsecured, bears interest at Hong Kong prime rate plus 2% per annum and repayable on demand.

(2) The amount due to Marine Lord is unsecured, bears interest at Hong Kong prime rate plus 2% per annum and repayable on demand.

(3) These transactions were carried out on commercial terms as agreed by respective parties in the ordinary course of business.

All other amounts due from/(to) related companies with the exception of the amount due to Marine Lord are unsecured, interest-free and repayable on demand.

On 30 April 2007, the Company entered into a loan agreement with Harbour Front under which the Company borrowed an unsecured short term loan of approximately HK$75 million which bore interest at prevailing prime rate plus 2% per annum. The loan was fully repaid in July 2007. Other details of the amount due to Harbour Front are disclosed in note 26 to the financial statements.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements on pages 23 to 79 were approved by the Board of Directors on 23 November 2007.

3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 The Group

(i) For the year ended 31 July 2005

The following is the management discussion and analysis extracted from the 2005 Annual Report together with additional information as appropriate. The page references in the reproduced information are the same as those in the 2005 Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the year ended 31 July 2005, turnover of the Group amounted to approximately HK$11.1 million, as compared to HK$19.6 million for the corresponding period in 2004. The continuous decrease in turnover was mainly due to the continuous sluggish construction market in Hong Kong and the fact that the management of the Group had diverted their efforts in (i) working with the Scheme Administrator for the formulation of the Global Solution; and (ii) resolving the financial difficulties of the Group as mentioned above.

Net loss for the year ended 31 July 2005 for the Group is approximately HK$27.5 million as compared to HK$16.5 million for the corresponding period in 2004. The Group's deficiency of assets and its net current liabilities is approximately HK$55.6 million and HK$34.3 million respectively as comparing to HK$44.7 million and HK$28.3 million respectively at 31 July 2004. Measures to mitigate such losses are highlighted in the sections headed "Business Prospects" in the Chairman's Statement and "Liquidity and Financial Resources" below.

The Group continues to operate under a high gearing level. The Group's current ratio (current assets to current liabilities) as of 31 July 2005 was 34% as compared to 42% for the corresponding period in 2004.

Operating Review

The Group is actively pursuing marketing and tendering work to secure orders and contracts for marine construction works under coming large scale developments and projects which will require marine construction plant of large output performance like those possessed by the Group. The Group's marine construction engineering operations are expected to be expanded accordingly and to make positive contribution to the Group's revenue.

The Group has resumed its shipbuilding business and has received considerable orders for the supply of various kinds of reconditioned second hand marine engineering vessels. These confirmed orders and other orders which are close to be concluded are expected to contribute positively to the Group's revenue.

The Group is now co-operating with major structural steel engineering contractors in the PRC and has recently gained a new contract for the Stonecutters Bridge project and has also secured a pre-bid commitment from one of the few tenderers for the main contract of the superstructure for Zhu Jiang Huang Bu Bridge. These contracts, if concluded, are expected to make positive contribution to the Group's revenue.

For the year ended 31 July 2005, out of the Group's turnover of HK$11.1 million (2004: HK$19.5 million) marine engineering (comprising marine engineering construction and shipbuilding business) amounted to approximately HK$7 million (2004: HK$19 million) while structural steel engineering contributed approximately HK$4.1 million (2004: HK$0.5 million).

Liquidity and Financial Resources

As at 31 July 2005, the Group had in aggregate other borrowings of approximately HK$116 million (2004: HK$99 million). Details of the Group's indebtedness and obligation are set out in note 16 to the financial statements.

Pursuant to the refinancing arrangements among certain then lenders of the Group, certain related parties (the "Related Parties") of the Group and certain members of the Group, such lenders had assigned their interests in the loans due from the Group to the Related Parties which included Universal Grade Limited, Hong Hay Pte Limited and Windermere Pte Limited ("Windermere"). As at the Latest Practicable Date, Universal Grade Limited and Hong Hay Pte Limited had no further outstanding obligations under the assignment of loans. The Directors understand that the outstanding payment to be made by Windermere to the lender concerned amounted to approximately US$6 million as at 31 August 2005 and such outstanding amount shall be paid by Windermere in accordance with the payment schedule agreed between Windermere and the lender concerned and may also be reduced by the proceeds received by the Group in respect of the disposal of the non-core vessels owned by UDL Marine Assets (Singapore) Pte Limited, a wholly-owned subsidiary of the Company. The Group will also continue to handle any disposal of the non-core vessels as described above.

The assigned loans now owing by the Group to the Related Parties will be due for repayment on 1 August 2006. Save as disclosed below, there has not been any substantive negotiation between the Group and each of the Related Parties as regard how such loans shall be repaid or refinanced when they fall due. The previous understanding between the Company and the Related Parties as disclosed in the financial statements in the 2004 Annual Report was that the conversion of the loans into equity of the Company would be an alternative to repayment in cash if the Company was unable to repay the Related Parties in August 2006. Given that these loans will not be due for repayment in around a year's time, no definitive agreements have been reached at this stage regarding the equity conversion of these loans. The amount owing by the Group to the three Related Parties amounted to approximately HK$100.5 million (2004: HK$94.2 million).

Currently, the Group's operations are principally funded by (1) deposits or mobilisation payments under the new orders received; (2) short-term financing by Harbour Front; and (3) normal commercial credit terms granted by suppliers and vendors.

For the purposes of providing the Company with adequate working capital for financing needs before and after implementation of the Global Solution up till the completion of the possible fund raising exercise, the Group has just secured an interim financing facility in the amount of HK$20,000,000 from Harbour Front under an interim finance agreement dated 5 October 2005.

Employees

As at 31 July 2005, other than the outsourcing vendors but including contract workers, the Group had an aggregate of 65 technical and working staff. The directors are actively reviewing staffing levels and remuneration packages with a view to maintain cost-effective management structure.

Significant investments held, their performance during the financial year and their future prospects

There were no significant investments held by the Group.

Investment, material acquisition and disposal of subsidiaries and affiliated companies

There was no investment, material acquisition and disposal of subsidiaries and affiliated companies for the year ended 31 July 2005

Segment comments

As turnover was generated from its principal line of business, no segment information was required to be disclosed.

Details of remuneration policies, bonus and share option schemes and training schemes

There was no material change to the staff policy during the year ended 31 July 2005. The Group encourages high productivity and remunerates its employees based on their qualification, work experience, prevailing market prices and contribution to the group. There are no bonus and training schemes. The Company has a share option scheme which was adopted on 31 December 2002 whereby the directors of the Company are authorised to invite eligible participants including employees and directors of the Group, to take up options to subscribe shares of the Company. For further details, refer to Note 23 to the Financial Statements in the Annual Report 2005.

Charge on group assets

As at 31 July 2005, approximately HK71.0 million of the Group assets which include floating crafts and vessels were charged as security for outstanding secured loans.

Gearing ratio

As at 31 July 2005, the gearing ratio of the Group, calculated by dividing total liabilities by total asset value, was approximately 157.3%.

Exposure to fluctuation in exchange rates

The Group's assets and liabilities were mainly dominated in either Hong Kong Dollars or Singapore Dollars. Income and expenses derived from the operations in Singapore were mainly dominated in Singapore Dollars. There was no significant exposure to the fluctuation of foreign exchange rate but the Group will closely monitor the market and make appropriate adjustments when necessary.

Prospect and Future Plans

The Group continues to focus on marine engineering, structural steel engineering and general contracting business.

With the new infrastructure developments such as the Southeast Kowloon Development, the Old Kai Tak Airport Redevelopment, the North Lantau Development and the Hong Kong, Zhuhai and Macau Link expected to be implemented in the coming years following the recent recovery of the local economy together with the increase in demand for marine construction engineering services in the adjacent areas like Macau and the Guangdong Province, the Group is actively pursuing marketing and tendering work in order to secure orders and contracts for marine construction works under these large scale developments and projects.

On the provision of contracting and engineering services, the Group is now working on the re-admission to the List of Approved Contractors for Public Works of the Hong Kong Government (the "List of Approved Contractors") and the Group now targets to gain the re-admission as soon as possible after completion of the Global Solution so that the Group will be qualified to participate in the Hong Kong Government's public works projects. Taking into account the recent announcement made by the Hong Kong Government as regard the various public works projects, including over a hundred municipal facilities and basic infrastructure projects having been postponed after the Asian financial turmoil, the Directors are of the view that the re-admission in the List of Approved Contractors will certainly bring business opportunities to the Group.

Contingent Liabilities

Save for the contingent liabilities as disclosed in note 26 to the financial statements, there is no other contingent liabilities that the Group is aware of.

