Annual Report 2011

UDL HOLDINGS LIMITED
太元集團有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 00620

Contents

Corporate Information

BOARD OF DIRECTORS

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

Independent Non-Executive Directors
Mr. Pao Ping Wing, *JP*
Prof. Yuen Ming Fai, Matthew
Ms. Tse Mei Ha

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Ms. Yuen Wing Yan, Winnie

REGISTERED OFFICE

Crawford House
4th Floor
50 Cedar Avenue
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM11
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

AUDITOR

CCIF CPA Limited

LEGAL ADVISERS

As to Hong Kong laws:
Tsang & Lee, Solicitors
Chiu & Partners

As to Bermuda laws:
Attride-Stirling & Woloniecki
Appleby Spurling & Kempe

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
Wing Lung Bank Limited
Bank of Communications Co., Ltd.

WEBSITE

www.udl.com.hk
www.irasia.com/listco/hk/udl/

Chairman's Statement

Economic volatility and surging inflation were observed in 2011. Operation costs have risen significantly. A further slowdown in global economy may be expected in the forthcoming year. With this, the financial year ended 31 July 2011 of UDL Holdings Limited (the "Company") and its subsidiaries (the "Group") reported a total revenue of HK$60.3 million with loss before taxation at HK$72.0 million, which was mainly attributed to increasing costs and impairment made on accounts receivables.

To well position the Group to circumvent the coming challenges, few significant initiatives have gone underway. We have, during the financial year, diversified and ventured into the hotel industry through the acquisition of Silk Road Development Company Limited through which operates a hotel located in the Western part of the People's Republic of China ("PRC"). In September 2011, we have entered into a disposal arrangement of the Group's steel fabrication yard in Dongguan, PRC, together with a joint venture arrangement to strengthen the Group's financial position and in turn leverage opportunities deriving from this yard.

In spite of the forthcoming economic slowdown, major infrastructure projects in the region are expected to continue and more contracts for tendering will be rolled out in 2012. The Group has secured contracts in the year and will strive to continue to participate in a wider range of projects through leveraging its specialization in the marine related civil engineering work business.

I would like to express my deepest appreciation to all staff members and board of directors of the Company for their hard work and dedication to the Group. I would also take this opportunity to thank all our shareholders, customers, business partners, suppliers and contractors for their continuous support.

Leung Yu Oi Ling, Irene
Chairman

Hong Kong, 29 October 2011

Management Discussion and Analysis

BUSINESS REVIEW AND FUTURE PROSPECTS

The Group reports a revenue of HK$60.3 million for the financial year ended 31 July 2011 (2010: HK$114.3 million) and a loss of HK$72.0 million (2010: loss of HK$48.3 million). The basic loss per share was 0.71 cents (2010: 0.48 cents loss). The reported loss of the year is mainly due to increasing operation costs.

MARINE ENGINEERING, CONSTRUCTION AND STRUCTURAL STEEL ENGINEERING

Marine Engineering sector observes a revenue of HK$42.3 million (2010: HK$94.8 million) and a loss of HK$51.0 million (2010: profit of HK$9.2 million).

During the year, the Group continued its efforts in the development in the marine engineering sector in the light of the lease expiry of the Singapore shipyard. Revenue was lowered in the year and the Group is seeking business opportunities directly or through cooperation with established market players so as to secure steady and substantial amount of contracts without undue long market process.

Construction and Structural Engineering sector reports a revenue of HK$15.2 million (2010: HK$14.4 million) with a loss of HK$6.3 million (2010: loss of HK$37.1 million). Beginning of 2011, more infrastructure projects have been rolled out and from which the Group had secured contracts in the year. The Group is one of the few players in the region specializing in marine related civil engineering work. In order to capture the forthcoming infrastructural projects in the region, such as the Hong Kong-Zhuhai-Macao Bridge ("HZMB") project, the Group began to form strategic joint venture with major contractors for participation in tendering key projects, including the reclamation work of the Hong Kong Boundary Cross facilities for the HZMB.

To strengthen the Group's position, in September 2011, the Group has entered into a joint venture arrangement to leverage opportunities deriving from the Group's steel fabrication yard in Dongguan, PRC. With this, the Group's financial and cash position will be strengthen and through which could benefit from the development of the structural steel engineering and shipbuilding businesses.

SALE OF VESSELS

Revenue from sale of vessels totalled to HK$1.4 million (2010: HK$5.0 million), with a loss of HK$1.2 million (2010: profit of HK$0.7 million).

HOTEL OPERATION

During the financial year, the Group has ventured into the hotel industry through acquisition of Silk Road Development Company Limited through which operates The Gansu Dunhuang Lodge Hotel located in the Western part of the PRC. The acquisition was completed in July 2011 and total revenue contributed to the Group for the financial year ended 31 July 2011 was HK$1.41 million with profit related to the transaction and new business of HK$4.6 million. Efforts in revamping market awareness of The Dunhuang Lodge Hotel and promoting cultural tourism in the Western part of the PRC are now underway through co-marketing campaign with the tourism authorities in the PRC and travel agencies. It is expected that the hotel operation sector will grow on a yearly basis.

Directors' Biographies

EXECUTIVE DIRECTORS

Mr. Leung Yat Tung, aged 58, was appointed as the Chief Executive Officer and Executive Director of the Company in May 2008. He has extensive experience in the development and management of marine offshore engineering, shipbuilding and structural steel portfolios. He holds a degree in Law from the Polytechnic of Newcastle-upon-Tyne in England. He is the father of Miss Leung Chi Yin, Gillian and Mr. Leung Chi Hong, Jerry, the executive directors of the Company; and the spouse of Mrs. Leung Yu Oi Ling, Irene, an executive director of the Company. He is responsible for the management and operation of the Group.

Mrs. Leung Yu Oi Ling, Irene, aged 58, joined the Group in June 1991 and is currently an Executive Director and the Chairman of the Company. She is a graduate of Leicester Polytechnic in UK and has had extensive experience in running her own interior design company prior to joining the Group. She is the spouse of Mr. Leung Yat Tung, and the mother of Miss Leung Chi Yin, Gillian and Mr. Leung Chi Hong, Jerry. She is responsible for the general management, business development and marketing of the Group.

Miss Leung Chi Yin, Gillian, aged 31, daughter of Mr. Leung Yat Tung and Mrs. Leung Yu Oi Ling, Irene, sister of Mr. Leung Chi Hong, Jerry, was designated in September 2002 as an Executive Director. She graduated in Commerce from Queen's University, Canada and also completed MSc in Law and Accounting from the London School of Economics and Political Science, London. She is responsible for the financial management and administration of the Group.

Mr. Leung Chi Hong, Jerry, aged 29, son of Mr. Leung Yat Tung and Mrs. Leung Yu Oi Ling, Irene, brother of Miss Leung Chi Yin, Gillian, was appointed as an Executive Director in October 2006. He possesses BSc in Physics and Computer from McGill University, Canada. He has over eight years of experience in ship management in China and South East Asia. He is responsible for the operation of the Group's marine division.

All the Executive Directors' interest in the Company's shares are disclosed on page 13 of this report.

Directors' Biographies

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pao Ping Wing, *JP*, aged 64, was appointed to the board of directors of the Company (the "Board") in August 1997, holds a Master of Science degree in human settlements planning and development. In the past 20 plus years, he has been actively serving on government policy and executive bodies, especially those of town planning, urban renewal, public housing and environment matters. He 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. He has been appointed as a Justice of the Peace for Hong Kong since 1987. He is also an independent non-executive director of Oriental Press Group Limited (stock code: 018), Sing Lee Software (Group) Limited (stock code: 8076), Zhuzhou CSR Times Electric Co., Limited (stock code: 3898), Maoye International Holdings Limited (stock Code: 848), Soundwill Holdings Limited (stock code: 878) and New Environmental Energy Holdings Limited (stock code: 3989), which are listed on the Hong Kong Stock Exchange. He has no personal interest in the shares of the Company.

Prof. Yuen Ming Fai, Matthew, aged 60, was appointed to the Board in April 2002. He spent 4 years in United Kingdom's Industry before taking up a lecturing position at the University of Hong Kong in 1979. He is currently a Professor and Head of the Department of Mechanical Engineering at The Hong Kong University of Science and Technology. He is a graduate of the University of Hong Kong and the University of Bristol. He is a Fellow of The Hong Kong Institution of Engineers and a Fellow of Institution of Mechanical Engineers, United Kingdom. He has extensive research experience in design and manufacturing. He is also appointed as an independent non-executive director of Fong's Industries Company Limited (stock code: 641). Save as his spouse having personal interest in 4,800 shares (0.00%) of the Company, Prof. Yuen has no personal interest in the shares of the Company.

Ms. Tse Mei Ha, aged 39, was appointed to the Board in September 2004. She is a Certified Public Accountant in Hong Kong. She has over ten years of experience in the accountancy profession including working with public accountants and auditor firms. She has no personal interest in the shares of the Company.

CORPORATE GOVERNANCE PRACTICES

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

Throughout the period ended 31 July 2011, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong (the "Listing Rules").

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry to all directors of the Company (the "Directors") regarding any non-compliance with the Model Code during the year under review and they all have confirmed that they have fully complied with the required standards set out in the Model Code.

BOARD OF DIRECTORS

As at the date of this report, the Board of the Company comprised the following seven Directors:

Executive Directors:
Mr. Leung Yat Tung *(Chief Executive Officer)*
Mrs. Leung Yu Oi Ling, Irene *(Chairman)*
Miss Leung Chi Yin, Gillian
Mr. Leung Chi Hong, Jerry

Independent Non-Executive Directors:
Mr. Pao Ping Wing, *JP*
Prof. Yuen Ming Fai, Matthew
Ms. Tse Mei Ha

The composition of the Board is well balanced with each Director having sound knowledge, experience and expertise relevant to the business operations and development of the Group. Biographical details of the Directors are set out in the "Directors' Biographies" section on pages 5 to 6 of this annual report. In compliance with Rule 3.10(1) of the Listing Rules, the Company has appointed three Independent Non-Executive Directors. Ms. Tse Mei Ha is one of the Independent Non-Executive Directors having the appropriate professional qualifications with accounting and financial management expertise as required by Rule 3.10(2) of the Listing Rules. The three Independent Non-Executive Directors have no relationships with any members of the Board or senior management of the Company. The Company has received from each of the Independent Non-Executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all of the Independent Non-Executive Directors are independent.

The Board is responsible to ensure the Company achieves its objectives, approve the business strategic plans, review management performance, maintain internal controls and monitor financial reporting process and business operations.

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

Corporate Governance Report

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

	Meetings Attended/Held			
Directors	**Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Annual General Meeting**
Executive Directors				
Mr. Leung Yat Tung	4/4	–	–	0/1
Mrs. Leung Yu Oi Ling, Irene	4/4	–	–	1/1
Miss Leung Chi Yin, Gillian	4/4	2/2	1/1	1/1
Mr. Leung Chi Hong, Jerry	3/4	–	–	1/1
Independent Non-Executive Directors				
Mr. Pao Ping Wing, *JP*	4/4	2/2	1/1	1/1
Prof. Yuen Ming Fai, Matthew	4/4	2/2	1/1	1/1
Ms. Tse Mei Ha	4/4	2/2	1/1	1/1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

To ensure a balance of power and authority, the Company fully supports the division of responsibility between the Chairman and the Chief Executive Officer ("CEO"). The roles of the Chairman and the CEO are segregated and performed by Mrs. Leung Yu Oi Ling, Irene and Mr. Leung Yat Tung respectively.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practices. With the support of the management, the Chairman is also responsible for ensuring that the Directors receive adequate information and appropriate briefing on the issues arising at the Board meetings.

The CEO focuses on implementing objectives, policies and strategies approved and delegated by the Board. The CEO is in charge of the Group's day-to-day management and operations. The CEO is also responsible for developing strategic plans and formulating the organisational structure, control systems and internal procedures and processes for the Board's approval.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with adoption of written terms of reference in accordance with the requirements of the Listing Rules and the CG Code. The responsibility of the Remuneration Committee is to formulate, review and evaluate the remuneration packages and policies of the Directors and senior management of the Group, to make recommendations to the Board from time to time, including bonus and options granted under the share option scheme, to ensure that such remuneration is reasonable and not excessive, and to enable the Company to attract, retain and motivate quality personnel essential to the long-term development of the Company.

As at the date of this report, the Remuneration Committee comprised of four members, majority of which are Independent Non–Executive Directors, namely Prof. Yuen Ming Fai, Matthew, Mr. Pao Ping Wing, *JP*, Ms. Tse Mei Ha and Miss Leung Chi Yin, Gillian. Currently, Prof. Yuen Ming Fai, Matthew is the chairman of the Remuneration Committee.

The Remuneration Committee shall meet at lease once a year. One meeting was held during the year with all the committee members attended.

Appropriate remuneration policies are important to enable the Company to retain and motivate employees (including Directors and anyone who have contributed to the Group) to meet corporate objectives. No director is involved in deciding his/her own remuneration. The remuneration packages of Directors and senior management include basic salary, housing allowance, performances bonus and share option. The remuneration of Independent Non–Executive Directors is subject to annual assessment.

NOMINATION OF DIRECTORS

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

According to the code provision of the CG Code, any Directors so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next following general meeting, who shall then be eligible for re-election at such general meeting.

In compliance with Code Provision A.4.1 of the CG Code, non-executive Directors are appointed for a specific term, subject to re-election. All Independent Non-Executive Directors will retire on 31 December 2011, subject to review by the Board and re-nomination.

