UDL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 620)

FINAL RESULTS FOR THE YEAR ENDED 31 JULY 2008

The board of directors (the "Directors") of UDL Holdings Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 July 2008 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 July 2008

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

CONSOLIDATED BALANCE SHEET
As at 31 July 2008

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

Notes:

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collectively includes Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period for the Group and the Company.

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 Group'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 these financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

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

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

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 January 2008
[4] Effective for annual periods beginning on or after 1 July 2008
[5] Effective for annual periods beginning on or after 1 October 2008

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

The directors of the Company anticipate that the applications of the new and revised standards, amendments and interpretations will have no material impact on the results and financial position of the Group.

3. TURNOVER

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

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

4. OTHER REVENUE AND INCOME

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

5. FINANCE COSTS

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

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 2008 and 2007:

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

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

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

(b) Geographical segments

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

	Hong Kong		**Singapore**		**PRC**		**Consolidated**	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$000*	***HK$'000***	*HK$000*
Segment revenue:								
Sales to external customers	**9,315**	20,235	**60,482**	17,906	**–**	–	**69,797**	38,141
Other revenue and income	**3,008**	1,118	**–**	73	**–**	–	**3,008**	1,191
	12,323	21,353	**60,482**	17,979	**–**	–	**72,805**	39,332
Segment assets	**67,900**	129,932	**97,962**	34,208	**4,770**	6,553	**170,632**	170,693
Capital expenditure incurred during the year	**672**	95	**891**	983	**–**	–	**1,563**	1,078

7. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

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

8. TAXATION

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

Provision for taxation outside Hong Kong is 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.

Taxation in the consolidated income statement represents:

	2008	2007
	HK$'000	*HK$'000*
Current tax-overseas		
Provision for the year	**1,013**	50
Deferred taxation	**–**	–
	1,013	50

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

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

9. LOSS PER SHARE

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

There were no dilutive potential shares in existence during the two years ended 31 July 2008 and 2007, therefore there were no diluted loss per share for both the current and prior years.

10. TRADE AND OTHER RECEIVABLES

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

The aging analysis of trade debtors, net of impairment loss for bad and doubtful debts of HK$894,000 (2007: HK$97,000), of the Group as at the balance sheet date is as follows:

	2008	2007
	HK$'000	*HK$'000*
Current	**6,046**	1,281
1 – 3 months	**1,527**	1,147
4 – 6 months	**1,252**	6
7 – 12 months	**41**	707
Over 1 year	**524**	11
	9,390	3,152

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.

11. TRADE AND OTHER PAYABLES

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

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

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

12. OPERATING LEASE COMMITMENTS

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

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Land and buildings				
Within one year	**4,226**	3,340	**–**	–
In the second to fifth years inclusive	**6,094**	8,574	**–**	–
More than five years	**4,385**	4,570	**–**	–
	14,705	16,484	**–**	–

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

13. CONTINGENCES AND LITIGATIONS

(a) On 31 July 2002, Charterbase Management Limited, one of the Petitioners, issued the Bermuda Writ against the Company and against Mrs. Leung, Mr. Chan Kim Leung, Miss Leung, Mr. Pao Ping Wing JP and Mr. Wong Pui Fai who were directors of the Company in April 2001, at the time of the Subscription SGM. Mr. Wong Pui Fai and Mr. Chan Kim Leung resigned as the directors of the Company on 28 April 2002 and on 27 September 2002, respectively. The Bermuda Writ recited the basis of the Petitioners' Complaint with respect of Charterbase Management Limited, namely, that the circular regarding the Subscription misdescribed the Scheme Administrator's voting capacity in respect of the Shares held by the Scheme Administrator under the Scheme. The Bermuda Writ alleged that the Company was negligent and its directors were negligent and/or in breach of their fiduciary duty in misdescribing the Scheme Administrator's voting capacity in the circular regarding the Subscription. The Bermuda Writ claimed HK$3,000,000 being Charterbase Management Limited's estimated costs of the Petitioners' Complaint. On 15 August 2002 the Company entered an appearance to the Bermuda Writ, and the Company filed its defence on 12 September 2002. The Company has been advised by its Bermuda lawyers that it has good grounds to resist the Bermuda Writ. Charterbase Management Limited has taken no further steps in the proceedings since the defence was filed.