(ii) For the year ended 31 July 2006

The following is the management discussion and analysis extracted from the 2006 Annual Report together with additional information as appropriate. The page references in the reproduced information are the same as those in the 2006 Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating review

Efforts were spent during the year in developing our marine engineering business including shipbuilding and repair as well as structural steel engineering. Through various successful major corporate transactions, including the reacquisition of ownership of the Singapore yard and completion of the Global Solution with the Scheme Administrator, the Group has prepared itself to further expand and take up many opportunities offered in the offshore engineering sector which is poised to benefit from the surging global oil and gas exploration and production spending.

For the Financial Year ended 31 July 2006, the Group reported a turnover of HK$22.1 million (2005: HK$11.1 million), gross profit of HK$8.6 million (2005: HK$7.4 million) and profit attributable to shareholders of HK$29.7 million (2005: loss of HK$27.5 million).

Increase in turnover attributed to the sale of reconditioned marine engineering vessels which amounted to HK$9.6 million, 43% of the total turnover.

Loss from operating activities has been reduced significantly to HK$1.8 million this year (2005: loss of HK$18.8 million) due to reduction in depreciation expense as a result of the disposal of the two subsidiaries with substantial non-core fixed assets during the period.

Marine Engineering

Turnover of the marine engineering business has increased to HK$8.9 million this year (2005: HK$7.0 million). A significant portion was contributed by the new income base from the yard holding company in Singapore. Given the booming market in offshore engineering and related shipbuilding activities, together with the Singapore and China building facilities which provide the Group a competitive edge, continuous growth in this segment is foreseeable.

Structural Steel Engineering

The structural steel engineering division has experienced a lower turnover of HK$3.6 million this year (2005: HK$4.0 million) as the new structural steel projects have yet to take place after completion of a major project earlier this year. After completing the deck assembly work for the Shenzhen Western Corridor, the Group concentrated on the deck assembly work for the stonecutters bridge and has also participated in several China highways related structural steel projects in Guangdong through co-operation with active contractors in China. The Group is actively pursuing business for structural steel in the region in collaboration with its business partners.

Vessel Sales

The regional market is in great demand of the type of vessels the Group has to offer. The acquisition of the fleet of vessels this year allows the Group to meet such demand. The Group has reported a turnover of HK$9.6 million this year (2005: nil) in vessel sales. The Group is handling a considerable volume of enquiries and potential orders for the supply of reconditioned engineering vessels which are expected to contribute positively to the Group's revenue.

Corporate Development

During this period, the Group has restructured its income base and capital structure in accordance to the circular (the "Circular") dated 27 January 2006 through the following transactions (the "Corporate Restructuring") :

– The rights issues of HK$71.2 million;

– The acquisition of a yard holding company in Singapore for HK$23 million;

– Acquisition of a fleet of vessels for HK$40.4 million; and

– Disposal of two subsidiaries for HK$2.

A total of 2,374,133,524 of rights shares were allotted for the subscription price of HK$0.03 per rights share, which increased the Company's issued shares capital to 3,363,355,826 shares (2005: 971,699,302 shares) and raised HK$71.2 million.

The disposal of the two subsidiaries has removed the borrowings substantially and resulted in a gain on disposal of HK$38.1 million during the year under review.

The Company and the Scheme Administrator/Trustee entered into a settlement agreement on 1 September 2006 and the promissory notes, in the principal amount of HK$30 million, were issued to the Scheme Administrator/Trustee on the same date as part of the settlement arrangement. The principal terms of the settlement agreement and the promissory notes are consistent with those as set out in the paragraph headed "Proposed Settlement Agreement and issue of Promissory Notes" in the Letter from the Board in the Circular. The effects of such settlement is disclosed in the consolidated balance sheet on pages 24-25 and note 24 to the financial statements.

Financial Review

Financial performance has improved this year as resulted from the Corporate Restructuring. The Group reported a total net assets of HK$12.0 million (2005: deficiency of assets of HK$55.6 million). Liabilities have lowered significantly and thus reduced finance cost.

Liquidity and Financial Resources

Bank and other borrowings of the Group as at the year ended 31 July 2006 have been reduced to a total of HK$5.6 million (2005: HK$116.5 million). The Group's gearing ratio (total liabilities over total assets) was 87.2% (2005: 157.3%). The lower the ratio, the lower the degree of financial leverage and financial risk. The gearing ratio has been improved as a result of the disposal of the two subsidiaries with high gearing.

Currently, the Group's operations are principally funded by (1) normal commercial credit terms granted by suppliers and vendors; and (2) short-term financing by the substantial shareholder.

Employees and Remuneration Policies

As at 31 July 2006, other than the outsourcing vendors but including contract workers, the Group has an aggregate of 48 technical and working staff and recorded staff costs of HK$4.1 million (2005: HK$5.6 million). Total staff costs has decreased as compared to previous financial year as the Group has streamlined its marine engineering operation.

There was no change on 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.

Charge on group assets

As at 31 July 2006, no asset of the Group was pledged.

Gearing ratio

As at 31 July 2006, the gearing ratio of the Group, calculated by dividing total liabilities by total asset value, was approximately 87.2%.

Exposure to fluctuation in exchange rates

The Group's assets and liabilities were mainly dominated in either Hong Kong Dollars or Singapore Dollars. Income and expenses derived from the operations in Singapore were mainly dominated in Singapore Dollars. There was no significant exposure to the fluctuation of foreign exchange rate but the Group will closely monitor the market and make appropriate adjustments when necessary.

Contingent Liabilities

Save for the contingent liabilities as disclosed in note 37 to the financial statements, there are no other contingent liabilities that the Group aware of.

Future Prospect

The Group continues to expand its marine engineering business. Through the integration of operation of the building facilities in Singapore and China, the Group is positioned with a competitive edge to benefit from opportunities flooded in the offshore engineering sector, which is now in high demand of shipbuilding capacity.

Building on the Group's track record in structural steel engineering and shipbuilding with valuable extensive customers and vendors network in the industry established over the past several decades, the Group envisage to move into the offshore sector by offering higher value-added offshore engineering and construction and offshore support vessel services. Given the industry dynamics, contract flows are to be remained strong underpinned by high oil prices, energy demand, and the rising asset replacement cycle.

(iii) For the year ended 31 July 2007

The following is the management discussion and analysis extracted from the 2007 Annual Report together with additional information as appropriate. The page references in the reproduced information are the same as those in the 2007 Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Review

With a view to expand in the shipbuilding, marine and offshore engineering division as well as to revive other contracting activities, the Financial Year ended 31 July 2007 has been a year continuous cultivation. During the year, efforts were spent in production facilities enhancement and management team development for taking up opportunities offered in the surging offshore engineering market as well as in the infrastructure sector.

For the Financial year ended 31 July 2007, the Group reported a turnover of HK$38.1 million (2006: HK$22.1 million) and a loss of HK$4.3 million (2006: profit of HK$29.7 million). Increase in turnover was attributed to the growing performance in the shipbuilding, marine and offshore engineering division ("Marine Engineering"), which amounted to HK$19.4 million, 50.9% of the total turnover. Total loss has in essence been lowered this year, as the high profit recorded as at 31 July 2006 was due to a notional gain from disposal of subsidiaries with significant net liabilities. Gross profit of the Group has also been improved to HK$13.9 million (2006: HK$8.6 million) and loss from operation activities was reduced significantly to HK$0.6 million (2006: loss of HK$1.8 million).

Marine Engineering

Global demand for oil remains robust, leading to an increasing need of related shipbuilding and offshore engineering support. The upgrade and combined effects of the Singapore and Zhongshan yard facilities have brought to the Group many opportunities from the growing shipbuilding and offshore engineering market. These projects include shipbuilding, ship repair and modification, as well as specialized construction, such as derrick erection, outfiting and installation.

Turnover of the Marine Engineering sector has increased to HK$19.4 million this year (2006: HK$8.9 million).

Structural Steel Engineering

The Structural Steel Engineering division has improved with a higher turnover of HK$4.7 million this year (2006: HK$3.6 million). Contracts include deck assembly work for the Stonecutters Bridge as well as other structural steel projects in Guangdong through co-operation with active contractors in China. The Group continues in pursuing business for structural steel in the region in collaboration with its business partners.

Vessel Sales

Level of enquiries for the type of vessels the Group has to offer remains strong, some of which may translate into orders. The regional market is still in great demand for these vessels. The Group reported a turnover of HK$13.9 million this year (2006: HK$9.6 million) in vessel sales. Nevertheless, the Group would consider reserving part of the existing fleets for contracting projects.