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

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

AUDIT COMMITTEE

The Company has established the Audit Committee with the adoption of written terms of reference in accordance with the requirements of the Listing Rules and the CG Code. The Audit Committee is mainly responsible for providing an independent review and supervision of the financial reporting process and the Group's internal control systems, including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget.

The Audit Committee consists of three Independent Non-Executive Directors, namely Prof. Yuen Ming Fai, Matthew, Mr. Pao Ping Wing, *JP* and Ms. Tse Mei Ha, in which Ms. Tse Mei Ha is the chairman of the Audit Committee.

The Audit Committee shall meet at least twice a year. During the year, the Audit Committee held two meetings with all the committee members attended for considering the independence and appointment of the external auditor, reviewing the Group's financial reporting and internal control processes, reviewing the interim and annual financial statements of the Group and making recommendations to the Board from time to time.

During the year, the financial statements of the Group for the year ended 31 July 2010 and for the six months ended 31 January 2011 have been reviewed and approved by the Audit Committee.

The Group's audited financial statements and the annual results announcement for the year ended 31 July 2011 have been duly reviewed by the Audit Committee on 29 October 2011, with the members of the Audit Committee unanimously recommended to the Board for approval.

AUDITOR'S REMUNERATION

For the year ended 31 July 2011, the remuneration of the Company's external auditor, CCIF CPA Limited ("CCIF"), and the nature of services are set out as follows:

Type of services provided by external auditor	**Fee paid/payable**
	HK$
Audit services	960,000
Non-audit services	350,000

In addition, fees of HK$64,000 were paid to other auditors for certain subsidiaries of the Company for the year.

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

INTERNAL CONTROLS

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

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibility to prepare the Group's consolidated financial statements in accordance with statutory requirements and applicable accounting standards, and to present a balanced, clear and understandable assessment of the Group's financial results and disclosures as required under the Listing Rules and statutory requirements. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern. The financial statements have been prepared on a going concern basis. The responsibilities of the Directors for the financial statements are set out in the "Independent Auditor's Report" section on pages 17 to 18. The Directors also acknowledge that the publication of the consolidated financial statements shall be distributed to the shareholders of the Company in a timely manner.

COMMUNICATION WITH SHAREHOLDERS

The Company communicates with its shareholders through various channels, including annual general meetings, special general meetings, interim reports, annual reports, notices of general meetings, circulars, announcements, press releases and other corporate communications available on the Company's website.

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

At the Company's last annual general meeting held on 30 December 2010, except for Mr. Leung Yat Tung, all members of the Board, Audit Committee and Remuneration Committee were present to answer the questions from the shareholders.

Directors' Report

The board of directors (the "Board") of UDL Holdings Limited (the "Company") are pleased to present the annual report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 July 2011.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 21 to the financial statements, which are mainly sale of vessels, marine engineering, construction and structural steel engineering and related services, and hotel operation.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 July 2011 are set out in the Consolidated Income Statement on page 19 and the accompanying notes to the financial statements. As at 31 July 2011, the Company did not have any reserves available for cash distribution and distribution in specie, as calculated in accordance with the Companies Act 1981 of Bermuda (as amended).

Accordingly, the Directors do not recommend the payment of any dividend in respect of the year ended 31 July 2011 (2010: nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's five largest customers in aggregate was about 54% (2010: 71%) of the total turnover of the Group and the largest customer included therein amount to approximately 12% (2010: 24%).

The percentage of purchases attributable to the Group's five largest suppliers in aggregate was about 77% (2010: 74%) of the total purchases of the Group and the largest suppliers include therein amount to 38% (2010: 34%).

Save as disclosed in note 38 to the financial statements, neither the Directors, their associates nor those shareholders which to the knowledge of the Directors own more than 5% of the Company's share capital, held any interest in the Group's five largest customers or suppliers.

SEGMENTS INFORMATION

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

FINANCIAL SUMMARY FOR LAST FIVE YEARS

A financial summary of the published results of the Group and of its assets and liabilities for the last five financial years is set out on page 98. The summary does not form part of the audited financial statements.

Directors' Report

SHARE CAPITAL

Details of the Company's share capital are set out in note 31 to the financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 23 and note 32 to the financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

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

DIRECTORS AND SERVICE CONTRACTS

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

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

Independent Non-Executive Directors:
Mr. Pao Ping Wing, *JP*
Prof. Yuen Ming Fai, Matthew
Ms. Tse Mei Ha

In accordance with clause 99(A) as amended by clause 182(vi) of the Company's Bye-Laws and the code provisions in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules, Mr. Leung Yat Tung, Mr. Leung Chi Hong, Jerry and Prof. Yuen Ming Fai, Matthew will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

All Independent Non-executive Directors have been appointed, subject to retirement by rotation in accordance with the Company's Bye-Laws 99, for a specific term and they have reconfirmed their independence pursuant to Rule 3.13 of the Listing Rules.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 38 to the financial statements, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, nor had there been any contracts or arrangements in which any of the Directors was materially interested and which was significant in relation to the Group's business as a whole.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in the section "Emolument Policy and Share Option" on page 15, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES

As at 31 July 2011, the interests and short positions of the Directors and their associates in the shares and underlying shares, if any, of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be maintained by the Company pursuant to Section 352 of the SFO were as follows:

Interests in Shares of the Company

		Number of Shares and nature of interest		Percentage of the Company's issued
Name of Directors	*Notes*	**Personal**	**Other**	**share capital**
Mr. Leung Yat Tung	*1, 3, 4, 6*	100,900,674	6,204,084,634	61.75%
Mrs. Leung Yu Oi Ling, Irene	*1, 3, 4, 6*	800,000	6,304,185,308	61.75%
Miss Leung Chi Yin, Gillian	*1, 2, 3*	22,239,200	6,203,004,634	60.97%
Mr. Leung Chi Hong, Jerry	*1, 2, 3*	16,506,774	6,203,004,634	60.91%
Prof. Yuen Ming Fai, Matthew	*5*	–	4,800	0.00%

Notes:

1. 6,202,833,221 shares are held by Harbour Front Limited, the trustee of a unit trust. All of the units in the unit trust are held by Infiniti Trust (Asia) Limited, the trustee of a discretionary trust, the beneficiaries of which are Mrs. Leung Yu Oi Ling, Irene and her children, namely, Miss Leung Chi Yin, Gillian, Mr. Leung Chi Hong, Jerry and Mr. Leung Kai Hong, Kaiser. Mr. Leung Yat Tung is the founder of the discretionary trust.

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

3. 51,413 shares are held by Vital Strategic Corporate Consultancy Limited, which is beneficially owned by Harbour Front Limited, Mrs. Leung Yu Oi Ling, Irene, Miss Leung Chi Yin, Gillian, Mr. Leung Chi Hong, Jerry and Mr. Leung Kai Hong, Kaiser as to 18%, 20%, 22%, 20% and 20% respectively.

4. 400,000 shares are held by Top Union Investments Limited, which is 100% beneficially owned by Mrs. Leung Yu Oi Ling, Irene.

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

6. 100,900,674 shares are held by Mr. Leung Yat Tung, spouse of Mrs. Leung Yu Oi Ling, Irene.

Save as disclosed above, as at 31 July 2011, none of the Directors or chief executives of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES

As at 31 July 2011, the interests and short positions of the substantial shareholders (other than the Directors of the Company) in the shares of the Company as recorded in the register as required to be kept by the Company under Section 336 of the SFO were as follows:

Interests in Shares of the Company

Name of shareholder	Number of Shares held	Percentage of the Company's issued share capital
Harbour Front Limited	6,202,833,221	60.75%

Note: 6,202,833,221 shares are held by Harbour Front Limited, the trustee of a unit trust. All the units in the unit trust are held by Infiniti Trust (Asia) Limited, the trustee of a discretionary trust, the beneficiaries of which are Mrs. Leung Yu Oi Ling, Irene and her children, namely, Miss Leung Chi Yin, Gillian, Mr. Leung Chi Hong, Jerry and Mr. Leung Kai Hong, Kaiser. Mr. Leung Yat Tung is the founder of the discretionary trust.

Save as disclosed above, the Company has not been notified of any other interests or short positions in any shares, underlying shares or debt securities of the Company as required to be recorded in the register under Section 336 of the SFO as at 31 July 2011.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

The Company has complied with the CG Code. Information on the corporate governance practices adopted by the Company is set out in "Corporate Governance Report" section on pages 7 to 10.

CONNECTED TRANSACTIONS

Details of the related party transactions and connected transactions of the Group are set out in note 38 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of this report, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

EMOLUMENT POLICY AND SHARE OPTION

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

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

On 31 December 2002, the Company adopted a share option scheme (the "Share Option Scheme") for the purpose of attracting and retaining quality personnel and other persons who may contribute to the business and operation of the Group. Options may be granted to persons including Directors, employees or consultants of the Group. Presently the maximum number of shares issuable under the Option Scheme is 868,106,073 shares (being 8.6% of the issued share capital of the Company at 30 December 2010). The maximum number of shares in respect of which options may be granted to any one person in any 12-month period is 1% of the issued share capital of the Company on the last date of such 12-month period unless with shareholders' approval. The option period shall not be more than 10 years from the date of grant of an option, and may include a minimum period an option must be held before it can be exercised. The exercise price is the highest of (i) the nominal value of one share of the Company; (ii) the closing price per share as stated in the Stock Exchange's daily quotations sheet on the date of the grant of the option; and (iii) the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of the grant of the option. The Share Option Scheme will remain in force until 30 December 2012.

The status of the share options is set out in note 34 to the financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 July 2011.

CONTINGENCES AND OUTSTANDING LITIGATIONS

Details of the outstanding litigations are set out in note 37 to the financial statements.

AUDITOR

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

On behalf of the Board

Leung Yu Oi Ling, Irene
Chairman

Hong Kong
29 October 2011

CCIF
CCIF CPA LIMITED
陳葉馮會計師事務所有限公司
34/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UDL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of UDL Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 19 to 97, which comprise the consolidated and company statements of financial position as at 31 July 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements
The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated 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 this 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated 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 2011 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 29 October 2011

Leung Chun Wa
Practising Certificate Number P04963

Consolidated Income Statement

For the year ended 31 July 2011

	Note	2011 HK$'000	2010 HK$'000
Turnover	5	**60,254**	114,252
Other revenue and net income	7	**1,507**	2,226
Staff costs	9(a)	**(24,177)**	(22,512)
Marine, construction and structural steel engineering costs	9(b)	**(42,901)**	(75,214)
Hotel operation costs	9(c)	**(525)**	–
Depreciation and amortisation	9(d)	**(14,234)**	(16,678)
Impairment loss on port work and structural steel licences	18	**–**	(30,912)
Impairment loss on amounts due from customers for contract work	24	**(23,511)**	–
Impairment loss on trade and other receivables	23(a) and (b)	**(18,060)**	(1,294)
Gain on bargain purchase of business combination	39(a)	**3,681**	–
Other operating expenses		**(13,298)**	(18,909)
Loss from operations		**(71,264)**	(49,041)
Finance costs	8	**(2,557)**	(1,721)
Share of profit of associates	20	**1,786**	3,834
Loss before taxation	9	**(72,035)**	(46,928)
Income tax	10	**–**	(1,385)
Loss for the year		**(72,035)**	(48,313)
Attributable to:			
Owners of the Company		**(72,073)**	(48,313)
Non-controlling interests		**38**	–
		(72,035)	(48,313)
Loss per share			
– Basic	14(a)	**(0.71) cent**	(0.48) cent
– Diluted	14(b)	**(0.71) cent**	(0.48) cent

The notes on pages 26 to 97 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 July 2011

	Note	2011 HK$'000	2010 HK$'000
Loss for the year		**(72,035)**	(48,313)
Other comprehensive income for the year			
Exchange differences on re-translation of financial statements of foreign operations		**8,982**	4,110
Reclassification adjustment for realised exchange reserve to gain on disposal of a subsidiary	*39(b)*	**134**	–
Total comprehensive loss for the year		**(62,919)**	(44,203)
Attributable to:			
Owners of the Company		**(62,957)**	(44,203)
Non-controlling interests		**38**	–
		(62,919)	(44,203)

The notes on pages 26 to 97 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 July 2011

	Note	2011 HK$'000	2010 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**247,184**	106,509
Lease prepayments	17	**176,929**	56,401
Intangible assets	18	**–**	–
Club membership	19	**200**	200
Interests in associates	20(a)	**7,125**	5,334
		431,438	168,444
Current assets			
Inventories	22	**95,731**	64,949
Lease prepayments	17	**2,087**	1,976
Trade and other receivables	23	**30,678**	29,648
Amount due from an associate	20(b)	**–**	2,991
Amounts due from customers for contract work	24	**–**	16,226
Amounts due from related parties	38(b)	**5,836**	2,083
Cash and cash equivalents	25	**20,071**	37,569
		154,403	155,442
Current liabilities			
Secured bank loans	26	**15,497**	–
Obligations under finance leases	28	**–**	52
Trade and other payables	29	**37,083**	28,721
Amounts due to related parties	38(c)	**4,757**	3,652
Amount due to an associate	20(c)	**1,718**	–
Amounts due to directors	38(d)	**122**	180
Loan from a related company	38(e)	**755**	–
Current taxation	30(a)	**673**	1,860
		60,605	34,465
Net current assets		**93,798**	120,977
Total assets less current liabilities		**525,236**	289,421
Non-current liabilities			
Promissory note	27	**167,856**	–
Loan from a related company	38(e)	**82,586**	35,658
Deferred tax liabilities	30(b)	**49,236**	–
		299,678	35,658
NET ASSETS		**225,558**	253,763
CAPITAL AND RESERVES			
Share capital	31	**102,109**	100,900
Reserves	32	**92,583**	152,863
Total equity attributable to owners of the Company		**194,692**	253,763
Non-controlling interests		**30,866**	–
TOTAL EQUITY		**225,558**	253,763

Approved and authorised for issue by the Board of Directors on 29 October 2011

Leung Yu Oi Ling, Irene
Director

Leung Yat Tung
Director

The notes on pages 26 to 97 form part of these financial statements.