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

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

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

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

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

The resolutions for the proposed share consolidation and creation and issuance of Preference Shares (the "Proposal") have been passed in the Company's Special General Meeting held on 22 August 2003. However, such proposals had not been implemented 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) The Company and the Group had pending litigation in respect of the Statement of Claim for HCA 624 of 2005 dated 28 September 2005. The Group's solicitor is of the view that there are three claims which duplicate partly with each others. Fonfair Company Limited ("Fonfair") claims against the defendants for the amount of HK$19,568,644.66 together with interest and costs, Money Facts Limited ("Money Facts") claims the amount of HK$13,334,211.42 (HK$12,874,121.48 of which is pleaded by Money Facts as part of its loss and damage suffered by virtue of its 7,900/12,008th interest held in Fonfair) together with interest and costs, and Leung Yuet Keung claims the amount of HK$15,190,409.54 (HK$6,667,105.71 of which is pleaded by Leung Yuet Keung as part of his loss and damage suffered by virtue of his 3,950/7,900th interest held in Money Facts) together with interest and costs. As pleaded by the plaintiffs, (a) Harbour Front, which is the majority shareholder of the Company, holds 3,958 out of the 12,008 issued ordinary shares of Fonfair and 3,950 out of the 7,900 issued ordinary shares of Money Facts Limited; (b) Money Facts holds 7,900 out of the 12,008 issued ordinary shares of Fonfair; and (c) Leung Yuet Keung holds 3,950 out of the 7,900 issued ordinary shares of Money Facts. Based on legal advice, the directors of the Company do not believe it probable that the court will be fined against the Company and the Group, and therefore, no provision has therefore been made in respect of these claims.

(c) UDL Contracting Limited ("UDL Contracting"), a wholly-owned subsidiary of the Company commenced legal action under HCA 1209 of 207 against two defendants on 8 June 2007 to claim damages in relation to the construction of a printing workshop carried out by UDL Contracting. Default judgement in the sum of approximately HK$162 million was awarded by the court in favour of UDL Contracting on 27 June 2007. However, one defendant took out a Summons to apply to set aside the default judgement which has been consented by UDL Contracting. The legal counsels are of the opinion that UDL Contracting has merits in its claims, in the event of an unfavourable outcome, the losses which the Company may suffer are essentially the legal costs incurred in the proceedings as there is no counterclaim from the defendants. No asset is recognised in respect of this claim, and the recovery of this claim is a Scheme Asset.

(d) UDL Argos Engineering & Heavy Industries Co., Ltd ("UDL Argos"), a wholly-owned subsidiary of the Company, has commenced legal action under HCA1264 of 2007 against a contractor to recover the unsettled balance of approximately HK$2.9 million from the contractor. This contractor applied for a stay of the proceedings to arbitration. By a judgement delivered on 29 August 2007, the Court ordered a stay of the action to arbitration and also made an order that UDL Argos do bear the costs of the application. In the subsequent arbitration dated 31 August 2007, the contractor succeeded in its application to bar by lapse of time and to dismiss the claim. UDL Argos is liable to pay for the contractor's costs to be taxed of a sum not exceeding HK$900,000 and payment of UDL Argos' own costs in the arbitration proceedings. There is no counterclaim from the defendant. Any recovery of this claim is a Scheme Asset.

(e) The Company's wholly-owned subsidiary, UDL Argos, has filed a claim against another contractor to recover a sum of approximately HK$6.9 million in respect of services rendered. This contractor also counterclaimed UDL Argos for liquidated damages of HK$4.2 million. Arbitration hearing was completed in November 2007 with award had been made by the Arbitrator with a net amount of entitlement of HK$3.9 million to UDL Argos. The award of HK$3.9 million, as a Scheme Asset, was received in January 2008. UDL Argos has submitted the claim of legal costs in the amount of HK$520,000.