Future Prospects and Outlook

In the light of oil price sustaining at a high level over the past few years, investment in exploration and production is expected to continue, and demand in the related shipbuilding, marine and offshore engineering sector will thus remain strong. To harvest the opportunities derived from this surging demand, the Group is considering a longer term arrangement to team up and utilize facilities in Dongguan, China. Integration of facilities in Singapore, Zhongshan and Dongguan ensures the Group to be in a competitive position with enhanced production and marketing capabilities.

Positive outlook can also be observed in the structural steel engineering and contracting divisions, given the Hong Kong government intentions to push forward various large scale infrastructure projects in the coming years.

The Group will continue with its strategy of developing in its core activities as well as venturing into new opportunities, such as the new technology sector, for potential substantial growth. To take up and realize benefits from these efforts, there is a possible need to raise funds.

Financial Review

Financial position has improved this year. The Group reported a total net assets of HK$150 million (2006: HK$12 million). Liabilities have been lowered and finance cost will be reduced significantly in the future.

During the period under review, HK$151.3 million was raised as a result of the exercise of allotment of 1,681,677,913 rights shares at subscription the price of HK$0.09 per rights share, in accordance to the circular dated 4 July 2007. Total issued shares capital of the Company hence amounted to 5,045,033,739 shares (2006: 3,363,355,826 shares).

The Company and the Scheme Administrator/Trustee entered into a Settlement Structure Agreement on 1 September 2006 and the promissory notes, in the principal amount of HK$30 million, were issued to the Scheme administrator/Trustee on the same date as part of the Settlement Structure Agreement. The promissory notes were fully repaid during the year.

Liquidity and Financial Resources

Bank and other borrowings as at 31 July 2007 have been reduced to a total of HK$3.8 million (2006: HK$5.6 million) and the promissory notes were fully settled. The gearing ratio of the Group as a result, calculated by dividing total liabilities by total asset value, decreased to 11.5% (2006: 87.2%).

Exposure of Foreign Exchange

The Group's assets and liabilities are mainly dominated in either Hong Kong Dollars or Singapore Dollars. Income and expenses derived from the operations in Singapore were mainly dominated in Singapore Dollars. There is no significant exposure to the fluctuation of foreign exchange rate, but the Group will closely monitor the market and make appropriate adjustments when necessary.

Charge on group assets

As at 31 July 2007, no asset of the Group was pledged.

Contingent Liabilities

Save for those disclosed in note 35 to the financial statement, there are no other contingent liabilities that the Group is aware of.

Employees and Remuneration Policies

As at 31 July 2007, other than outsourcing vendors but including contract workers, the Group has an aggregate of 60 technical and working staff. Total staff costs, excluding contract workers, amounted to HK$3.5 million this year, as compared with HK$4.1 million as at 31 July 2006.

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.

3.2 Lead Ocean Group – For the three years ended 31 March 2008

Operational review

Lead Ocean was incorporated in BVI with limited liability on 2 May 2008 and is the holding company of each of Argos Engineering (International) Company Limited and Cochrane Enterprises Limited, which pursuant to a Dong Guan Chunwah Engineering And Heavy Industry Co. Ltd. Joint-Venture Contract and another Dong Guan Hing Wah Shipbuilding Co. Ltd. Joint-Venture Contract both dated 18 October 1990, entered into between each of them respectively and Shatian Foreign Trade and Economic Development Company, have (1) established two PRC companies, 東莞振華建造工程有限公司 (Dongguan Chun Wah Engineering & Heavy Industry Company Limited) and 東莞興華造船工程有限公司 (Dongguan Hing Wah Shipbuilding Company Limited); and (2) obtained the allocation of the land use rights of certain collectively-owned land with a yard site area of approximately 154,000 sq.m. for a term of 50 years for manufacturing structural steel frames and fabrication of ships and other ancillary businesses.

In the past three years, the group concentrated on resolving issues related to the Dongguan yard facilities by paying outstanding annual licence fee and title fees, carrying out annual government licence audit and settling current liabilities of Argos Engineering (International) Company Limited and Cochrane Enterprises Limited. Significant improvements to the yard facilities have also been made to meet the current needs for efficient production.

The profits/(loss) of the Lead Ocean Group for the years ended 31 March 2006, 2007 and 2008 are (HK$2.329 million), (HK$5.985 million) and (HK$4.140 million) respectively.

Financial review

Liquidity and financial resources

The principal activity of Lead Ocean is investment holding and it financed the operations of its group primarily with internally generated cash flow whereas its long term investment was financed by current account with shareholder and related parties. As at 31 March of 2006, 2007 and 2008, the Lead Ocean Group had cash and cash equivalents of approximately HK$0.301 million, HK$0.236 million and HK$0.041 million respectively.

Capital structure

Lead Ocean has an authorised capital of US$50,000 divided into 50,000 shares of US$1.00 each and 100 fully paid shares of which have been issued since its incorporation on 2 May 2008 and up to the date of this prospectus.

Investment, material acquisition and disposal of subsidiaries and affiliated companies

There is no investment, material acquisition and disposal of subsidiaries and affiliated companies in each of the year ended 31 March 2006, 2007 and 2008.

Segment comments

As there is no turnover generated from ordinary activities of the Lead Ocean Group, no segment information is required to be disclosed.

Employee information

As at 31 March of 2006, 2007 and 2008, other than outsourcing vendors and contract workers, the Lead Ocean Group has an aggregate of 17, 16 and 16 staff respectively. For the years ended 31 March of 2006, 2007 and 2008, staff costs amounted to approximately HK$0.382 million, HK$0.394 million and HK$0.438 million respectively.

Details of remuneration policies, bonus and share option schemes and training schemes

There was no material change to the staff policy during these three years. The Lead Ocean Group encourages high productivity and remunerates its employees based on their qualification, work experience, prevailing market prices and contribution to the group. There are no bonus and share option schemes and training schemes.

Charge on group assets

As at 31 March of 2006, 2007 and 2008, no asset of the Lead Ocean Group was pledged.

Future plans for material investments or capital assets

There were no plans for material investments or capital assets save for improvements to the yard facilities necessary to meet the current needs for efficient production.

Gearing ratio

As at 31 March of 2006, 2007 and 2008, the gearing ratio of the Lead Ocean Group, calculated by dividing total liabilities by total asset value, are approximately 63.1%, 76.4% and 74.7% respectively.

Exposure to fluctuation in exchange rates

The Lead Ocean Group has no significant foreign exchange rate risk due to limited foreign currency transactions.

Contingent Liabilities

Save for those disclosed in the accountants' report on Lead Ocean Group if any, there are no other contingent liabilities that the Lead Ocean Group is aware of.

3.3 Net Excel Group - For the three years ended 31 March 2008

Operational review

Net Excel was incorporated in BVI with limited liability on 23 May 2008 and is the holding company of each of Tonic Engineering & Construction Company Limited, Gitanes Engineering Company Limited and its PRC subsidiary, 廣東積達工程有限公司 (Guangdong Gitanes Engineering Company Limited), which collectively have obtained licence for port works engineering and construction in Hong Kong and PRC, and Chiu Hing Company Limited which has a track record in civil engineering public works projects in Hong Kong.

In the past three years, the group concentrated on resolving issues related to the these contracting companies including settling issue related to sufficiency of capital for maintenance of port works licence, injection of necessary additional capital and carrying out PRC annual government licence audit.

The profits/(loss) of the Net Excel Group for the years ended 31 March 2006, 2007 and 2008 are (HK$0.477 million), HK$0.385 million and HK$3.168 million respectively.

Financial review

Liquidity and financial resources

The principal activity of Net Excel is investment holding and it financed the operations of its group primarily with internally generated cash flow. As at 31 March of 2006, 2007 and 2008, the Net Excel Group had cash and cash equivalents of approximately HK$2.439 million, HK$0.188 million and HK$1.480 million respectively.

Capital structure

Net Excel has an authorised capital of US$50,000 divided into 50,000 shares of US$1.00 each and 100 fully paid shares of which have been issued since its incorporation on 23 May 2008 and up to the date of this prospectus.

Investment, material acquisition and disposal of subsidiaries and affiliated companies

There is no investment, material acquisition and disposal of subsidiaries and affiliated companies in each of the year ended 31 March 2006, 2007 and 2008.

Segment comments

As for the three years ended 31 March 2008, turnover of the Net Excel Group is principally generated from its ordinary activities being construction contracts for public works in Hong Kong, no segment information is required to be disclosed.