Statement of Financial Position

As at 31 July 2011

	Note	2011 HK$'000	2010 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	3	6
Investments in subsidiaries	21	82,452	143,790
		82,455	143,796
Current assets			
Trade and other receivables	23	468	496
Amounts due from subsidiaries	21(a)	186,715	149,214
Cash and cash equivalents	25	69	1,095
		187,252	150,805
Current liabilities			
Other payables	29	2,463	5,015
Amounts due to subsidiaries	21(a)	16,111	–
Amount due to a related party	38(c)	–	5
Amounts due to directors	38(d)	80	162
Loan from a related company	38(e)	755	–
		19,409	5,182
Net current assets		167,843	145,623
Total assets less current liabilities		250,298	289,419
Non-current liabilities			
Loan from a related company	38(e)	59,699	35,658
NET ASSETS		190,599	253,761
CAPITAL AND RESERVES			
Share capital	31	102,109	100,900
Reserves	32	88,490	152,861
TOTAL EQUITY		190,599	253,761

Approved and authorised for issue by the Board of Directors on 29 October 2011

Leung Yu Oi Ling, Irene
Director

Leung Yat Tung
Director

The notes on pages 26 to 97 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 July 2011

	Attributable to owners of the Company										
	Share capital HK$'000 Note 31	Share premium HK$'000 Note 32(a)	Share option reserve HK$'000 Note 32(e)	Capital redemption reserve HK$'000 Note 32(a)	Exchange fluctuation reserve HK$'000 Note 32(d)	Scheme reserve HK$'000 Note 32(c)	Revaluation reserve HK$'000 Note 32(f)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 August 2009	100,900	309,140	1,330	1,264	71	1,054,095	6,981	(1,175,815)	297,966	–	297,966
Loss for the year	–	–	–	–	–	–	–	(48,313)	(48,313)	–	(48,313)
Exchange difference arising from re-translation of foreign operations	–	–	–	–	4,110	–	–	–	4,110	–	4,110
Total comprehensive income/ (loss) for the year	–	–	–	–	4,110	–	–	(48,313)	(44,203)	–	(44,203)
At 31 July 2010 and 1 August 2010	100,900	309,140	1,330	1,264	4,181	1,054,095	6,981	(1,224,128)	253,763	–	253,763
Equity settled share-based transactions	–	–	664	–	–	–	–	–	664	–	664
Issue of new shares upon exercise of share options	1,209	3,675	(1,662)	–	–	–	–	–	3,222	–	3,222
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	30,828	30,828
Loss for the year	–	–	–	–	–	–	–	(72,073)	(72,073)	38	(72,035)
Exchange difference arising from re-translation of foreign operations	–	–	–	–	8,982	–	–	–	8,982	–	8,982
Reclassification adjustment for realised reserve to gain on disposal of a subsidiary	–	–	–	–	134	–	–	–	134	–	134
Total comprehensive income/ (loss) for the year	–	–	–	–	9,116	–	–	(72,073)	(62,957)	38	(62,919)
At 31 July 2011	102,109	312,815	332	1,264	13,297	1,054,095	6,981	(1,296,201)	194,692	30,866	225,558

The notes on pages 26 to 97 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 July 2011

	Note	2011 HK$'000	2010 HK$'000
Operating activities			
Loss before taxation		**(72,035)**	(46,928)
Adjustments for:			
Depreciation and amortisation	9(d)	**14,234**	16,678
Impairment loss on trade and other receivables	9(e)	**18,060**	1,294
Impairment loss on amounts due from customers for contract work	24	**23,511**	–
Impairment loss on port work and structural steel licenses		**–**	30,912
Write-down of inventories		**–**	2,154
Interest expenses	8	**2,557**	1,721
Interest income	7	**(17)**	(1,055)
(Gain)/loss on disposal of property, plant and equipment	9(e)	**(206)**	20
Gain on disposal of a subsidiary	39(b)	**(992)**	–
Equity-settled share-option expenses	9(a)	**664**	–
Gain on bargain purchase of business combination	39(a)	**(3,681)**	–
Costs directly attributable to acquisition of subsidiaries	39(a)(iii)	**695**	–
Share of profit of associates	20	**(1,786)**	(3,834)
Operating profit before working capital changes		**(18,996)**	962
Increase in inventories		**(27,744)**	(5,611)
Increase in trade and other receivables		**(13,927)**	(3,054)
Increase in amounts due from customers for contract work		**(7,285)**	(6,677)
Increase/(decrease) in amounts due from related parties		**(3,753)**	100
Decrease/(increase) in amount due from an associate		**4,709**	(2,991)
Increase in trade and other payables		**2,375**	7,424
Increase/(decrease) in amounts due to related parties		**2,623**	(950)
Decrease in amounts due to directors		**(58)**	(34)
Cash used in operations		**(62,056)**	(10,831)
Overseas tax paid		**(1,187)**	(1,386)
Interest received		**17**	1,055
Net cash used in operating activities		**(63,226)**	(11,162)

Consolidated Statement of Cash Flows

For the year ended 31 July 2011

	Note	2011 HK$'000	2010 HK$'000
Investing activities			
Investment in an associate		–	(1,500)
Capital injected in an associate	20	(3,500)	–
Proceeds from disposal of property, plant and equipment		8,348	627
Purchase of property, plant and equipment	16	(14,644)	(7,037)
Acquisition of subsidiaries	39(a)	2,384	–
Payment for acquisition cost of business combination	39(a)(iii)	(695)	
Disposal of a subsidiary	39(b)	(74)	–
Dividend received from an associate	20	3,495	–
Net cash used in investing activities		(4,686)	(7,910)
Financing activities			
Repayment of loan from a related company		–	(9,287)
Interest paid		(2,555)	(1,712)
Loans from related companies		47,683	–
Interest element on finance lease payments		(2)	(9)
Capital element of finance lease payments		(52)	(82)
Proceeds from issue of new shares, net		3,222	–
Net cash generated from/(used in) financing activities		48,296	(11,090)
Net decrease in cash and cash equivalents		(19,616)	(30,162)
Cash and cash equivalents at 1 August		37,569	65,109
Effect of foreign exchange rate changes		2,118	2,622
Cash and cash equivalents at 31 July		20,071	37,569
Analysis of balances of cash and cash equivalents			
Cash and bank balances		20,071	37,569

Major non-cash item:

During the year ended 31 July 2011, the Group acquired 100% equity interest in the issued share capital of Silk Road Development Company Limited from an independent third party for a fair value consideration of HK$167,856,000 which was settled by the issuance of promissory note as disclosed in note 39(a) to the financial statements.

The notes on pages 26 to 97 form part of these financial statements.

1. GENERAL INFORMATION

UDL Holdings Limited ("the Company") was incorporated in Bermuda as an exempted company with limited liability on 31 May 1991 under the Companies Law of Bermuda and has its registered office at the Crawford House, 4th Floor, 50 Cedar Avenue, Hamilton HM11, Bermuda and principal place of business at Room 702, 7th Floor, Aitken Vanson Centre, 61 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are sale of vessels, marine engineering, construction and structural steel engineering and related services, and hotel operation.

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

These consolidated financial statements are presented in thousands of units of Hong Kong dollars ("HK$"), which is the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Application of new and revised HKFRSs

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 32 (Amendments)	Classification of right issues
HKFRS 1 (Amendments)	Additional exemptions for first-time adopters
HKFRS 1 (Amendments)	Limited exemptions from comparative HKFRS 7 disclosures for first-time adopters
HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HK-INT 5	Presentation of financial statements - Classification by the borrower of a term loan that contains a repayment on demand clause
HK(IFRIC) 19	Extinguishing financial liabilities with equity instruments

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Application of new and revised HKFRSs *(Continued)*

In November 2010, the HKICPA issued HK-INT 5. This interpretation is effective immediately on issuance and sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time should be classified as current liabilities in accordance with paragraph 69(d) of HKAS 1, Presentation of financial statements, irrespective of the probability that the lender will not invoke the clause. In order to comply with the requirements of INT 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK-INT 5, terms loans with a repayment on demand clause are classified as current liabilities.

As at 31 July 2011, those outstanding bank loans obtained during the year with a repayment on demand clause as at 31 July 2011 are due to be settled within one year after the end of the reporting period and have been classified as current liabilities and as such, the application of HK-INT 5 has had no impact on the reported financial position and profit and loss for the current and prior years. However, such term loans are now presented in the earliest time band in the maturity analysis for financial liabilities (see note 3(b) for details).

HK (IFRIC) 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

The remaining developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of these financial statements.

The Group has not early applied any of the following new and revised Standards, Amendments and Interpretations which have been issued but are not yet effective for annual periods beginning on 1 August 2010:

HKFRS 1 (Amendments)	First-time adoption of HKFRS-Severe hyperinflation and removal of fixed dates of first-time adopters[2]
HKFRS 7 (Amendments)	Disclosures-Transfers of financial assets[2]
HKFRS 9	Financial instruments[5]
HKFRS 10	Consolidated financial statements[5]
HKFRS 11	Joint arrangements[5]
HKFRS 12	Disclosure of interests in other entities[5]
HKFRS 13	Fair value measurement[5]
HKAS 1 (Amendments)	Presentation of items of other comprehensive income[4]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[3]
HKAS 19 (as revised in 2011)	Employee benefits[5]
HKAS 24 (as revised)	Related party disclosures[1]
HKAS 27 (as revised in 2011)	Separate financial statements[5]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[5]

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Application of new and revised HKFRSs *(Continued)*

[1] Effective for annual periods beginning on or after 1 January 2011
[2] Effective for annual periods beginning on or after 1 July 2011
[3] Effective for annual periods beginning on or after 1 January 2012
[4] Effective for annual periods beginning on or after 1 July 2012
[5] Effective for annual periods beginning on or after 1 January 2013

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

(c) Basis of preparation of the financial statements

The financial statements have been prepared under the historical cost convention except for the hotel properties, floating crafts and vessels and shipyard and leasehold buildings which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

(d) Subsidiaries and non-controlling interests

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries and non-controlling interests *(Continued)*

Non-controlling interests (previously known as "minority interests") represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

In the Company's statement of financial position, an investment in a subsidiary is carried at cost less impairment losses (see note 2 (k)).

(e) Associates

An associate is an entity in which the Group or Company has a 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, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate and any impairment loss relating to the investment (see note 2(k)). The Group's share of the post-acquisition, post-tax results of the associate and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the associates' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred or constructive obligations to made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses (see note 2 (k)).

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised directly in other comprehensive income and accumulated separately in equity in the exchange reserve.

On the disposal of a subsidiary with a functional currency other than the Hong Kong dollar, the cumulative amount of the exchange differences relating to that subsidiary is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(g) Property, plant and equipment

Property, plant and equipment, other than hotel properties, shipyard and leasehold buildings and floating craft and vessels, are carried at cost less accumulated depreciation and impairment losses.

Hotel properties, shipyard and leasehold buildings and floating craft and vessels are carried at their revalued amount, being their fair 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 end of the reporting period.

Changes arising on the revaluation of shipyard and leasehold buildings and floating craft and vessels are generally dealt with in other comprehensive income and are accumulated separately in equity in the property revaluation reserve. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment less their estimated residual value, if any, using the straight-line method, over their estimated useful lives as follows:

Shipyard and leasehold buildings outside Hong Kong, in Singapore	Over the unexpired term of the lease
Shipyard and leasehold buildings outside Hong Kong, in the PRC	20 years or over the lease term whichever is shorter
Hotel properties outside Hong Kong, in the PRC	Lower of underlying land lease or 50 years
Leasehold improvements	$33^1/_3$%
Floating craft and vessels	10%
Furniture, fixtures and office equipment	10 – $33^1/_3$%
Plant, machinery and workshop equipment	10 – $33^1/_3$%
Motor vehicles	10 – 25%

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

(h) Intangible assets

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

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

(i) Lease prepayments

Lease prepayments represent payments made to acquire leasehold land. Lease prepayments are carried at cost less accumulated amortisation and impairment losses (see note (2)(k)(ii)). Amortisation is charged to profit or loss on a straight-line basis over the lease term, except when an alternative basis is more representative of the pattern of benefits to be derived from the leasehold land.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Club memberships

Club memberships with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

(k) Impairment of assets

(i) Impairment of investments in subsidiaries and other receivables

Investments in subsidiaries and other current and non-current receivables that are carried at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in subsidiaries and associates (including those recognised using the equity method), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(k)(ii).

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets *(Continued)*

(i) Impairment of investments in subsidiaries and other receivables (Continued)

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

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

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;
– lease prepayments; and
– intangible assets

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter carried at amortised cost less allowance for impairment of doubtful debts (see note 2(k)(i)), 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 carried at cost less allowance for impairment of doubtful debts.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an 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 statement of cash flows.

(n) Trade and other payables

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

(o) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 2(w)(i). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded in the statement of financial position at the net amounts of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the statement of financial position as the "Amount due from customers for contract work" (as an asset), or the "Amount due to customers for contract work") (as a liability), as applicable. Progress billings not yet paid by the customer are included in the statement of financial position under "Trade and other receivables". Amounts received before the related work is performed are included in the statement of financial position, as a liability, as "Advances received from customers for contract work".