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

14. POST BALANCE SHEET EVENTS

(a) Business combination

On 1 August 2008, the Company acquired 100% of issued share capital of Lead Ocean Assets Management Limited, which holds land use rights in PRC, and Net Excel Management Limited, which holds marine crafts, for an aggregate cash consideration of HK$207,656,000 (the "Acquisition") from Harbour Front Limited.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration	207,656
Less : Amount due from ultimate holding company	(93,502)
Cost of investments	114,154
Fair value of assets acquired	(114,154)
Goodwill	–

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

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

(b) Rights issue

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

The rights issue had been completed on 13 October 2008, 5,045,033,739 shares of HK$0.01 each were issued at a price of HK$0.035 per share by way of rights issue for a total cash consideration of approximately HK$176,576,000. Out of net proceeds (after deducting share issue expenses of HK$4,414,000) of approximately HK$172,162,000, HK$159,126,000 and HK$13,000,000 applied towards payment for the Acquisition as mentioned in note 35(a) above and working capital of the Group, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING REVIEW

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

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

Marine Engineering

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

Global demand in oil and gas remained high during this financial year, exploration increases and hence requiring more supporting activities from the shipbuilding and offshore engineering industry. In this, the Group has secured and delivered number of orders in shipbuilding, ship repair and modification, as well as offshore specialized constructions and fabrications such as derricks, drilling equipment sets, and piping.

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

Structural Steel and Vessels Sales

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

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

FUTURE PROSPECTS AND OUTLOOK

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

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

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

FINANCIAL REVIEW

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

In October 2008, HK$176.5 million was raised as a result of the exercise of allotment of 5,045,033,739 rights shares at subscription price of HK$0.35 per rights share, in accordance to the circular dated 4 September 2008. Total issued shares capital of the Company hence amounted to 10,090,067,478 shares (2007: 5,045,033,739 shares).

EXPOSURE OF FOREIGN EXCHANGE

The Group's assets and liabilities are mainly dominated in either Hong Kong Dollars or Singapore Dollars. Income and expenses derive from the operations in China and Singapore are mainly dominated in Renminbi and Singapore Dollars respectively. There is no significant exposure to the fluctuation of foreign exchange rate, but the Group is closely monitoring the currencies market and makes arrangement if required. The foreign currency risk exposure is considered low and hedging is not necessary.

CONTINGENT LIABILITIES

Save for those disclosed in note 13 to the financial statement, there are no other contingent liabilities that the Group is aware of.

EMPLOYEES AND REMUNERATION POLICIES

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

There was no material change to the staff policy during the year under review. The Group encourages high productivity and remunerates its employees based on their qualification, work experiences, prevailing market prices and contribution to the Group. The incentive schemes such as share option scheme for employees will be proposed in due course.

The emoluments of the directors and senior management of the Company are determined by the Remuneration Committee and approved by the Board, having regard to their individual duties and responsibility with the Company, remuneration benchmark in the industry and prevailing market condition.

DIVIDEND

The Director do not recommend any dividend for the year ended 31 July 2008 (2007: nil).

CORPORATE GOVERNANCE

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

AUDIT COMMITTEE

The annual results for the year have been reviewed by the Audit Committee of the Company. The Group's consolidated financial statements have been audited by the Company's auditors, CCIF CPA Limited, and they have issued an unqualified opinion.

PUBLICATION OF RESULTS ON WEBSITES

All the financial and other related information of the Company required by Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange and the Company (www.udl.com.hk) in due course.

ANNUAL GENERAL MEETING

The 2008 annual general meeting of the Company will be held on 29 December 2008. The notice of the annual general meeting will be published and dispatched in due course.

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

Hong Kong, 24 November 2008

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