Employee information

As at 31 March of 2006, 2007 and 2008, other than outsourcing vendors and contract workers, the Net Excel Group has an aggregate of 6, 6, and 17 technical and working staff respectively. For the years ended 31 March of 2006, 2007 and 2008, staff costs amounted to approximately HK$0.839 million, HK$0.886 million and HK$2.217 million respectively.

Details of remuneration policies, bonus and share option schemes and training schemes

There was no material change to the staff policy during these three years. The Net Excel Group encourages high productivity and remunerates its employees based on their qualification, work experience, prevailing market prices and contribution to the group. There are no bonus and share option schemes and training schemes.

Charge on group assets

As at 31 March of 2006, 2007 and 2008, no asset of the Net Excel Group was pledged.

Future plans for material investments or capital assets

There is no plan for material investments or capital assets.

Gearing ratio

As at 31 March of 2006, 2007 and 2008, the gearing ratio of the Net Excel Group, calculated by dividing total liabilities by total asset value, are approximately 15.9%, 21.6% and 9.5% respectively.

Exposure to fluctuation in exchange rates

The Net Excel Group has no significant foreign exchange rate risk due to limited foreign currency transactions.

Contingent Liabilities

Save for those disclosed in the accountants' report on Net Excel Group if any, there are no other contingent liabilities that the Net Excel Group is aware of.

4. STATEMENT OF INDEBTEDNESS FOR THE RESULTANT GROUP

Borrowings

As at the close of business on 31 July 2008 and as if the Acquisitions were completed on this date, being the latest practicable date for this indebtedness statement, the Resultant Group had no borrowings or indebtedness in the nature of borrowing or mortgages or charges *(Note (i) and (ii))* save for a borrowings of HK$0.271 million under finance lease of which HK$0.126 million is repayable within one year and HK$0.145 million is repayable after one year.

Notes:

(i) The effects of the Acquisitions have been taken into account.

(ii) For the financing facility from Harbour Front to the Company to finance the Acquisitions in addition to utilizing the proceeds of the Rights Issue, refer section head "Finance Arrangement with Harbour Front" in the Letter from the Board in this prospectus for further details.

Assuming that there was no shareholder taking up the Rights Shares and that HK$13,000,000 would be applied to general working capital and therefore the payment for balance of the total consideration for the Acquisitions after the use of the Rights Issue proceeds is to be financed by the Harbour Front Finance, the loan advanced from Harbour Front for this purpose is approximately HK$70 million (being the total consideration for the Acquisitions of approximately HK$229 million minus the amount of net proceeds of the Rights Issue applied towards payment for the total consideration for the Acquisitions of approximately HK$159 million) of which approximately HK$58 million is the maximum aggregate amount of draw down under Tranche A of the facility as detailed in the paragraph headed "Finance arrangement with Harbour Front" in the section headed "Letter from the Board" in this prospectus and the remainder under Tranche B of such facility is approximately HK$12 million.

Debt securities

As at 31 July 2008, the Resultant Group had no debt securities outstanding.

Contingent liabilities

Save as disclosed in the 2007 audited accounts (a copy of which is set out in Section 2 in this Appendix above), the interim report of the Company for the six months ended 31 January 2008 and Appendices II and III to the Circular, as at 31 July 2008, the Resultant Group had no significant contingent liabilities.

Disclaimers

Save as aforesaid or otherwise disclosed herein and apart from intra-group liabilities, the Resultant Group did not have outstanding indebtedness at the close of business on 31 July 2008 or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees or other contingent liabilities.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material changes in the financial or trading position or prospects of the Group since 31 July 2007, being the date the latest audited consolidated financial statements of the Group to which was made up.

6. WORKING CAPITAL

As at the Latest Practicable Date, after taking into account the available credit facilities as described in more detail in the above section headed "Statement of indebtedness of the Resultant Group", internal resources (for example, cash generated from operating activities) of the Group, the Harbour Front Finance and the estimated net proceeds of the Rights Issue, the Directors are of the opinion that the Resultant Group has sufficient working capital for at least twelve months from the date of this prospectus, including financing the Acquisitions.

7. BUSINESS PROSPECTS

Trend of the business of the Group

Given the enhanced capital base of the Group, upgrading works to the yard facilities in both Singapore and Zhongshan, PRC, have gone underway so as to meet the surging demands in the shipbuilding and offshore engineering sector. The synergy from the combined capacity of these two yard facilities, given their independent advantages, will provide the Group a sound competitive edge in the market.

The growth in global demand for oil has been strong and steady for over five years and operators are likely to continue investing in exploration and production to replace depleting reserves. This translates demand in the related shipbuilding and offshore engineering market and we are prepared to take up the forthcoming opportunities. The Group intends to develop its Singapore yard in phases to upgrade its existing building berth, procure and install jib cranes and gantry crane, construct/upgrade new open fabrication areas and workshops. The current direction is the full re-activation of the Singapore yard for shipbuilding, offshore structures and modules and afloat repairs. Marine engineering sector has maintained a strong growth momentum with significant contribution from offshore engineering business. The Group has actively expanded its operation of Hong Kong and Singapore and secured several marine and offshore engineering projects.

Demand in the shipbuilding, marine and offshore engineering sector is robust and will increase with oil price continuing to sustain at record high level. Rigs utilization is now at full capacity which transpires demand for further building and related work. Level of enquiries for shipbuilding and offshore industry support work is growing, some of which has already rendered into order, including specialised building such as derricks. Demand for offshore support vessels (OSVs) will also be strong given the existing positive outlook for the offshore industry. Ship repair and modification works in the regional market also have robust demand. Our historical performance in similar building projects and current combined capacities prepare us to meet all these market needs.

The combined production capacities today from the Group's Zhongshan and Singapore yards are of 4 to 6 units of 5,000 DWT class vessels and annual steel fabrication projects of up to 20,000 tons. Positive outlook in the shipbuilding marine and offshore engineering sector, together with the anticipated increase in production capacities by yard upgrading works and synergies derived from integration of the yard facilities, we can expect to see overall performance of the Group improving at a multiple factor.

The Group has completed its structural steel engineering contracts on hand and is actively pursuing new business opportunities in collaboration with its business partners and also its own offshore engineering business. Efforts have also been put in reviving the contracting division. This year, despite the relatively inactive market in Hong Kong, the Company has succeeded in breaking back into the main stream play by securing major contracting projects which include dredging related work.

Performance in the structural steel engineering and contracting divisions to improve can be foreseen. The Hong Kong government has indicated to push forward 10 large scale infrastructure projects in the coming years. We are confident to harvest from the forthcoming opportunities. Level of enquiries for the type of vessels offered by the Group remains strong and the regional market is still in great demand for these vessels. The Group is carefully pursuing potential orders for sale of reconditioned engineering vessels and control of costs for the best possible return.

In the light of changing business environment and global demand, the Group continues developing and optimising its established strength as well as venturing into new opportunities, such as the new technology sector, to further enhance the value for our shareholders.

Trend of the business of the Resultant Group

Marine engineering

The growth in global demand for oil has been strong and steady for over five years and operators are likely to continue investing in exploration and production to replace depleting reserves. This translates demand in the related shipbuilding and offshore engineering market. Further, the greater Asia industrialisation has created a demand for the shipbuilding and ship repairing services to support the transportation needs of the rapidly growing trade and equipment for offshore exploration and production. The outlook for the industry remains rosy as the offshore boom is likely to continue for the next few years.

With oil and gas exploration and production activities moving into deeper waters, harsher environments and further frontiers, there is strong demand for more deepwater drilling rigs and floating production systems suitable for these conditions as well as for offshore support vessels. As global exploration activities and offshore field development work continue un-bated, new rigs orders are expected to stream in for the major shipyards. The Singapore marine industry has geared up its infrastructure and resources, and is well positioned to increase its market share for new semi-submersible orders. It is also well poised to meet the boost in demand for the conversion and reactivation of drillships. There have been strong orders for floating production solutions in recent years and the market for FPSO/FSO conversion remains strong.

Going forward, the Singapore marine industry will continue to position itself as a global centre for ship repair, ship conversion, offshore construction and specialised shipbuilding. It will leverage on Singapore's good infrastructure and critical mass already built up by the shipyards and supporting companies to further entrench its position as a global leader. The industry will continue to focus on more complex and high value jobs and enhance its capability as a solution provider. Investments in both human resource development and new state-of-art facilities will provide the foundations to bring the industry to a new competitive level that will allow it to be relevant in the coming decades. The offshore boom has also benefited the medium and smaller shipyards of Singapore as well as non-shipyard players in the industry. Demand has filtered down to companies in the marine and offshore supporting industries which supply equipment to the shipyards, and rig and ship owners. Shipyards repairing and building offshore supply tugs and support vessels have seen their order books swelling during the last few years. Overall, the industry is expected to continue its robust performance given its full order books and the strong global market conditions with double-digit growth for the marine and offshore industry.