(p) Inventories

Vessels held for sale are stated at the lower of cost and net realisable value. Cost of vessels held for sale comprises all costs of purchase, costs of conversion and other costs that incurred in bringing the inventories to their present location and condition. Cost for food, beverages, cutlery, linen and supplies used in hotel and restaurant operations is determined on the first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Inventories *(Continued)*

When inventories are sold or consumed, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(q) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are carried at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(r) Borrowing costs

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

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(s) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing and amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. When the time value of money is material, provisions are carried at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(t) Employee benefits

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

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

(ii) Defined contribution pension plan obligations

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

(iii) Share-based payments

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(t) Employee benefits *(Continued)*

(iv) Termination benefits

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

(u) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, respectively.

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(u) Income tax *(Continued)*

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

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

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

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

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

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(v) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Assets acquired under finance leases

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

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(w) Recognition of revenue

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Revenue from marine engineering and construction and structural steel engineering contracts is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

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

(iii) Hotel revenue from room rentals, food and beverage and other ancillary services is recognised when the services are rendered.

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

(v) Interest income is recognised as it accrues using the effective interest method.

(x) Business combination

Acquisitions of business are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for the control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair values.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(x) Business combination *(Continued)*

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved by stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss where the Group obtains control over the acquiree.

(y) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree, over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

Where (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on bargain purchase.

Goodwill is carried at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment.

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(z) Related parties

For the purpose of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of the key management personnel of the Group or the Group's 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 family member of any individual referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

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

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

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, interest rate and currency risk arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

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

Trade receivables are presented net of the allowance for impairment of doubtful debts. Credit risks and exposures are controlled and monitored on an ongoing basis by performing credit evaluation on customers on a case-by-case basis. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are normally due within 120 days to 150 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk arising from trade receivables is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate. At the end of the reporting period, the Group has a certain concentration of credit risk arising from trade receivables as 18% (2010: 16%) and 60% (2010: 67%) of the total receivables were due from the Group's largest customer and the five largest customers, respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. The Group does not provide any guarantee which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors are set out in note 23 to the financial statements.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk

The Group's objective is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay. For term loans subject to a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the impact to the timing of the cash outflows if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

The Group

	2011				
	Carrying amount *HK\$'000*	**Total contractual undiscounted cash flow** *HK\$'000*	**Within 1 year or on demand** *HK\$'000*	**More than 1 year but less than 2 years** *HK\$'000*	**More than 2 years but less than 5 years** *HK\$'000*
Trade and other payables	**37,083**	**37,083**	**37,083**	**–**	**–**
Amount due to an associate	**1,718**	**1,718**	**1,718**	**–**	**–**
Amounts due to related parties	**4,757**	**4,757**	**4,757**	**–**	**–**
Amounts due to directors	**122**	**122**	**122**	**–**	**–**
Loans from related companies *(note 38(e))*	**83,341**	**90,226**	**771**	**63,679**	**25,776**
Secured bank loans	**15,497**	**16,499**	**16,499**	**–**	**–**
Promissory note	**167,856**	**188,271**	**–**	**188,271**	**–**
	310,374	**338,676**	**60,950**	**251,950**	**25,776**

	2010				
	Carrying amount *HK\$'000*	Total contractual undiscounted cash flow *HK\$'000*	Within 1 year or on demand *HK\$'000*	More than 1 year but less than 2 years *HK\$'000*	More than 2 years but less than 5 years *HK\$'000*
Trade and other payables	28,721	28,721	28,721	–	–
Obligations under finance leases	52	54	54	–	–
Amounts due to related parties	3,652	3,652	3,652	–	–
Amounts due to directors	180	180	180	–	–
Loan from a related company	35,658	38,778	1,783	36,995	–
	68,263	71,385	34,390	36,995	–

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk *(Continued)*

The Company

	2011				
	Carrying amount *HK$'000*	**Total contractual undiscounted cash flow** *HK$'000*	**Within 1 year or on demand** *HK$'000*	**More than 1 year but less than 2 years** *HK$'000*	**More than 2 years but less than 5 years** *HK$'000*
Trade and other payables	**2,463**	**2,463**	**2,463**	**–**	**–**
Amounts due to subsidiaries	**16,111**	**16,111**	**16,111**	**–**	**–**
Amounts due to directors	**80**	**80**	**80**	**–**	**–**
Loans from related companies *(note 38(e))*	**60,454**	**64,450**	**771**	**63,679**	**–**
	79,108	**83,104**	**19,425**	**63,679**	**–**

	2010				
	Carrying amount *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Within 1 year or on demand *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*
Trade and other payables	5,015	5,015	5,015	–	–
Amount due to a related party	5	5	5	–	–
Amounts due to directors	162	162	162	–	–
Loan from a related company	35,658	38,778	1,783	36,995	–
	40,840	43,960	6,965	36,995	–

(c) Interest rate risk

The Group's exposure to interest rate risk arises primarily to the Group's short and long-term loans. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

At 31 July 2011, it is estimated that a general increase/decrease of 100 basis points in interest rate, with all other variable were held constant, would increase/decrease the Group's loss after tax by approximately HK$788,000 (2010: HK$19,000).

The sensitive analysis above has been determined assuming that the change in interest rate had occurred at the end of the reporting period and had been applied to the exposure to interest rate or all non-derivative financial instruments in existence at that date. The analysis is performed on the same basis for 2010.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Currency risk

The Group has foreign currency assets and liabilities that are denominated in a currency other than the functional currency of the Company. Exchange differences arising on settling or translating these foreign currency monetary items at rates different from those at dates of transactions giving rise to these monetary items that are recognised in profit or loss.

The Group enters into transactions denominated in currencies other than its functional currency of the respective entities of the Group. Consequently, the Group is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Group's assets and liabilities denominated in currencies other than the Hong Kong dollars. As the Hong Kong dollars is pegged to United States Dollars, the Group does not expect any significant movements in the HKD/USD exchange rate. The currency giving rise to foreign currency risk is primarily denominated in Renminbi and Singapore Dollars. Management of the Group continuously monitors the Group's exposure to such foreign currency risks to ensure they are at manageable levels.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of reporting period to currency risk arising from recognised assets and liabilities denominated in a currency other than functional currency they relate.

The Group

	2011		2010	
	Renminbi	**Singapore Dollars**	Renminbi	Singapore Dollars
	'000	***'000***	*'000*	*'000*
Trade and other receivables	**5,640**	**1,927**	2,291	1,784
Cash at banks	**9,301**	**761**	594	6,163
Trade and other payables	**(8,499)**	**(1,883)**	(4,234)	(1,836)
Secured bank loans	**(12,800)**	**–**	–	–
Net exposure to currency risk	**(6,358)**	**805**	(1,349)	6,111

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Currency risk *(Continued)*

(ii) Sensitive analysis

The following table indicates the approximate change in the Group's loss before tax and accumulated losses in response to reasonably possible change in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. Other components of equity would not affected by changes in the foreign exchange rates:

	2011		2010	
	Increase/ (decrease) Foreign exchange rates	**Increase/ (decrease) loss after tax and accumulated losses** *HK$'000*	Increase/ (decrease) foreign exchange rates	Increase/ (decrease) loss after tax and accumulated losses *HK$'000*
Renminbi	**5%**	**385**	5%	77
	(5)%	**(385)**	(5)%	(77)
Singapore Dollars	**5%**	**(260)**	5%	(1,743)
	(5)%	**260**	(5)%	1,743

The sensitive analysis above has been determined assuming that the change in foreign exchange rates had occurred at the end of reporting period and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual end of reporting period. The analysis excludes differences that would result form the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis is performed on the same basis for 2010.

(e) Reliance on major customers

For the year ended 31 July 2011, the largest and the five largest customers of the Group in aggregate approximately 12% (2010: 24%) and 54% (2010: 71%) respectively of the Group's total turnover, evidencing a significant reliance on the Group's largest customer for the year ended 31 July 2011. During the years ended 31 July 2011 and 2010, the Group had not encountered any material disruption of sales.

(f) Fair values

Amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. Given such terms, it is not meaningful to disclose their fair values.

All financial instruments are carried at amounts not materially different from their fair values as at 31 July 2011 and 2010.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(g) Estimation of fair values

(i) Finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at current market interest rate for similar financial instruments.

(ii) Interest rate used for determining fair value

	2011	2010
The market interest rate adopted for:		
– Loans from related companies	**5%**	5%

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

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

(a) Estimates of fair value of floating 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 judgement, the Group considers information from a variety of sources including:

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

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

(b) Depreciation of hotel properties

The Group depreciates the hotel properties on a straight-line basis over the remaining unexpired terms of the lease. It reflects the directors' estimate of the periods that the Group intends to derive economic benefits from the use of the hotel properties. The Group has been granted the rights to operate and manage the hotel properties in the PRC for a period of 50 years subject to certain conditions to be fulfilled by the Group. Should the conditions not be fulfilled, the depreciation period of the hotel properties would be adjusted. During the year ended 31 July 2011, the estimated useful life of 50 years of these hotel properties has been reviewed, and these estimates are considered to be appropriate.

(c) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the provision for income taxes. There are transactions during the ordinary course of business, for which the calculation of the ultimate tax determination is uncertain. Where the final tax outcome is different from the amounts that were initially recorded, such differences would affect profit or loss in future years.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(c) Income taxes *(Continued)*

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the tax losses and deductible temporary differences can be utilised. Estimation of future taxable profits involves judgements made by the directors. Any increase or decrease in the recognition of deferred tax assets would affect the Group's profit or loss in future years.

(d) Impairment of property, plant and equipment, lease prepayments and intangible assets

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

(e) Impairment of trade and other receivables

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

(f) Write-down of inventories

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

(g) Construction contract revenue recognition

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

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

4. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(h) Depreciation and amortisation

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

(i) Outstanding litigations

As detailed in note 37 to the financial statements, the Group had contingent liabilities in respect of a number of legal proceedings in Hong Kong, Singapore and Bermuda. The directors are of the opinion, after having sought the legal advice from the Company's legal counsels, that the claims can be successfully defended. As a result, no provision has been made in the financial statements.

(j) Going concern

In preparing the financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group and the Company in light of the fact that the Group incurred a loss of HK$72,035,000 for the year ended 31 July 2011. The directors of the Company have taken the following actions to mitigate the liquidity issues faced by the Group and the Company:

(i) On 30 May 2009, the Company together with a wholly-owned subsidiary, UDL Ventures Limited (the "companies") and Harbour Front Assets Investments Limited ("HFAI"), a related company of Harbour Front, have entered into a revolving finance agreement, whereby HFAI has agreed to provide a revolving credit facility of up to HK$45,000,000 to the companies. The facility is unsecured and bears interest at prime rate per annum on the amount of the facility drawn down. The revolving credit facility shall expire in three years from the date of the agreement, subject to further extension if required. HFAI has undertaken not to demand repayment of the loan from the Company after its maturity date of 30 May 2012, until such time as the Group has sufficient funds to repay the amount due by the Group and still be able to meet its financial obligations after the repayment; and

(ii) On 27 September 2011, the companies and HFAI have entered into a supplemental agreement under which HFAI has agreed to increase the revolving credit facility up to HK$260 million to the companies. The revolving credit facility shall expire on 30 November 2012, subject to further extension if required.

The directors of the Company considered that the Group will be able to operate as a going concern in the foreseeable future.

5. TURNOVER AND REVENUE

The Group's turnover represents revenue derived from sale of vessels, marine engineering work, construction and structural steel engineering work and hotel operation. Revenue recognised during the year is as follows:

	2011 HK$'000	2010 HK$'000
Revenue from :		
Marine engineering	**42,250**	94,849
Sale of vessels	**1,350**	5,020
Construction and structural steel engineering	**15,242**	14,383
Hotel operation		
– Room rentals	**943**	–
– Food and beverage	**469**	–
	1,412	–
	60,254	114,252

6. SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by business line in a manner consistent with the way in which information is reported internally to the Group's Chief Operating Decision Maker ("CODM"), for the purpose of resource allocation and performance assessment.

During the year ended 31 July 2011, the Group is newly engaged in the hotel operation business and this becomes a new operation segment in the current reporting period. The Group is therefore organised into four operating segments for the current reporting period. No operating segments have been aggregated to form the following reportable segments:

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

(a) Segment results, assets and liabilities

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

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

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

6. SEGMENT INFORMATION *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

	Marine engineering		Construction and structural steel engineering		Sale of vessels		Hotel operation		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$000*	***HK$'000***	*HK$000*	***HK$'000***	*HK$000*
Reportable segment revenue:										
Revenue from external customers	**42,250**	94,849	**15,242**	14,383	**1,350**	5,020	**1,412**	–	**60,254**	114,252
Reportable segment results	**(51,017)**	9,179	**(6,293)**	(37,126)	**(1,150)**	717	**4,567**	–	**(53,893)**	(27,230)
Unallocated head office and corporate other revenue and income									**1,507**	2,226
Unallocated head office and corporate expenses									**(17,092)**	(20,203)
Unallocated finance costs									**(2,557)**	(1,721)
Loss before taxation									**(72,035)**	(46,928)
Income tax									**–**	(1,385)
Loss attributable to owners of the Company									**(72,035)**	(48,313)
ASSETS										
Reportable segment assets	**68,904**	108,400	**139,832**	134,970	**101,281**	73,643	**273,238**	–	**583,255**	317,013
Unallocated head office and corporate assets									**2,586**	6,873
Total consolidated assets									**585,841**	323,886
LIABILITIES										
Reportable segment liabilities	**109,267**	60,527	**10,762**	7,322	**1,333**	2,248	**238,895**	–	**360,257**	70,097
Unallocated head office and corporate liabilities									**26**	26
Total consolidated liabilities									**360,283**	70,123
OTHER INFORMATION										
Capital expenditure incurred during the year	**14,287**	638	**–**	4,554	**357**	1,845	**–**	–	**14,644**	7,037
Depreciation and amortisation	**4,277**	9,276	**8,650**	6,374	**1,307**	1,028	**–**	–	**14,234**	16,678
Gain on bargain purchase of business combination	**–**	–	**–**	–	**–**	–	**(3,681)**	–	**(3,681)**	–
Impairment on port work and structural steel licences	**–**	–	**–**	30,912	**–**	–	**–**	–	**–**	30,912
Write-down of inventories	**–**	–	**–**	–	**–**	2,154	**–**	–	**–**	2,154
Impairment loss on trade and other receivables	**8,246**	1,108	**7,909**	186	**1,905**	–	**–**	–	**18,060**	1,294
Impairment loss on amounts due from customers for contract work	**22,403**	–	**1,108**	–	**–**	–	**–**	–	**23,511**	–

6. SEGMENT INFORMATION *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

During the year, Sunfill Limited, a wholly-owned subsidiary of the Company, issued a promissory note of HK$188,271,000 with a fair value of HK$167,856,000 for the acquisition of hotel operation segment as referred to note 39(a) to the financial statements.