This is therefore a very good opportunity for the Group to further re-activate and expand its marine operations headed by its Singapore subsidiaries and yard facilities. This can be achieved by leveraging on the competitive pricing and capacity for the production of steel fabrications and materials of the Dongguan yard of the Lead Ocean Group so as to combine and consolidate the mutually matching and critical mass effect to promote the enhanced capabilities in the shipbuilding, marine and offshore engineering activities. This integration with the Dongguan yard facilities of the Lead Ocean Group could beef up total production capacities of up to 40,000 tons per year. The Dongguan yard with deep water access channel is suitable for the construction of vessels of up to 200 metres in length, oil rigs and semi-subs. A key element in this business plan is to leverage the Dongguan yard's extensive steel fabrication capability, low production cost and cheap supply of materials with the Group's image for quality and reliability, and Singapore's excellent supply chain, sub-contractors, and supporting infrastructure to provide the Group with a sustainable competitive edge.

The formula for creating a sustainable competitive edge would see the Group's Singapore operation and yard undertaking the construction of the machinery components of the vessels or structures to enjoy the advantage of the Singapore local infrastructure and support. On the other hand, the newly acquired Dongguan yard and its operations will undertake the construction of steel structures and vessel components. After which, the components fabricated and constructed in the PRC will be transported to the Singapore yard of the Group for assembly into complete product. With the promising prospect in the shipbuilding marine and offshore engineering sector, together with the anticipated increase in production capacities and synergies derived from integration of the yard facilities, the Directors expect to see overall performance of the Group improving at a multiple factor.

Contracting

Given the enhanced capital base of the Group since mid-2007, the Group has succeeded in securing prestiged port works projects as dredging and pipe protection capping sub-contractors including submarine pipelines for Permanent Aviation Fuel Facilities for the Hong Kong International Airport in Chek Lap Kok. Performance in the contracting divisions to improve can be foreseen. The Hong Kong government has committed to push forward 10 large scale infrastructure projects and Container Terminal 10 in the coming years. The Group is confident to harvest from the forthcoming opportunities.

In the 2007-08 policy address of the Chief Executive of the HKSAR and further in the budget speech 2008 of the Financial Secretary, undertaking was made towards 10 Major Infrastructure Projects for economic growth. He also commits to push ahead with 10 large scale infrastructure projects and also the Container Terminal 10 development within his term of office. A rough estimate of the added value to Hong Kong economy brought about by these projects, from commissioning to a mature stage, would be more than $100 billion annually, amounting to some 7% of our GDP in 2006. In addition, some 250,000 additional jobs would be created. There are significant amount of port works in these projects in particular (1) Hong Kong-Zhuhai-Macao Bridge which is a priority project. As a major strategic cross-boundary project, it is unprecedented in terms of scope, scale and complexity involving extensive port works including construction of the two islands for the main tunnel approach and bridge pier construction across the open sea; (2) the Sha Tin to Central Link which will connect the Northeast New Territories and Hong Kong Island across the harbour with submerged tunnel via East Kowloon; (3) the Tuen Mun-Chek Lap Kok Link crossing the busy navigation channel with major bridge or submerged tunnel at a cost of over $20 billion; (4) Hong Kong-Shenzhen Joint Development of the Lok Ma Chau Loop which will require reclamation of the extensive low lying areas in concern; (5) Kai Tak Development with the construction of a new cruise terminal and approach navigation approach; (6) Container Terminal 10 at Southwest Tsing Yi which will require significant reclamation in deep water and many associated port works facilities alteration, relocation and construction.

In the immediate short term, the Financial Secretary has also committed to continue increasing the number and value of approved infrastructure projects and public works contracts awarded generally for the Public Works and associated programme. He has instructed Controlling Officers and heads of works departments to closely monitor the planning progress of the already approved projects. The Development Bureau and the Transport and Housing Bureau will play a coordinating role to ensure that these projects will commence as soon as possible.

Through acquisition of the Hong Kong public works licences possessed by Net Excel's subsidiaries, the Group would be able to re-access the main contractor market for port works which was one of the major activities of the Group before the implementation of the scheme of arrangement in 2000. With a better and direct control of engineering and construction projects and together with a complete fleet of marine engineering vessels, the Group would be able to improve its management and production efficiency and have a sustainable competitive edge. With the continuous commitment by both government of the PRC and Hong Kong to further improve the existing arrangement under CEPA, 廣東積達工程有限公司 (Guangdong Gitanes Engineering Company Limited) would be able to provide a solid platform for the Group to access the PRC market for a sustainable growth of its port works business in the long term.

Vessel sales and marine construction business

The Group's vessel sale and dredging business started well before the 90s' and in 1991 when the Company became listed on the Stock Exchange. Vessel sale and dredging business then remained the important business segments of the Group in the subsequent years. Dredging operation was very important logistic support for the Group's contracting business.

In view of the Group's past experience and operations with extensive customers and vendors network, which was built up in the 90s' in the shipbuilding industry which closely relates to the marine construction engineering industry, the Group has already resumed its vessel sale business and has received considerable orders for the supply of various kinds of reconditioned second hand marine engineering vessels.

The Group intends to acquire the 10 unencumbered vessels for sale after reconditioning so as to further expand its operation in the supply of reconditioned second-hand marine engineering vessels. Subject to the marine engineering construction market conditions, the vessels could also be used in the Group's dredging and marine construction operations if not sold.

The acquisition of these 10 vessels will also provide the Group with a broadened base of resources to normalise and expand its existing principal businesses, in particular the marine construction engineering business. Furthermore, the acquisition will also enable the Company to maintain a complete fleet of vessels for general marine engineering operation in line with its development of business for port works engineering and construction.

With the 10 Major Infrastructure Projects and Container Terminal 10 development expected to be implemented in the coming years together with the increase in demand for marine construction engineering services in the adjacent areas like Macao and the Guangdong Province, the Group is actively pursuing marketing and tendering work in order to secure orders and contracts for marine construction works under these large scale developments and projects which will have a large demand for marine construction plant like those to be acquired by the Group under the Vessel Agreement. The Group's marine construction engineering operations are expected to be expanded accordingly and to make positive contribution to the Group's revenue for the coming financial year.

Financial and trading prospects of the Resultant Group for the current financial year

The Rights Issue, Acquisitions and the finance facility provided under the Finance Agreement are expected to complete in the financial year 2008-09 and their effects will not be reflected in the financial and trading results of the Group for the current financial year 2007-08. In the coming financial year 2008-09, it is expected that these transactions will (1) further strengthen the capital base of the Company; (2) allow the Resultant Group to expand its marine engineering, contracting, vessel sale and marine construction business; (3) provide additional resources for its business development including upgrading work of its yard facilities; and (4) provide additional working capital for the Resultant Group's operations in the future. Given the further enhanced capital base of the Company, the Resultant Group will be in a better position to secure additional financial resources for its long term development through other alternative means including attracting investment from strategic investors or debt finance.

8. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The statement of unaudited pro forma adjusted consolidated net tangible assets prepared in accordance with paragraph 13 of Appendix 1B of the Listing Rules is set out below to illustrate the effect of the Rights Issue on the net tangible assets of the Group as if the Rights Issue and the Acquisitions had taken place on 31 July 2007.

The statement of unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Group following the Rights Issue and the Acquisitions.

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the audited consolidated net assets of the Group as at 31 July 2007, adjusted as described below:

	Audited consolidated net tangible assets of the Group as at 31 July 2007	**Estimated net proceeds from the Rights Issue**	**Estimated increase in net tangible assets of the Group arising from the Acquisitions**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group after the Rights Issue and the Acquisitions**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 1)	*(Note 2)*	
Based on the Subscription price of HK$0.035 per Rights Share	150,009	172,162	–	322,171

	Audited consolidated net tangible assets of the Group per Share as at 31 July 2007 *(Note 3)* *HK$*	Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share after the Rights Issue and the Acquisitions *(Note 3)* *HK$*
Based on the Subscription price of HK$0.035 per Rights Share	0.03	0.032

Notes:

1. The estimated net proceeds from the Rights Issue is based on the subscription price of HK$0.035 per Rights Share with 5,045,033,739 Rights Shares issued, after deduction of the estimated share issue and related espenses of approximately HK$4,414,000. The estimated net proceeds from the Rights Issue is approximately HK$172,162,000.

2. The estimated increase in net tangible assets of the Group arising from the Acquisitions represents the estimated surplus of the fair values of the tangible assets of the Group arising from the Acquisitions over the consideration paid. The fair value of the tangible assets of the Group arising from the Acquisition is the aggregate amount of the fair values of (1) the net assets of Lead Ocean and Net Excel of approximately HK$83,454,000; (2) the 10 vessels of approximately HK$21,800,000; (3) the assignment of the amount due to ultimate holding company of approximately HK$93,502,000; and (4) the fair value of the port works and structural steel licences of approximately HK$30,700,000 which together amount to approximately HK$229,456,000.

	HK$'000
Fair value of the tangible assets of the Group arising from the Acquisitions	229,456
Less: Total consideration of the Acquisitions	(229,456)
Increase in net tangible assets of the Group	–

3. The calculation of the audited consolidated net tangible assets of the Group per Share as at 31 July 2007 is based on the audited consolidated net tangible assets of the Group as at 31 July 2007 of approximately HK$159,009,000 and 5,045,033,739 Shares in issue as at the Latest Practicable Date. The unaudited pro forma adjusted consolidated net tangible assets per Share of the Group after the Rights Issue and the Acquisitions are based on the unaudited pro forma adjusted consolidated net tangible assets of the Group of approximately HK$322,171,000 and 10,090,067,478 Shares in issue immediately following the completion of the Rights Issue, assuming the completion of the Rights Issue with 5,045,033,739 Rights Shares issued.

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, received from the independent reporting accountants, CCIF CPA Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma adjusted consolidated net tangible assets of the Resultant Group for the purpose of inclusion in this prospectus.

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

22 September 2008

The Directors
UDL Holdings Limited

Dear Sirs,

We report on the statement of unaudited pro forma adjusted consolidated net tangible assets (the "Unaudited Pro Forma Financial Information") of UDL Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), Lead Ocean Assets Management Limited ("Lead Ocean") and its subsidiaries (the "Lead Ocean Group") and Net Excel Management Limited ("Net Excel") and its subsidiaries (the "Net Excel Group"), together with the Group hereinafter referred to as the "Resultant Group"), which has been prepared by the directors of the Company, for illustration purposes only, to provide information about how the proposed rights issue of the Company on the basis of one rights share for every one shares held on the record date and acquisition of the entire issued share capital of Lead Ocean and Net Excel, might have affected the financial information presented therein.

RESPECTIVE RESPONSIBILITY OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information of the Resultant Group in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information of the Resultant Group and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information of the Resultant Group beyond that owed to those to whom those reports were addressed by us at the dates of their issues.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unaudited financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information of the Resultant Group with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information of the Resultant Group had been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information of the Resultant Group as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we did not express any such assurance on the Unaudited Pro Forma Financial Information of the Resultant Group.

The Unaudited Pro Forma Financial Information of the Resultant Group is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, does not give any assurance or indication that any event will take place in the future and may not be indicative of:

– the financial position of the Resultant Group as at 31 July 2007 or any future date; or

– the results of the Resultant Group for the year ended 31 July 2007 or any future periods.

OPINION

In our opinion:

(a) the Unaudited Pro Forma Financial Information of the Resultant Group has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information of the Resultant Group as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully

CCIF CPA Limited
Certified Public Accountants
Leung Chun Wa
Practising Certificate Number P04963

1. RESPONSIBILITY STATEMENT

This prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts not contained herein the omission of which would make any statement contained in this prospectus misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and following completion of the Rights Issue were and will be as follows:

Authorised:		*HK$*
12,000,000,000	Shares	120,000,000.00
Issued and fully paid or credited as fully paid or to be issued under the Rights Issue:		
5,045,033,739	Shares as at the Latest Practicable Date	50,450,337.39
5,045,033,739	Rights Shares to be issued	50,450,337.39
10,090,067,478	Shares	100,900,674.78

All the Shares in issue and to be issued rank and will rank pari passu in all respects with each other including rights to dividends, voting and return of capital.

No share or loan capital of the Company has been issued or is proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital, except for the Right Shares.

The Shares are listed on the Stock Exchange. No part of the share or loan capital of the Company is listed or dealt in, nor is listing or permission to deal in the share or loan capital of the Company being, or proposed to be, sought on any other stock exchange.

The BMA has given its general permission for exchange control purposes for the issue and transfer of the Rights Shares to and between non-residents of Bermuda, subject to the condition that the securities of the Company shall be listed on the Stock Exchange or any other appointed stock exchange, such as the New York Stock Exchange. In addition, the Company will deliver a copy of this prospectus to the Registrar of Companies in Bermuda for filing pursuant to the Companies Act. However, the BMA and the Registrar of Companies in Bermuda accept no responsibility for the financial soundness of any proposal or for the correctness of any of the statements made or opinions expressed in this prospectus.

3. DISCLOSURE OF INTERESTS

(a) As at the Latest Practicable Date, the interests and short positions of each Director in the shares or underlying shares of the Company and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	The Company/ name of associated corporation	Capacity	Number of shares	Approximate percentage of interests
Leung Yu Oi Ling, Irene	The Company	Beneficial owner	800,000	0.02%
		Through controlled corporations	7,216,565,521 *(Notes 1 and 2)*	143.04%
	Harbour Front *(Note 3)*	Beneficial owner	1	33.33%
Leung Yat Tung	The Company	Interest of spouse	7,217,365,521 *(Notes 1, 2 and 4)*	143.06%
Leung Chi Yin, Gillian	The Company	Beneficial owner	63,199,200	1.25%
		Through controlled corporations	7,216,285,521 *(Notes 1 and 5)*	143.04%
	Harbour Front *(Note 3)*	Beneficial owner	1	33.33%
Leung Chi Hong, Jerry	The Company	Beneficial owner	16,506,774	0.33%
		Through controlled corporations	7,216,285,521 *(Notes 1 and 5)*	143.04%
	Harbour Front *(Note 3)*	Beneficial owner	1 *(Note 1)*	33.33%
Yuen Ming Fai, Matthew	The Company	Interest of spouse	4,800	Negligible

Notes:

1. These Shares include (i) 2,670,635,933 Shares held by Harbour Front; (ii) 4,545,033,739 Right Shares which Harbour Front has agreed to underwrite pursuant to the Underwriting Agreement; (iii) 4,436 Shares held by Bugsy Development Company Limited, which is a wholly-owned subsidiary of Harbour Front; (iv) 11,413 Shares held by Vital Strategic Corporate Consultancy Limited, which is beneficially owned by Harbour Front, Mrs. Leung Yu Oi Ling, Irene, Ms. Leung Chi Yin, Gillian, Mr. Leung Chi Hong, Jerry and Mr. Leung Kai Hong as to 18%, 20%, 22%, 20% and 20% respectively. Each of Mrs. Leung Yu Oi Ling, Irene, Ms. Leung Chi Yin, Gillian, Mr. Leung Chi Hong, Jerry holds one-third of the issued share capital of Harbour Front; and (v) 480,000 Shares held by Gitanes Engineering Company Limited, which is a subsidiary of Harbour Front Assets Investments Limited (a wholly owned subsidiary of Harbour Front).

2. These Shares also include 400,000 Shares held by Top Union Investments Limited which is wholly owned by Mrs. Leung Yu Oi Ling, Irene.

3. Harbour Front is the holding company of the Company and is thus an associated corporation of the Company.

4. Mr. Leung Yat Tung is the husband of Mrs. Leung Yu Oi Ling, Irene.

5. These Shares also include 120,000 Shares held by Y.T. Leung Trading Company Limited, a company held by each of Ms. Leung Chi Yin, Gillian and Mr. Leung Chi Hong, Jerry as to 48.75%.

6. The above percentage of interest in the Company is calculated on the basis of 5,045,033,739 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

(b) As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 July 2007, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Resultant Group or are proposed to be acquired or disposed of by or leased to any member of the Resultant Group save for the Acquisitions, particulars of which are set out in the "Letter from the Board" contained in this prospectus.

(c) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Resultant Group since 31 July 2007, being the date to which the latest published audited financial statements of the Company were made up, and which was significant in relation to the business of the Resultant Group save for (i) the Finance Agreement, (ii) the Underwriting Agreement; (iii) the Lead Ocean Agreement; (iv) the Net Excel Agreement; and (v) the Vessel Agreement. The counterparty to each of the said agreements is Harbour Front, Mrs. Leung Yu Oi Ling, Irene, Ms. Leung Chi Yin, Gillian and Mr. Leung Chi Hong, Jerry, each being an executive director, holds one-third of the issued share capital of Harbour Front. Accordingly, each of Mrs. Leung Yu Oi Ling, Irene, Ms. Leung Chi Yin, Gillian and Mr. Leung Chi Hong, Jerry is considered as interested in each of the transactions as contemplated under (i) the Finance Agreement, (ii) the Underwriting Agreement; (iii) the Lead Ocean Agreement; (iv) the Net Excel Agreement; and (v) the Vessel Agreement.

4. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far as was known to the Directors, the following are details of the persons (other than a Director or chief executive of the Company) who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of interest
Harbour Front	Beneficial owner	7,215,669,672 *(Note 1)*	143.03%
	Through a controlled corporation	484,436 *(Note 2)*	0.01%

Notes:

1. These Shares include (i) 2,670,635,933 Shares held by Harbour Front; and (ii) 4,545,033,739 Right Shares which Harbour Front has agreed to underwrite pursuant to the Underwriting Agreement.

2. These Shares include: (i) 4,436 Shares held by Bugsy Development Company Limited, a wholly-owned subsidiary of Harbour Front; and (ii) 480,000 Shares held by Gitanes Engineering Company Limited, which is a subsidiary of Harbour Front Assets Investments Limited (a wholly owned subsidiary of Harbour Front).

3. The above percentage of interest in the Company is calculated on the basis of 5,045,033,739 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, there was no person known to the Directors, who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

5. SERVICE AGREEMENTS

As at the Latest Practicable Date, there was no existing or proposed service contract, excluding contract expiring or terminable by the employer within one year, without payment of compensation (other than statutory compensation) between any of the Directors with any member of the Resultant Group.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Company) have been entered into by the Company and/or member(s) of the Resultant Group within two years immediately preceding the date of this prospectus which are or may be material:

(a) the finance agreement dated 30 April 2007 and made between Harbour Front as the lender and the Company as borrower in relation to a financing facility of HK$75,000,000;

(b) the underwriting agreement dated 14 June 2007 entered into between the Company, Harbour Front and Sun Hung Kai International Limited in relation to the rights issue of 1,681,677,913 rights shares on the basis of one rights share for every two existing Shares to the qualifying shareholders by way of rights or to holders of nil-paid rights shares at the subscription price of HK$0.09 per rights share;

(c) the Finance Agreement;

(d) the Underwriting Agreement;

(e) the Lead Ocean Agreement;

(f) the Net Excel Agreement; and

(g) the Vessel Agreement.

7. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business apart from the business of the Group, which competed or was likely to compete, either directly or indirectly, with that of the Group.

8. LITIGATION

(a) On 31 July 2002, Charterbase Management Limited and United People Assets Limited, the petitioners, issued the Bermuda writ against the Company and against Mrs. Leung Yu Oi Ling, Irene, Mr. Chan Kim Leung, Miss Leung Chi Yin, Gillian, Mr. Pao Ping Wing JP and Mr. Wong Pui Fai who were directors of the Company in April 2001, at the time of the subscription special general meeting. Mr. Wong Pui Fai and Mr. Chan Kim Leung subsequently 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 and United People Assets 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. The petitioners have 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 of the summons, originally fixed for 18 and 19 November 2002, were 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 and two new parties were joined as petitioners, namely Hung Ngai Holdings Limited and Value Partners Investment Limited.

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

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 special general meeting 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 special general meeting, 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 special general meeting;

   (ii) the 50,641,239 subscription rights shares taken up by Harbour Front pursuant to the 2002 rights issue; and

   (iii) the 30,111,520 subscription rights shares taken up by Harbour Front pursuant to its application for excess 2002 rights shares.

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

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

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

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

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

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

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

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

In the alternative, the joint petitioners seek an order that a provisional liquidator be appointed pending the effective hearing of the Amended Petition and an order that the Company be wound up.

The Company has 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") had been passed in the Company's special general meeting held on 22 August 2003. However, such proposals had not been implemented in result of the Company's intention not to proceed with any of such proposals. The details of which are set out in the Company's circular dated 27 January 2006.

(b) An amount of SGD358,982 (equivalent to HK$1,766,335) (2006: HK$1,680,233) relating to interest payable on banking facilities was charged to UDL Marine Pte Limited, a subsidiary of the Company. The directors of the subsidiary are disputing this amount and no provision has been made in the financial statements.

(c) The Company and the Group had pending litigation in respect of the statement of claim referenced 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") claimed against the Company and the Group for the amount of HK$19,568,644.66 together with interest and costs, Money Facts Limited ("Money Facts") claimed the amount of HK$13,334,211.42 (HK$12,874,121.48 of which was pleaded by Money Facts as part of its loss and damage suffered by virtue of its 7,900/12,008th interest held in Fonfair) together with interest and costs, and Leung Yuet Keung claimed the amount of HK$15,190,409.54 (HK$6,667,105.71 of which was 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. The plaintiffs, (i) Harbour Front is the majority shareholder of the Company, holding 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; (ii) Money Facts holds 7,900 out of the 12,008 issued ordinary shares of Fonfair; and (iii) Leung Yuet Keung holds 3,950 out of the 7,900 issued ordinary shares of Money Facts.

(d) UDL Contracting Limited ("UDL Contracting"), a wholly-owned subsidiary of the Company, commenced legal action 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 of the two defendants took out a summons to apply to set aside the default judgment and stay the action against it to arbitration. Consent was given to the two applications of that defendant and the legal costs incurred by that defendant have been settled amicably. There is no counterclaim against the UDL Contracting under this action.

(e) UDL Argos Engineering & Heavy Industries Co., Ltd ("UDL Argos"), a wholly-owned subsidiary of the Company, has commenced legal action 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. The legal costs incurred by the defendant have been settled amicably. There is no counterclaim against UDL Argos under this action.

(f) UDL Argos has filed a claim against a contractor to recover the sum of approximately HK$6.9 million in respect of services rendered. This contractor also counterclaimed for liquidated damages of HK$4.2 million. Arbitration hearing was held in November 2007. Arbitration proceedings are complete and awards have been made by arbitrator with a net amount of entitlement to UDL Argos. Subsequently, UDL Argos's application for leave to appeal part of the awards with a view to secure further entitlements has been dismissed. The only liability from this appeal action is the payment of UDL Argos' own costs and the costs of the contractor estimated to be not exceeding the net entitlement of UDL Argos under the arbitration.

As at the Latest Practicable Date, the above legal proceedings had not had any further material developments. Save as disclosed above, no member of the Resultant Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any members of the Resultant Group.

9. PARTICULARS OF DIRECTORS

(a) Name / Address

Name	Address
Mrs. Leung Yu Oi Ling, Irene	8/F., 1C Austin Road, Tsimshatsui, Kowloon, Hong Kong
Mr. Leung Yat Tung	8/F., 1C Austin Road, Tsimshatsui, Kowloon, Hong Kong
Ms. Leung Chi Yin, Gillian	8/F., 1C Austin Road, Tsimshatsui, Kowloon, Hong Kong
Mr. Leung Chi Hong, Jerry	8/F., 1C Austin Road, Tsimshatsui, Kowloon, Hong Kong
Mr. Pao Ping Wing, *JP*	Room No. 3, 15/F., King Wing Building, Whampoa Estate, Hunghom, Kowloon, Hong Kong
Professor Yuen Ming Fai, Matthew	4A, Tower 18, Senior Staff Quarters, Hong Kong University of Science & Technology, Clear Water Bay, New Territories, Hong Kong
Ms. Tse Mei Ha	Flat F, 6/F., Block 5, Park Central, Tseung Kwan O, Hong Kong

(b) Qualifications and experience

Executive Directors

Mrs. Leung Yu Oi Ling, Irene, aged 54, 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 extensive experience prior to joining the Group in running her own interior design company. Mrs. Leung is the spouse of Mr. Leung Yat Tung, and the mother of Ms. Leung Chi Yin, Gillian, and Mr. Leung Chi Hong, Jerry, each being an executive Director.

Mr. Leung Yat Tung, aged 55, was appointed as an executive Director and the Chief Executive Officer on 2 May 2008. Mr. Leung holds a law degree from the Polytechnic of Newcastle-upon-Tyne in UK and has extensive experience in the development and management of marine offshore engineering, shipbuilding and structural portfolios. He is the spouse of Mrs. Leung Yu Oi Ling, Irene, and the father of Ms. Leung Chi Yin, Gillian and Mr. Leung Chi Hong, Jerry, each being an executive Director.