(b) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, lease prepayments, intangible assets ("specified non-current assets"). The geographical location of customers is based on the location at which services were provided. The geographical location of the specified non-current assets is based on the physical location of the asset.

	Hong Kong		Singapore		PRC		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$000*	***HK$'000***	*HK$000*
Revenue from external customers	**18,590**	35,535	**37,476**	76,963	**4,188**	1,754	**60,254**	114,252
Specified non-current assets	**48,576**	35,309	**276**	747	**382,386**	132,188	**431,238**	168,244

(c) Information about major customers

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

	2011	2010
	HK$'000	*HK$'000*
Revenue from marine engineering:		
– Customer A	**6,938**	26,917
– Customer B	**6,512**	19,550
– Customer C	**6,466**	17,479
– Customer D	**6,450**	–
– Customer E	**6,113**	–
	32,479	63,946

7. OTHER REVENUE AND NET INCOME

	2011 HK$'000	2010 HK$'000
Other revenue:		
Interest income	**17**	1,055
Total interest income on financial assets not at fair value through profit or loss	**17**	1,055
Other net income:		
Gain on disposal of a subsidiary *(note 39(b))*	**992**	–
Gain on disposal of property, plant and equipment	**206**	–
Scrap sales	**15**	871
Others	**277**	300
	1,490	1,171
	1,507	2,226

8. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on bank loans	**45**	–
Interest on loans from related companies	**2,510**	1,712
Interest on finance leases	**2**	9
Total interest expense on financial liabilities not at fair value through profit or loss	**2,557**	1,721

9. LOSS BEFORE TAXATION

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

	2011 HK$'000	2010 HK$'000
(a) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**23,121**	22,082
Equity-settled share-based payment expenses	**664**	–
Contributions to defined contribution retirement plans	**392**	430
	24,177	22,512
(b) Marine, construction and structural steel engineering costs		
Subcontracting, direct engineering and material costs	**32,548**	65,224
Cost of vessels	**2,500**	4,303
Rental charges	**2,804**	3,396
Plant and operational costs	**1,127**	1,219
Direct overheads	**953**	179
Repairs, maintenance and vessel security	**2,086**	409
Consultancy fees	**883**	484
	42,901	75,214
(c) Hotel operation costs	**525**	–
(d) Depreciation and amortisation		
Depreciation of property, plant and equipment	**12,203**	14,712
Amortisation of lease prepayments	**2,031**	1,966
	14,234	16,678
(e) Other items		
Auditor's remuneration		
– Audit services	**1,024**	752
Operating lease charges in respect of land and building	**2,516**	5,112
Impairment loss on trade and other receivables	**18,060**	1,294
Write-down of inventories	**–**	2,154
(Gain)/loss on disposal of property, plant and equipment	**(206)**	20
Net foreign exchange loss	**–**	1,666

10. INCOME TAX

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

	2011 HK$'000	2010 HK$'000
Current tax-overseas		
– Provision for the year	–	1,385

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

No provision has been made for Hong Kong Profits Tax as the Group did not derive any assessable profits subject to Hong Kong Profits Tax during both years.

Singapore income tax has been provided at the rate of 17% (2010: 17%). No provision for Singapore income tax has been made, as the Group's Singapore subsidiaries sustained losses for tax purposes during the year.

Pursuant to the income tax rules and regulations in the PRC, provision for PRC corporate income tax is calculated based on a statutory rate of 25% (2010: 25%) of the assessable profits of the PRC subsidiaries. No provision for PRC corporate income tax has been made, as the Group's PRC subsidiaries did not generate any assessable profits during both years.

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

	2011 HK$'000	2010 HK$'000
Loss before income tax	(72,035)	(46,928)
Notional tax on loss before income tax, calculated at the rates applicable in the tax jurisdiction concerned	(12,135)	(8,253)
Tax effect of non-deductible expenses	7,744	6,472
Tax effect of non-taxable income	(1,406)	(831)
Tax effect of temporary differences in depreciation between accounting and tax bases	(1,132)	187
Tax effect of tax losses ultilised	(2,146)	(615)
Tax effect of unused tax losses not recognised	9,075	4,425
Actual tax charge	–	1,385

The share of tax attributable to the associates amounting to HK$207,000 (2010: HK$ 757,000) is net-off from "Share of profit of associates" in the consolidated income statement.

11. DIRECTORS' EMOLUMENTS

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

	2011					
	Fees *HK$'000*	Salary, allowances and benefits in kind *HK$'000*	Discretionary bonuses *HK$'000*	Share-based payments *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total *HK$'000*
Executive Directors						
Leung Yat Tung	–	2,724	–	–	12	2,736
Leung Yu Oi Ling, Irene	–	1,665	–	–	12	1,677
Leung Chi Yin, Gillian	–	813	–	–	12	825
Leung Chi Hong, Jerry	–	600	–	–	12	612
Independent Non-executive Directors						
Pao Ping Wing	120	–	–	–	–	120
Yuen Ming Fai, Matthew	130	–	–	–	–	130
Tse Mei Ha	140	–	–	–	–	140
	390	5,802	–	–	48	6,240

11. DIRECTORS' EMOLUMENTS *(Continued)*

	2010					
	Fees	Salary, allowances and benefits in kind	Discretionary bonuses	Share-based payments	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors						
Leung Yat Tung	–	2,604	–	–	12	2,616
Leung Yu Oi Ling, Irene	–	1,244	–	–	12	1,256
Leung Chi Yin, Gillian	–	780	–	–	12	792
Leung Chi Hong, Jerry	–	590	–	–	12	602
Independent non-executive Directors						
Pao Ping Wing	130	–	–	–	–	130
Yuen Ming Fai, Matthew	120	–	–	–	–	120
Tse Mei Ha	120	–	–	–	–	120
	370	5,218	–	–	48	5,636

During the years ended 31 July 2011 and 2010, no amounts were paid or payable by the Group to any director as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any remuneration during both years.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four individuals (2010: four) were executive directors whose emoluments is disclosed in note 11 above. The emoluments in respect of the remaining one (2010: one) individual are as follows:

	2011	2010
	HK$'000	*HK$'000*
Salaries and other benefits	**1,319**	1,218
Retirement scheme contributions	**12**	12
Share-based payments	**664**	–
	1,995	1,230

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

The emoluments of the remaining individual are within the following band:

Emoluments bands	Number of individual	
	2011	2010
HK$1,000,001 – HK$ 1,500,000	**–**	1
HK$1,500,001 – HK$ 2,000,000	**1**	–

13. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company includes a loss of HK$67,048,000 (2010: loss of HK$35,437,000) which has been dealt with in the financial statements of the Company.

14. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK$72,073,000 (2010: loss of HK$48,313,000) and the weighted average number of 10,148,904,825 (2010: 10,090,067,478) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2011	2010
Issued ordinary shares	**10,090,067,478**	10,090,067,478
Effect of exercise of share options	**58,837,347**	–
Weighted average number of ordinary shares	**10,148,904,825**	10,090,067,478

(b) Diluted loss per share

The Company had no dilutive potential ordinary shares in existence during the years ended 31 July 2011 and 2010 since the exercise of the Company's outstanding share options are anti-dilutive and would reduce the loss per share. Therefore, the diluted loss per share is same as the basic loss per share for both years.

15. DIVIDENDS

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

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Hotel properties HK$'000	Shipyard and leasehold buildings HK$'000	Leasehold improvements HK$'000	Floating craft and vessels HK$'000	Furniture, fixtures and office equipment HK$'000	Plant, machinery and workshop equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation								
At 1 August 2009	–	62,958	376	36,550	3,387	15,535	1,367	120,173
Additions	–	–	396	6,359	126	156	–	7,037
Disposals	–	–	–	–	(2,641)	–	(84)	(2,725)
Exchange realignments	–	620	–	–	185	194	18	1,017
At 31 July 2010	–	63,578	772	42,909	1,057	15,885	1,301	125,502
Representing:								
Cost	–	–	772	–	1,057	15,885	1,301	19,015
Valuation -2010	–	59,378	–	42,909	–	–	–	102,287
At director's valuation -2010	–	4,200	–	–	–	–	–	4,200
	–	63,578	772	42,909	1,057	15,885	1,301	125,502
At 1 August 2010	–	63,578	772	42,909	1,057	15,885	1,301	125,502
Acquisition of subsidiaries *(note 39(a))*	138,500	–	–	–	1,400	2,226	609	142,735
Additions	–	–	–	14,632	12	–	–	14,644
Disposals	–	–	–	(9,132)	–	–	(147)	(9,279)
Elimination of depreciation	(190)	(9,857)	–	(10,013)	–	–	–	(20,060)
Exchange realignments	–	3,335	–	–	77	898	46	4,356
At 31 July 2011	138,310	57,056	772	38,396	2,546	19,009	1,809	257,898
Representing:								
Cost	–	–	772	–	2,546	19,009	1,809	24,136
Valuation -2011	138,310	57,056	–	38,396	–	–	–	233,762
	138,310	57,056	772	38,396	2,546	19,009	1,809	257,898
Accumulated depreciation and impairment								
At 1 August 2009	–	–	55	–	1,917	3,890	349	6,211
Charge for the year	–	6,576	68	4,587	768	2,426	287	14,712
Written back on disposals	–	–	–	–	(2,044)	–	(34)	(2,078)
Exchange realignments	–	12	–	–	73	57	6	148
At 31 July 2010 and 1 August 2010	–	6,588	123	4,587	714	6,373	608	18,993
Charge for the year	190	3,052	77	6,480	165	1,978	261	12,203
Written back on disposals	–	–	–	(1,054)	–	–	(83)	(1,137)
Elimination on revaluation	(190)	(9,857)	–	(10,013)	–	–	–	(20,060)
Exchange realignments	–	217	–	–	72	401	25	715
At 31 July 2011	–	–	200	–	951	8,752	811	10,714
Carrying amount								
At 31 July 2011	138,310	57,056	572	38,396	1,595	10,257	998	247,184
At 31 July 2010	–	56,990	649	38,322	343	9,512	693	106,509

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

The Company

	Office equipment HK$'000
Cost	
At 1 August 2009	18
Additions	–
At 31 July 2010 and 31 July 2011	18
Accumulated depreciation	
At 1 August 2009	8
Charge for the year	4
At 31 July 2010 and 1 August 2010	12
Charge for the year	3
At 31 July 2011	15
Carrying amount	
At 31 July 2011	3
At 31 July 2010	6

(a) The analysis of the carrying amount of properties is as follows:

	2011 HK$'000	2010 HK$'000
Outside Hong Kong		
– Medium-term leases, the PRC	**195,366**	56,990
– Short-term leases, Singapore	**–**	–

(b) The Group's shipyard and leasehold buildings in the PRC held for own use were revalued as at 31 July 2011 at their open market value by reference to recent market transactions in comparable properties. The valuation was performed by independent professional valuer, BMI Appraisals Limited, who have among their staff Fellows of Hong Kong Institute of Surveyors and with recent experience in the location and category of properties being valued.

(c) The carrying amount of the shipyard and leasehold buildings in Singapore of HK$4,200,000 brought forward from 31 July 2009 was fully amortised during the year ended 31 July 2010. The lease was subsequently expired on 31 December 2010.

(d) The Group's hotel properties in the PRC were revalued as at 31 July 2011 at their open market value by reference to the valuation of similar properties in the relevant locations. The valuation was performed by Saville Valuation and Professional Services Limited, a firm of independent valuers who have among their staff Fellows of Hong Kong Institute of Surveyors and with recent experience in the location and categories of properties being valued.

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

(e) The Group's floating craft and vessels were revalued individually at their open market value on 31 July 2011 by Win Well Engineering & Surveyors Limited, an independent professional and qualified valuer in Hong Kong, with recent experience in the location and category of assets being valued.

(f) Had the hotel properties, floating craft and vessels and shipyard and leasehold buildings been carried at cost less accumulated depreciation, their carrying amounts would have been HK$138,310,000, HK$35,928,000 and HK$54,542,000 (2010: nil, HK$32,129,000 and HK$54,739,000), respectively.

(g) As at 31 July 2011, the Group's hotel properties and plant and machinery with an aggregate carrying value of HK$138,943,000 (2010: nil) was pledged to a bank to secure bank borrowings granted to the Group (note (26)).

17. LEASE PREPAYMENTS

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Leasehold land in the PRC		
Medium-term lease	**179,016**	58,377
Analysed for reporting purposes as:		
Current portion	**2,087**	1,976
Non-current portion	**176,929**	56,401
	179,016	58,377

The movements in the Group's lease prepayments during the year:

	2011	2010
	HK$'000	*HK$'000*
At 1 August	**58,377**	59,724
Acquisition of subsidiaries *(note 39(a))*	**119,447**	–
Amortisation	**(2,031)**	(1,966)
Exchange realignment	**3,223**	619
	179,016	58,377

Lease prepayments represent payments for land use rights located in the PRC with expiry through 2022 and 2045.

Lease prepayments with aggregate carrying amount of HK$119,447,000 (2010: nil) were pledged to a bank to secure for bank borrowings granted to the Group (note (26)).

18. INTANGIBLE ASSETS

Port work and structural steel licenses

	The Group	
	2011	2010
	HK$'000	*HK$'000*
At beginning of the year	**30,912**	30,912
Impairment recognised	**(30,912)**	(30,912)
At end of the year	**–**	–

The port work and structural steel licenses (the "Licenses") are allocated to the Group's cash generated unit identified as the marine engineering business segment. The Licenses of HK$30,912,000 was fully impaired during the year ended 31 July 2010.

Impairment testing on intangible assets

For the purpose of impairment test, the recoverable amount of the Licences was determined based on value in use calculation. That calculation uses cash flow projections covering a 10-year period based on financial forecasts approved by management, and discount rate of 10.85%. Key assumptions for the value in use calculations related to estimate cash inflows/outflows based on the unit's past performance and management's expectations for the market development. Management believed that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the Licences to exceed their aggregate recoverable amount.

19. CLUB MEMBERSHIP

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Carrying amount	**200**	200

At 31 July 2011, the directors of the Company carried out a review of the carrying amount of the club membership. Based on their review, no impairment loss was provided during the year.

20. ASSOCIATES

		The Group	
		2011	2010
		HK$'000	*HK$'000*
(a)	Interests in associates		
	Share of net assets of associates:		
	1 August	**5,334**	–
	Capital contribution to an associate	**3,500**	1,500
	Share of post-acquisition profit, net of tax	**1,786**	3,834
	Dividend received	**(3,495)**	–
	31 July	**7,125**	5,334
(b)	Amount due from an associate	**–**	2,991
(c)	Amount due to an associate	**(1,718)**	–

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

(d) Details of the associates as 31 July 2011 are as follows:

Name of associate	Form of business structure	Place of incorporation/ operation	Particulars of issued share capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by a Subsidiary	Principal activities
Crown Asia Engineering Limited	Incorporated	Hong Kong	HK$10,000,000	50%	50%	Marine engineering
Crown Asia Logistics Limited	Incorporated	Hong Kong	HK$10,000	50%	50%	Provision of logistics services

(e) Summary of the aggregate financial information of associates are as follows:

	2011	2010
	HK$'000	*HK$'000*
Assets	**27,420**	20,215
Liabilities	**(13,170)**	(9,547)
Group's share of net assets of associates	**7,125**	5,334
Revenue	**41,442**	57,905
Profit after tax	**3,572**	7,668
Group's share of profit of associates for the year	**1,786**	3,834

21. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2011	2010
	HK$'000	*HK$'000*
Unlisted shares, at cost	**257,990**	257,988
Less: Impairment loss *(note (b))*	**(175,538)**	(114,198)
	82,452	143,790
Amounts due from subsidiaries *(note (a))*	**218,303**	179,355
Less: Impairment loss *(note (b))*	**(31,588)**	(30,141)
	186,715	149,214
Amounts due to subsidiaries *(note (a))*	**16,111**	–

Notes:

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

(b) Aggregate allowance for investments in subsidiaries and amounts due from subsidiaries of HK$207,126,000 (2010: HK$144,339,000) was recognised as at 31 July 2011 because the related recoverable amounts of the individual balance of investments in subsidiaries and amounts due from subsidiaries, which were operating at losses, were estimated to be less than their carrying amounts.

(c) Particulars of the subsidiaries as at 31 July 2011 are as follows:

			Proportion of ownership interest			
Name	Place of incorporation/ operation	Particulars of issued/registered share capital	Group's effective interest	Held by the Company	Held by a Subsidiary	Principal activities
UDL Ventures Limited	Hong Kong	HK$2,000	100%	100%	–	Investment holding
China Famous Limited	Hong Kong	HK$1	100%	–	100%	Trading of vessels
UDL Marine (Singapore) Pte Ltd*	Singapore	S$10,000,000	100%	–	100%	Marine engineering work and ship management services
UDL Marine Shares Pte Ltd*	Singapore	S$3,150,000	100%	–	100%	Dormant
UDL Offshore Engineering Pte Ltd*	Singapore	S$1,000	100%	–	100%	Dormant
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

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

(c) Particulars of the subsidiaries as at 31 July 2011 are as follows: *(Continued)*

Name	Place of incorporation/ operation	Particulars of issued/registered share capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a Subsidiary	Principal activities
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%	Structural steel engineering work and ship 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 work
UDL Dredging Limited	Hong Kong	HK$2	100%	–	100%	Engineering work
UDL E & M (BVI) Limited	British Virgin Islands	US$1	100%	–	100%	Dormant
UDL Employment Services Limited	Hong Kong	HK$2	100%	–	100%	Provision of human resources and management services
UDL Investment Limited	Hong Kong	HK$550,000	100%	–	100%	Dormant
UDL Management Limited	Hong Kong	HK$2	100%	–	100%	Dormant
UDL Marine Operation Limited	Hong Kong	HK$2	100%	–	100%	Dormant
UDL Ship Management Limited	Hong Kong	HK$2	100%	–	100%	Marine engineering work and ship management services
UDL Steel Fabricators & Shipbuilders Company Limited	Hong Kong	HK$2	100%	–	100%	Dormant
Wellfull Time Limited	Hong Kong	HK$2	100%	–	100%	Dormant

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

(c) Particulars of the principal subsidiaries as at 31 July 2011 are as follows: *(Continued)*

Name	Place of incorporation/ operation	Particulars of issued/registered share capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a Subsidiary	Principal activities
中山太元重工業有限公司 *(Note (i))*	PRC	HK$10,700,000	100%	–	100%	Dormant
Press United Logistics Limited	Hong Kong	HK$2,500,000	100%	–	100%	Investment holding
Net Excel Management Limited	British Virgin Islands	US$100	100%	–	100%	Investment holding
Chui Hing Construction Company Limited	Hong Kong	HK$1,820,000	100%	–	100%	Rental of motor vehicles
Tonic Engineering and Construction Company Limited	Hong Kong	HK$8,608,413	100%	–	100%	Civil engineering work
Gitanes Engineering Company Limited	Hong Kong	HK$63,711,772	100%	–	100%	Plant hire services
廣東積達工程有限公司 *(Note (i))*	PRC	HK$2,000,000	100%	–	100%	Dormant
Lead Ocean Assets Management Limited	British Virgin Islands	US$100	100%	–	100%	Investment holding
Argos Engineering (International) Company Limited	Hong Kong	HK$2	100%	–	100%	Investment holding
東莞振華建造工程有限公司 *(Note (i))*	PRC	HK$32,000,000	100%	–	100%	Property holding
Cochrane Enterprises Limited	Hong Kong	HK$10,000	100%	–	100%	Investment holding
東莞興華造船有限公司 *(Note (i))*	PRC	HK$24,891,783	100%	–	100%	Property holding
Wealthy King Holdings Limited	British Virgin Islands	US$1	100%	–	100%	Investment holding
Profit Hill Investment Limited*	Hong Kong	HK$100	51%	–	51%	Dormant
Crown Asia Management Limited*	Hong Kong	HK$10,000	100%	–	100%	Plant hire services
Sunfill Limited*	Hong Kong	HK$1	100%	100%	–	Investment holding
Silk Road Development Company Limited**	Hong Kong	HK$2	100%	–	100%	Investment holding
Gansu Dunhuang Lodge Hotel Company Limited** *(Note (ii))*	PRC	RMB25,000,000	80%	–	80%	Hotel operations

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

(c) Particulars of the principal subsidiaries as at 31 July 2011 are as follows: *(Continued)*

* Incorporated during the year ended 31 July 2011

** Acquired during the year ended 31 July 2011

Notes:

(i) These subsidiaries are wholly-foreign-owned enterprises established in the PRC.

(ii) The subsidiary is sino-foreign equity joint venture established in the PRC.

22. INVENTORIES

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Vessels held for sale	**89,424**	61,295
Raw materials	**3,269**	3,654
Hotel low-valued consumables	**3,038**	–
	95,731	64,949

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

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Cost of inventories sold	**2,500**	4,303
Write-down of inventories	**–**	2,154
Cost of materials consumed	**385**	2,895
	2,885	9,352

23. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables *(note (a))*	**22,422**	11,925	**–**	–
Less: impairment loss	**(5,600)**	(2,200)	**–**	–
	16,822	9,725	**–**	–
Other receivables *(note (b))*	**27,035**	18,448	**468**	496
Less: impairment loss	**(14,264)**	–	**–**	–
	12,771	18,448	**468**	496
Retention money receivables	**1,085**	1,475	**–**	–
	30,678	29,648	**468**	496

(a) Trade receivables

(i) Ageing analysis

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

	The Group	
	2011	2010
	HK$'000	*HK$'000*
0 – 30 days	**3,468**	3,526
31 – 90 days	**6,726**	2,433
91 – 180 days	**2,661**	1,969
181 – 360 days	**4,764**	1,514
Over 360 days	**4,803**	2,483
	22,422	11,925
Less: Allowance for doubtful debts	**(5,600)**	(2,200)
	16,822	9,725

Credit terms granted by the Group to customers generally range from 120 to 150 days. Further details on the Group's credit policy are set out in note 3(a).

23. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables *(Continued)*

(ii) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movements in the allowance for doubtful debts during the year are as follows:

	The Group	
	2011	2010
	HK$'000	*HK$'000*
At 1 August	**2,200**	1,526
Impairment loss recognised	**3,796**	1,294
Amounts written off as uncollectible	**(396)**	(620)
At 31 July	**5,600**	2,200

As at 31 July 2011, the Group's trade receivables of HK$3,796,000 (2010: HK$1,294,000) were individually determined to be impaired. The individually impaired receivables related to customers that were past due and slow-paying or in financial difficulties and management assessed that these receivables are irrecoverable. The Group does not hold any collateral over these balances.

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

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Neither past due nor impaired		
0 – 30 days	**3,468**	3,526
31 – 90 days	**6,726**	2,433
91 – 180 days	**2,564**	1,969
181 – 360 days	**2,195**	1,514
Over 360 days	**1,869**	283
	16,822	9,725

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

23. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables *(Continued)*

(ii) Impairment of trade receivables (Continued)

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(b) Other receivables

(i) Impairment of other receivables

	The Group	
	2011	2010
	HK$'000	*HK$'000*
At 1 August	**–**	–
Impairment loss recognised	**14,264**	–
At 31 July	**14,264**	–

Included in other receivables at 31 July 2011 is the aggregate amount of recovery costs of HK$14,264,000 (2010: HK$10,618,000) incurred by the Group to pursue arbitration and/or legal proceedings to recover the assets under a Scheme of Arrangement approved by the Court on 18 April 2000 (the "Scheme") as referred to note 32 (c) to the financial statements. The modifications of the Scheme were sanctioned by the High Court of Hong Kong in June and July 2006, respectively, under which the Scheme Assets were transferred to Harbour Front in September 2006. Pursuant to the Scheme and an undertaking letter dated 23 October 2008 issued by Harbour Front, the Group shall act as nominee of Harbour Front to recover the Scheme Assets and the Group will be reimbursed for such amount upon the successful recovery of these Scheme Assets.

Since the recovery actions of the Scheme Assets are still ongoing and the Group would only be reimbursed for all these recovery costs by Harbour Front out of proceeds of successful recovery of all these Scheme Assets. The directors of the Company considered that these recovery costs have been long outstanding and the outcome of the recovery actions taken by the Group is uncertain, it is appropriate to make full provision for impairment loss on these recovery costs incurred totalling HK$14,264,000.

24. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Contract costs incurred plus recognised profits less recognised losses to date	**72,068**	63,457
Less: Progress billings	**(48,557)**	(47,231)
	23,511	16,226
Less: Provision for impairment loss *(note)*	**(23,511)**	–
	–	16,226
Amounts due from customers for contract work	**–**	16,226

Note: The impairment loss represents balances due by two contractors for sub contracting work done by the Group but not yet settled by these contractors due to disputes. The Group has commenced legal proceedings against one of the two contractors in 2010 as referred to in note 36(d) to the financial statements. However, in view of the uncertainty of the outcome of the legal case and the balances have been long outstanding, the directors of the Company considered the probability of recovery for these balances as low and therefore, provision for impairment loss of HK$23,511,000 was made in the income statement.

25. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**20,071**	37,569	**69**	1,095

Bank balances carry interest at market rate of 0.01% (2010: 0.03% to 0.07%) per annum.

26. SECURED BANK LOANS

(a) The analysis of the carrying amount of the secured bank loans is as follows:

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Current liabilities		
– Secured bank loans subject to repayment on demand clause	**15,497**	–
Non-current liabilities		
– Secured bank loans	**–**	–

(b) As at 31 July 2011, secured bank loans were due for repayment as follows:

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Carrying amount repayable*:		
Within one year or on demand	**7,991**	–
After one year but within two years	**7,506**	–
	15,497	–
Less: Amounts due within one year shown under current liabilities	**15,497**	–
	–	–

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

(c) As at 31 July 2011, the Group's borrowings were secured by the hotel properties, land use rights and plant and machinery with an aggregate carrying value of HK$258,390,000 and the guarantee given by a director of a subsidiary.