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

Mr. Leung Chi Hong, Jerry, aged 26, was appointed as an executive Director on 1 October 2006. Mr. Leung holds a Bachelors degree in Physics and Computer from McGill University, Canada. He has over four years of experience in ship management in the mainland China and South East Asia. He is responsible for the operation of the Group's marine division. Mr. Leung is the son of Mrs. Leung Yu Oi Ling, Irene and Mr. Leung Yat Tung, and the brother of Ms. Leung Chi Yin, Gillian.

Independent non-executive Directors

Mr. Pao Ping Wing, *JP*, aged 60, was appointed to the Board in August 1997. Mr. Pao holds a Master of Science degree in human settlements planning and development. In the past 21 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 a director of Oriental Press Group Limited (stock code: 018), Sing Lee Software (Group) Limited (stock code: 8076) and Hembly International Holdings Limited (stock code: 3989), which are listed on the 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.

Professor Yuen Ming Fai, Matthew, aged 57, was appointed to the Board in April 2002. Professor Yuen spent approximately four years in United Kingdom's Industry before taking up a lecturing position at the University of Hong Kong in 1979. He is currently the Director of Technology Transfer Centre at The Hong Kong University of Science and Technology and a Professor in Mechanical Engineering. Professor Yuen is a graduate of the University of Hong Kong and the University of Bristol. He is a fellows of The Hong Kong Institution of Engineers and a Fellow of Institution of Mechanical Engineers, United Kingdom. Professor Yuen has extensive research experience in design and manufacturing.

Ms. Tse Mei Ha, aged 36, was appointed to the Board in September 2004. Ms. Tse is a Certified Public Accountant in Hong Kong. She has over ten years' experience in the accountancy profession including working with public accountant and auditor firms.

10. CORPORATE INFORMATION

Registered office	Crawford House 1st 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
Company secretary	Mr. Pang Kee Chau *Member of Hong Kong Institute of Certified Public Accountants and Certified Practising Accountant of Australia*
Qualified accountant	Mr. Pang Kee Chau *Member of Hong Kong Institute of Certified Public Accountants and Certified Practising Accountant of Australia*
Authorised representatives	Mrs. Leung Yu Oi Ling, Irene *Executive Director* 8/F., 1C Austin Road Tsimshatsui, Kowloon Hong Kong Ms. Leung Chi Yin, Gillian *Executive Director* 8/F., 1C Austin Road Tsimshatsui, Kowloon Hong Kong
Principal share registrar and transfer office	The Bank of Bermuda Limited 6 Front Street Hamilton HM11 Bermuda
Hong Kong branch share registrar and transfer office	Tricor Tengis Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong

Principal bankers	Industrial and Commercial Bank of China (Asia) Limited 33/F., ICBC Tower 3 Garden Road Central Hong Kong
	Wing Lung Bank Limited 45 Des Voeux Road Central Hong Kong
Auditors	CCIF CPA Limited Certified Public Accountants 20/F, Sunning Plaza 10 Hysan Avenue Causeway Bay Hong Kong
Legal advisers of the Company	*As to Hong Kong laws in general:*
	Tsang & Lee, Solicitors 1510-12, 15th Floor Nan Fung Tower 173 Des Voeux Road Central Hong Kong
	As to Hong Kong laws on the Rights Issue and the Acquisitions:
	Chiu & Partners 41st Floor, Jardine House 1 Connaught Place Central Hong Kong

11. EXPERTS

CCIF CPA Limited ("CCIF"), Certified Public Accountants, has given opinion or advice contained in this prospectus.

As at the Latest Practicable Date, CCIF did not have any shareholding, directly or indirectly, in the Company or any of its members or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in the Company or any of its members.

CCIF did not have any direct or indirect interest in any assets which have, since 31 July 2007, being the date of the latest published audited accounts of the Company, been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any member of the Resultant Group.

CCIF is not materially interested in any contract or arrangement entered into by any member of the Resultant Group which contract or arrangement is subsisting as at the date of this prospectus and which is significant in relation to the business of the Resultant Group.

12. CONSENT

CCIF has given and has not withdrawn its written consent as to the issue of this prospectus with the inclusion herein of its respective opinions or letters and/or reference to their names, opinions or letters in the form and context in which they appear.

13. DOCUMENTS DELIVERED TO THE REGISTRARS OF COMPANIES

A copy of this prospectus, together with copies of the Provisional Allotment Letter, the Excess Application Form and the written consent referred to in paragraph 12 in this appendix, has been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance of Hong Kong. A copy of this prospectus, together with copies of the Provisional Allotment Letter and the Excess Application Form, has been filed with the Registrar of Companies in Bermuda as required under section 26 of the Companies Act 1981 of Bermuda.

14. LEGAL EFFECT

This prospectus, the Provisional Allotment Letter and the Excess Application Form, and all acceptances of any offer or application contained in or made on such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any of such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of Sections 44A and 44B of the Companies Ordinance of Hong Kong, so far as applicable.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Room 702, 7th Floor, Aitken Vanson Centre, 61 Hoi Yuen Road, Kwun Tong, Hong Kong during normal business hours from the date of this prospectus up to and including the Latest Time for Acceptance:

(a) the Company's memorandum of association and the bye-laws of the Company;

(b) the material contracts as referred to in paragraph 6 in this appendix;

(c) the annual report of the Group for each of the two financial years ended 31 July 2007;

(d) the letter of consent referred to in paragraph 12 in this appendix;

(e) the report issued by CCIF in connection with the statement of unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as set out in Appendix II to this prospectus; and

(f) the Circular.

16. MISCELLANEOUS

(a) The authorised representatives of the Company are:

(i) Mrs. Leung Yu Oi Ling, Irene

Mrs. Leung Yu Oi Ling, Irene, aged 54, 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 the United Kingdom and has had extensive experience prior to joining the Group in running her own interior design company.

(ii) Ms. Leung Chi Yin, Gillian

Ms. Leung Chi Yin, Gillian, aged 28, was redesignated in September 2002 as an executive Director. Ms. Leung graduated in Commerce from Queen's University, Kingston, Ontario, Canada and also completed MSc Law and Accounting from the London School of Economics and Political Science, London. Ms. Leung is responsible for financial management and administration of the Group.

(b) The secretary of the Company is Mr. Pang Kee Chau who is also the qualified accountant of the Company. Mr. Pang is a member of Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of Australia.

(c) Save as disclosed in this prospectus, the Directors are not aware of any material adverse change in the financial or trading position of the Company since the date to which the latest published audited accounts of the Company were made up.

(d) No capital of any member of the Group is under any outstanding option, or agreed conditionally or unconditionally to be put under any outstanding option.

1. NOTICE TO PERSONS RESIDENT IN THE PRC

The Rights Issue Documents do not constitute a public offering of the Rights Shares or any other shares of the Company in the PRC. The Rights Issue Documents may not be circulated or distributed in the PRC and the Rights Shares may not be offered or sold directly or indirectly to any natural person or legal person of the PRC, or offered or sold to any natural person or legal person of the PRC for re-offering or re-sale directly or indirectly except for being despatched to the Qualifying Shareholder with its registered address in the PRC solely for the purpose of this Rights Issue, subject to the compliance by the Qualifying Shareholder with all applicable laws and regulations of the PRC.

2. NOTICE TO PERSONS RESIDENT IN SINGAPORE

This prospectus has not been and will not be lodged with and registered as a prospectus under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Rights Shares may not be issued, circulated or distributed, in Singapore nor may any Rights Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (a) pursuant to, and in accordance with the conditions or exemptions under Subdivision 4, Division 1 of Part XIII of the SFA, particularly sections 272B, 274 and 275 of the SFA, to persons to whom the Rights Shares may be offered or sold under such exemptions and in accordance with any other conditions of all the other applicable provisions of the SFA, or (b) otherwise pursuant to and in accordance with any other conditions of any other applicable provisions of the SFA (including any re-sale restrictions under section 276 of the SFA).

3. NOTICE TO PERSONS RESIDENT IN UK

This prospectus has been prepared on the basis that any offer of Rights Shares in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Rights Shares. Accordingly any person making or intending to make an offer in that Relevant Member State of Rights Shares which are the subject of the offering contemplated in this prospectus may only do so in circumstances in which no obligation arises for the Company or any one of the Underwriters or any other parties involved in the Rights Issue to publish a prospectus pursuant to Article 3 of the Prospectus Directive, in each case, in relation to such offer. None of the Company, the Underwriters and any other parties involved in the Rights Issue have authorised, nor do they authorise, the making of any offer of Rights Shares in circumstances in which an obligation arises for the Company or the Underwriters or any other parties involved in the Rights Issue to publish a prospectus for such offer.