Certain of the Group's banking facilities are subject to the fulfillment of covenants relating to profitability ratios, total equity and the amount of capital expenditure incurred, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the facilities drawn down would become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 3(b). As at 31 July 2011, none of the bank covenants relating to draw down facilities had been breached.

26. SECURED BANK LOANS *(Continued)*

(d) The secured bank loans are fixed-rate borrowings, bearing interest ranging from 7.24% to 7.57% per annum.

(e) The secured bank loans of the Group are denominated in Renminbi.

27. PROMISSORY NOTE

The Group

As set out in note 39(a) to the financial statements, Sunfill Limited, a wholly-owned subsidiary issued, as settlement for the acquisition of subsidiaries, a zero coupon promissory note with the principal amount of HK$188,271,000 to an independent third party, with maturity date due on 15 August 2012. The fair value of promissory note was determined at HK$167,856,000 as at issue date, based on a professional valuation performed by an independent valuer, BMI Appraisals Limited. The effective interest rate of the promissory note is 11.137% per annum. The promissory note is carried at amortised cost, using the effective interest method and at the rate of 11.137% per annum.

28. OBLIGATIONS UNDER FINANCE LEASES

At 31 July 2011, the Group had the following obligations under finance leases:

	The Group			
	2011		2010	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Within 1 year	–	–	52	54

29. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade creditors	**6,431**	5,340	**–**	–
Deposits received from customers	**9,049**	5,130	**–**	–
Provision for re-instatement costs of leasehold shipyard in Singapore	**4,022**	4,000	**–**	–
Accruals	**9,702**	8,607		
Other payables	**7,879**	5,644	**2,463**	5,015
	37,083	28,721	**2,463**	5,015

The aging analysis of trade creditors at the end of the reporting period is as follows:

	The Group	
	2011	2010
	HK$'000	*HK$'000*
0 – 30 days	**2,855**	3,069
31 – 90 days	**570**	388
91 – 180 days	**45**	188
181 – 360 days	**1,672**	944
Over 360 days	**1,289**	751
	6,431	5,340

30. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Provision for income tax	**673**	1,860

30. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax (assets)/liabilities recognised:

	Accelerated depreciation allowance	Revaluation of floating craft and vessels	Revaluation of land and hotel properties	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 August 2009	780	679	–	(1,459)	–
Credited/(charged) to income statement	253	–	–	(253)	–
At 31 July 2010 and 1 August 2010	1,033	679	–	(1,712)	–
Acquisition of subsidiaries *(note 39(a) and note below)*	–	–	53,820	(4,584)	49,236
Credited/(charged) to income statement	306	–	–	(306)	–
At 31 July 2011	1,339	679	53,820	(6,602)	49,236

Note: The deferred tax liabilities/(assets) in respect of the hotel operation segment were recognised, mainly attributable to the tax effects on the change in fair value of the land use right and the hotel buildings, as off-set by the available tax losses, at the acquisition date (note 39(a)).

(c) Deferred tax assets not recognised

At 31 July 2011, no deferred tax asset has been recognised in respect of tax losses of HK$250,782,000 (2010: HK$230,503,000) due to the unpredictability of future profits streams against which these tax losses can be utilised in the foreseeable future. The tax losses do not expire under current tax legislations.

31. SHARE CAPITAL

	2011 Number of ordinary shares '000	2011 HK$'000	2010 Number of ordinary shares '000	2010 HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**24,000,000**	**240,000**	12,000,000	120,000
Increase in authorised share capital *(note (a))*	**–**	**–**	12,000,000	120,000
Ordinary shares of HK$0.01 each	**24,000,000**	**240,000**	24,000,000	240,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each	**10,090,068**	**100,900**	10,090,068	100,900
Issue of ordinary shares upon exercise of share options *(note (b))*	**120,900**	**1,209**	–	–
Ordinary shares of HK$0.01 each at 31 July	**10,210,968**	**102,109**	10,090,068	100,900

(a) Increase in authorised share capital

By an ordinary resolution passed on 24 December 2009, the authorized share capital of the Company's was increased from HK$120,000,000 to HK$240,000,000 by the creation of 12,000,000,000 new shares of HK$0.01 each.

(b) Issue of ordinary shares upon exercise of share options

During the year ended 31 July 2011, share options to subscribe for 120,900,674 shares were exercised, for which HK$1,209,000 was credited to share capital and the balance of HK$3,675,000 was credited to the share premium account.

(c) Capital management

The Group's objective for capital management is to safeguard the Group's ability to continue as a going concern, to enhance shareholder value and to meet the business funding needs. The Group manages its capital structure and makes adjustments to it in line with the changes in economic conditions and business strategies by adjusting the dividend payout ratio, returning capital to shareholders or issuing new shares and obtaining external financing. During the years ended 31 July 2011 and 2010, the Group consistently followed the objectives and applied the policies and process on managing capital. The Company or its subsidiaries are not subject to externally imposed capital requirements.

31. SHARE CAPITAL *(Continued)*

(c) Capital management *(Continued)*

The Group sets the amount of shareholders' equity in proportion to its overall financing structure. Debts include obligations under finance leases, trade and other payables, amounts due to directors and amounts due to related parties. Shareholders' equity comprises all components of equity attributable to the equity shareholders of the Company. The net debt-to-capital ratio at 31 July 2011 and 2010 was as follows:

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Obligations under finance leases	**–**	52
Loans from related companies	**83,341**	35,658
Secured bank loans *(note 39(a))*	**15,497**	–
Promissory note *(note 39(a))*	**167,856**	–
Trade and other payables	**37,083**	28,721
Amounts due to related parties	**4,757**	3,652
Amounts due to directors	**122**	180
Amount due to an associate	**1,718**	–
Total debt	**310,374**	68,263
Less: Cash and cash equivalents	**(20,071)**	(37,569)
Net debt	**290,303**	30,694
Total equity	**225,558**	253,763
Net debt-to-capital ratio	**128%**	12%

	The Company	
	2011	2010
	HK$'000	*HK$'000*
Loans from related companies	**60,454**	35,658
Other payables	**2,463**	5,015
Amount due to a related party	**–**	5
Amounts due to directors	**80**	162
Amounts due to subsidiaries	**16,111**	–
Total debts	**79,108**	40,840
Less: Cash and cash equivalents	**(69)**	(1,095)
Net debt	**79,039**	39,745
Total equity	**190,599**	253,761
Net debt-to-capital ratio	**41%**	15%

32. RESERVES

The Group

	Share premium HK$'000 Note 32(a)	Share option reserve HK$'000 Note 32(e)	Capital redemption reserve HK$'000 Note 32(a)	Exchange fluctuation reserve HK$'000 Note 32(d)	Scheme reserve HK$'000 Note 32(c)	Revaluation reserve HK$'000 Note 32(f)	Accumulated losses HK$'000	Total HK$'000
At 1 August 2009	309,140	1,330	1,264	71	1,054,095	6,981	(1,175,815)	197,066
Loss for the year	–	–	–	–	–	–	(48,313)	(48,313)
Other comprehensive income:								
Exchange differences arising from re-translation of foreign operations	–	–	–	4,110	–	–	–	4,110
Total comprehensive income/(loss) for the year	–	–	–	4,110	–	–	(48,313)	(44,203)
At 31 July 2010 and 1 August 2010	309,140	1,330	1,264	4,181	1,054,095	6,981	(1,224,128)	152,863
Equity-settled share-based transactions	–	664	–	–	–	–	–	664
Issue of new shares upon exercise of share options	3,675	(1,662)	–	–	–	–	–	2,013
Loss for the year	–	–	–	–	–	–	(72,073)	(72,073)
Other comprehensive income:								
Exchange differences arising from re-translation of foreign operations	–	–	–	8,982	–	–	–	8,982
Reclassification adjustment for realised exchange reserve to gain on disposal of a subsidiary	–	–	–	134	–	–	–	134
Total comprehensive income/(loss) for the year	–	–	–	9,116	–	–	(72,073)	(62,957)
At 31 July 2011	312,815	332	1,264	13,297	1,054,095	6,981	(1,296,201)	92,583

32. RESERVES *(Continued)*

The Company

	Share premium HK$'000 Note 32(a)	Capital redemption reserve HK$'000 Note 32(a)	Contributed surplus HK$'000 Note 32(b)	Share option reserve HK$'000 Note 32(e)	Scheme reserve HK$'000 Note 32(c)	Accumulated losses HK$'000	Total HK$'000
At 1 August 2009	309,140	1,264	21,689	1,330	287,524	(432,649)	188,298
Loss for the year	–	–	–	–	–	(35,437)	(35,437)
At 31 July 2010 and 1 August 2010	309,140	1,264	21,689	1,330	287,524	(468,086)	152,861
Equity-settled share-based transactions	–	–	–	664	–	–	664
Issue of new shares upon exercise of share options	3,675	–	–	(1,662)	–	–	2,013
Loss for the year	–	–	–	–	–	(67,048)	(67,048)
At 31 July 2011	312,815	1,264	21,689	332	287,524	(535,134)	88,490

(a) Share premium and capital redemption reserve

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

(b) Contributed surplus

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

(c) Scheme reserve

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

32. RESERVES *(Continued)*

(c) Scheme reserve *(Continued)*

Scheme of Arrangement

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

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

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

(d) Exchange fluctuation reserve

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

(e) Share option reserve

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to a director of the Company recognized in accordance with the accounting policy adopted for share-based payments in note 2 (t)(iii).

(f) Revaluation reserve

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

33. DISTRIBUTABLE RESERVES

At 31 July 2011, in the opinion of the directors, the Company did not have any reserve available for distribution to shareholders (2010: nil).

34. EQUITY COMPENSATION AND EMPLOYEE RETIREMENT BENEFITS

(a) Equity compensation

The Company has a share option scheme which was adopted on 31 December 2002 whereby the directors of the Company are recognized, at their discretion, to invite eligible participants as described in definitions of the circular dated 6 December 2002 issued by the Company, including employees and directors of the Group, to take up options to subscribe for shares of the Company (the "Shares"). The exercise price of the options shall be determined by the Board and shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business for 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 1,009,006,747 shares, representing 10% of the then issued share capital of the Company as at the date of adoption of the share option scheme. Options for a total number of 40,000,000 issuable shares options were granted to Mr. Li Kam Wa, an employee of the Company, on 14 March 2011 and the exercise price for each share was HK$0.04.

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

	Number of shares issuable under options	**Vesting conditions**	**Contractual life of option**
Options granted to an employee:			
Mr. Li Kam Wa			
– on 14 March 2011	40,000,000	–	10 years

34. EQUITY COMPENSATION AND EMPLOYEE RETIREMENT BENEFITS *(Continued)*

(a) Equity compensation *(Continued)*

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

	2011 Weighted average exercise price HK$	**2011** Number of options	2010 Weighted average exercise price HK$	2010 Number of options
Outstanding at the beginning of the year	**0.024**	**100,900,674**	0.024	100,900,674
Granted during the year	**0.04**	**40,000,000**		–
Exercised during the year	**0.024**	**(100,900,674)**		–
	0.04	**(20,000,000)**		–
Lapsed during the year		**–**		–
Outstanding at the end of the year	**0.04**	**20,000,000**	0.024	100,900,674
Exercisable at the end of the year	**0.04**	**20,000,000**	0.024	100,900,674

The options outstanding at 31 July 2011 had an exercise price of HK$0.04 and a weighted average remaining contractual life of 9.99 years (2010: 8.33 years).

None of these options were exercised subsequent to the end of the reporting period.

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

Fair value of share options and assumptions are as follows:

Date granted	14 March 2011
Fair value at measurement date	HK$664,000
Share price	HK$0.04
Exercise price	HK$0.04
Expected volatility	129.5%
Option life	10 years
Risk-free interest rate	2.663%
Expected dividend yield	–

The expected volatility was based on the historic volatility (the Company's share price over one year prior to the grant date and in contrast to companies with similar businesses), adjusted for any expected changes to future volatility due to publicly available information.

34. EQUITY COMPENSATION AND EMPLOYEE RETIREMENT BENEFITS *(Continued)*

(b) Employee retirement benefits

The Group operates a Mandatory Provident Fund Scheme ("the MPF Scheme") under the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately. The Group has no other material obligation for the payment of pension benefits associated with the MPF Scheme beyond the annual contributions described above.

Employees of the Group in the PRC are covered by appropriate local retirement schemes pursuant to local labour rules and regulations. The Group's annual contributions to these schemes represent defined contributions, and the Group has no further obligation beyond the contributions made.

35. COMMITMENTS

At 31 July 2011, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Land and buildings:		
Within one year	**1,880**	3,740
In the second to fifth year inclusive	**2,730**	2,330
More than five years	**3,592**	3,859
	8,202	9,929

The Group and the Company did not have any material capital commitments at 31 July 2011 and 2010.

36. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged to banks to secure the general credit facilities granted to the Group:

	2011	2010
	HK$'000	*HK$'000*
Hotel properties	**138,310**	–
Land use rights	**119,447**	–
Plant and machinery	**633**	–
	258,390	–

37. CONTINGENCIES AND LITIGATIONS

(a) On 31 July 2002, Charterbase Management Limited, one of the two petitioners (the other being United People Assets Limited) (the "Petitioners") who lodged a petition on 16 May 2002 under section 111 of the Companies Act 1981 of Bermuda (as amended) with the Supreme Court of Bermuda against the Company as the first respondent and the Scheme Administrator (as defined in the circular of the Company dated 1August 2003 (the "2003 Circular")) as the second respondent (the "Petition"), issued a writ in the Supreme Court of Bermuda (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 special general meeting of the Company dated 17 May 2001 in relation to the subscription of new shares by Harbour Front pursuant to the subscription agreement dated 30 March 2001 (the "Subscription") as detailed in the Company's circular dated 23 April 2001 (the "2001 Circular"). 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 the complaint lodged by the Petitioners with the Securities and Futures Commission of Hong Kong ("Petitioners Complaint") with respect of Charterbase Management Limited, namely, that the 2001 Circular misdescribed the Scheme Administrator's voting capacity in respect of the Shares held by the Scheme Administrator under the scheme of arrangement of the Company and scheme participating subsidiaries of the Company as stated in the 2003 Circular effective on 28 April 2000 (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 mis-describing the Scheme Administrator's voting capacity in the circular regarding the Subscription. The Bermuda Writ claimed HK$3,000,000 being Charterbase Management Limited's estimated costs of the Petitioners' Complaint. On 15 August 2002 the Company entered an appearance to the Bermuda Writ, and the Company filed its defence on 12 September 2002. The Company has been advised by its Bermuda lawyers that it has good grounds to resist the Bermuda Writ. Charterbase Management Limited has taken no further steps in the proceedings since the defence was filed.

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

37. CONTINGENCIES AND LITIGATIONS *(Continued)*

(a) *(Continued)*

Two new parties joined as petitioners, namely Hung Ngai Holdings Limited and Value Partners Investment Limited (together with the Petitioners, the "Joint Petitioners"). In addition to the matters pleaded in the original Petition, the Amended Petition complained about the Company's non-acceptance of a conditional credit facility from Hung Ngai Holdings Limited and about the Rights Issue in November 2002 (the "2002 Rights Issue"), in particular the allocation of 2002 Rights Shares to Harbour Front, and other allegedly prejudicial conduct of the Company. As an alternative, the Joint Petitioners sought an order that a provisional liquidator be appointed pending the effective hearing of the Amended Petition and an order that the Company be wound up. The Company applied for security for costs, in relation to the Amended Petition. A court hearing was held on 28 August 2003 and the Court reserved its judgment. Subsequently, in the judgment dated 14 April 2004, the Court held that the Joint Petitioners' prayers to wind up the Company and/or to appoint a liquidator was an abuse of the Court's process. The Court therefore considered 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 sought an order that a provisional liquidator be appointed pending the effective hearing of the Re-amended Petition.

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

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

37. CONTINGENCIES AND LITIGATIONS *(Continued)*

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

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

(d) UDL Dredging Limited ("UDL Dredging"), a wholly-owned subsidiary of the Company, has filed a claim against a contractor, Leighton Contractors (Asia) Limited under arbitration to recover a sum of approximately HK$14.6 million in respect of construction work services rendered relating to an aviation fuel facility in Hong Kong. UDL Dredging has also filed a claim under HCCT 54 of 2010 against this contractor to recover a sum of approximately HK$4.8 million in respect of other services rendered on the same project. This action has subsequently been stayed to arbitration by consent. The contractor has filed a counterclaim against UDL Dredging in the sum of HK$9.5 million. Pleadings have been served by both parties in the arbitration. The contractor is now proposing to settle the case amicably through mediation and the Company is considering such request.

37. CONTINGENCIES AND LITIGATIONS *(Continued)*

(e) UDL Marine (Singapore) Pte Ltd ("UMSG"), a wholly-owned subsidiary of the Company, commenced proceedings against Jurong Town Corporation ("JTC") in relation to an application for renewal of the lease at 3 Benoi Road, Singapore 629877, Civil Suit 502 of 2010. This claim against JTC seeks for a renewal of the lease be granted. JTC has also commenced proceedings against UMSG, Civil Suit 98 of 2010, for repossession of the land and double value of rent for the period of holding over. The trials of both suits have been fixed to be heard together with a date to be fixed.

38. RELATED PARTY TRANSACTIONS

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

(i) Harbour Front Assets Investments Limited is a wholly-owned subsidiary of Harbour Front, the ultimate holding company of the Company.

(ii) Capital Hope Investments Limited is a company in which Miss Leung Chi Yin, Gillian and Mr. Leung Chi Hong, Jerry are directors and shareholders.

(iii) Hong Kong Marine Concrete Engineering Limited is a company in which Mr. Leung Yat Tung and Miss Leung Chi Yin, Gillian are directors.

(iv) Multi-Ventures Limited is a company subject to common control by Harbour Front.

(v) Hong Hay Pte Ltd is a company subject to common control by Harbour Front.

(vi) HF Maine Assets (Singapore) Pte Ltd is a company in which Miss Leung Chi Yin, Gillian and Mr. Leung Chi Hong, Jerry are directors.

(vii) Vital Strategic Corporate Consultancy Limited is a company in which Miss Leung Chi Yin, Gillian and Mr. Leung Chi Hong, Jerry are directors and shareholders.

(viii) Crown Asia Engineering Limited is an associate of the Group.

(ix) Harbour Front Limited is the ultimate holding company of the Company in which Mrs. Leung Yu Oi Ling, Irene, Miss Leung Chi Yin, Gillian and Mr. Leung Chi Hong, Jerry are directors and shareholders.

38. RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with related parties

	2011 **HK$'000**	2010 HK$'000
Interest expenses paid to Harbour Front Assets Investments Limited	**(2,504)**	(1,712)
Interest expenses paid to Multi-Ventures Limited	**(6)**	–
Engineering fees paid to UDL Engineering Pte Ltd	**(426)**	–
Business development fees paid to Hong Hay Pte Ltd	**(730)**	–
Management and consultancy services fee paid to Vital Strategic Corporate Consultancy Limited	**(60)**	(60)
Rental income from Hong Kong Marine Concrete Engineering Limited	**53**	–
Plant hire charges paid to Crown Asia Engineering Limited	**(183)**	–
Plant hire income from Crown Asia Engineering Limited	**1,850**	–
Service income from Crown Asia Engineering Limited	**1,486**	–
Contract costs paid to Crown Asia Engineering Limited	**(10,265)**	–
Car hiring income from Crown Asia Engineering Limited	**108**	3,549
Sale of vessels to Crown Asia Engineering Limited	**2,500**	6,800
Sale of vessels to HF Marine Assets (Singapore) Pte Ltd	**6,512**	–
Sub-contracting fees from Crown Asia Engineering Limited	**1,909**	8,405

During the year ended 31 July 2011, the Group disposed of the entire equity interest in a wholly-owned subsidiary, Denlane Offshore Engineering Pte Ltd to Mr. Leung Yat Tung and Mr. Leung Chi Hong, Jerry, who are directors of the Company, at a consideration of S$1, as set out in note 39(b) to the financial statements.

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

38. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Amounts due from related parties

Non-trade

	The Group			
	2011		2010	
	Maximum amounts	**Balance**	Maximum amounts	Balance
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Beaver Marine SDN BHD	**514**	**514**	514	514
Capital Hope Investments Limited	**–**	**–**	126	126
Denlane Offshore Engineering Pte Ltd	**4,909**	**4,909**	–	–
Exact Nice Limited	**–**	**–**	117	117
廣州市太元工程船舶租貸有限公司	**138**	**138**	138	138
Goldfit Engineering Limited	**–**	**–**	4	4
Harbour Front Assets Investments Limited	**31**	**31**	518	518
Hong Kong Marine Concrete Engineering Limited	**363**	**363**	–	–
Hong Hay Pte Ltd	**–**	**–**	37	37
Jelanter Limited	**–**	**–**	382	382
Libellus Limited	**19**	**19**	19	19
Link Full International Limited	**–**	**–**	231	231
Possider Company Limited	**–**	**–**	632	632
UDL Assets Management Pte Ltd	**42**	**42**	42	42
UDL Construction Pte Ltd	**27**	**27**	27	27
UDL Dredging (Singapore) Pte Ltd	**12**	**12**	12	12
UDL Marine Assets (HK) Limited	**66**	**66**	–	–
HF Marine Assets (Singapore) Pte Ltd	**498**	**498**	67	67
		6,619		2,866
Less: Impairment losses recognised		**(783)**		(783)
		5,836		2,083

Amounts due from the above related parties are unsecured, interest-free and repayable on demand. All of these related parties are either ultimately owned by Harbour Front Limited or subject to common control by Harbour Front.

38. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Amounts due to related parties

Non-trade

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Best Year (Asia) Limited	**1,947**	1,844
Brilliant Guide Limited	**81**	81
Harbour Front Assets Investment Limited	**1,417**	1,417
HF Marine Assets (Singapore) Pte Ltd	**73**	296
Hong Hay Pte Ltd	**776**	–
UDL Engineering Pte Ltd	**463**	9
Vital Strategic Corporate Consultancy Limited	**–**	5
	4,757	3,652

	The Company	
	2011	2010
	HK$'000	*HK$'000*
Vital Strategic Corporate Consultancy Limited	**–**	5

Amounts due to the above related parties are unsecured, interest-free and repayable on demand. All these related parties are either ultimately owned by Harbour Front Limited or subject to common control by Harbour Front.

(d) Amounts due to directors

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Leung Yat Tung	**2**	32	**–**	29
Leung Yu Oi Ling, Irene	**21**	16	**–**	9
Leung Chi Yin, Gillian	**1**	16	**–**	11
Leung Chi Hong, Jerry	**18**	11	**–**	12
Yuen Ming Fai, Matthew	**25**	40	**25**	40
Tse Mei Ha	**20**	21	**20**	21
Pao Ping Wing	**35**	40	**35**	40
Li Kam Wa	**–**	4	**–**	–
	122	180	**80**	162

Amounts due to directors are interest-free, unsecured and have no fixed terms of repayment.

38. RELATED PARTY TRANSACTIONS *(Continued)*

(e) Loans from related companies

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Non-current liabilities:				
Harbour Front Assets Investments Limited *(note (i))*	**82,586**	35,658	**59,699**	35,658
Current liabilities:				
Multi-Ventures Limited *(note(ii))*	**755**	–	**755**	–
	83,341	35,658	**60,454**	35,658

Notes:

(i) The loan is unsecured, bears interest at prevailing prime rate offered by Hong Kong and Shanghai Banking Corporation and repayable on 30 November 2012. The actual weighted average interest rate charged for the year is 5% per annum (2010: 5%). Interest paid and payable to the related company, amounted to HK$2,510,000 (2010: HK$1,712,000) for the year ended 31 July 2011.

On 1 August 2008, the Company and the ultimate holding company, Harbour Front entered into a finance agreement, under which the ultimate holding company had agreed to provide the Company facilities up to HK$136,950,768.85 (the "Debt"). The facility was unsecured, bearing interest at prime rate per annum on the amount of the facility drawn down.

On 30 November 2008, Harbour Front and the related company, Harbour Front Assets Investments Limited ("HFAI") entered into an agreement of assignment, whereby Harbour Front transferred and assigned all its rights, title and benefits of the outstanding loan of HK$65,385,964.66 together with the interest accrued to HFAI in respect of the finance agreement dated 1 August 2008.

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

(ii) On 18 April 2011, the Company and the related company, Multi-Ventures entered into a finance agreement, under which the Multi-Venture has agreed to provide the Company facilities up to HK$2,000,000 (the "Debt"). The facility is unsecured, bearing interest at 5% per annum on the amount of the facility drawn down and repayable on 31 December 2011.

38. RELATED PARTY TRANSACTIONS *(Continued)*

(f) Guarantee provided by a related party

As referred to in note 26 to the financial statements, the Group's secured bank loans were guaranteed by a director of a subsidiary, Mr Wong Man Kong, Peter.

(g) Recovery of Scheme Assets for Harbour Front

Included in other receivables at 31 July 2011 as referred to in note 23(b) to the financial statements is the aggregate amount of recovery costs of HK$14,264,000 (2010: HK$10,618,000) incurred by the Group to pursue arbitration and/or legal proceedings to recover the assets under a Scheme of Arrangement approved by the Court on 18 April 2000 (the "Scheme") as referred to note 32 (c) to the financial statements. The modifications of the Scheme were sanctioned by the High Court of Hong Kong in June and July 2006, respectively, under which the Scheme Assets were transferred to Harbour Front in September 2006. Pursuant to the Scheme and an undertaking letter dated 23 October 2008 issued by Harbour Front, the Group shall act as nominee of Harbour Front to recover the Scheme Assets and the Group will be reimbursed for such amount upon the successful recovery of these Scheme Assets.

Since the recovery actions of the Scheme Assets are still ongoing and the Group would only be reimbursed for all these recovery costs by Harbour Front out of the proceeds of successful recovery of all these Scheme Assets. The directors of the Company considered that these recovery costs have been long outstanding and the outcome of the recovery actions taken by the Group is uncertain and as such, it is appropriate to make full provision for impairment loss on these recovery costs incurred totalling HK$14,264,000.

(h) Key management personnel remuneration

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

	2011 ***HK$'000***	2010 *HK$'000*
Salaries and allowances	**7,121**	6,436
Retirement scheme contributions	**60**	60
Share-based payments	**664**	–
	7,845	6,496

39. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Business combination – 2011

On 15 July 2011, Sunfill Limited, a wholly-owned subsidiary of the Company, acquired 100% equity interest in the issued share capital of Silk Road Development Company Limited and its subsidiary (collectively the "Silk Road Group"), which is engaged in hotel operation, from an independent third party for a consideration of HK$188,271,000 satisfied by a promissory note with the principal amount of HK$188,271,000 issued by Sunfill Limited. The transaction has been accounted for as a business combination using the acquisition method. The Silk Road Group is engaged in hotel operation in the PRC.

39. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Business combination – 2011 *(Continued)*

The fair values of the identifiable assets and liabilities of the Silk Road Group as at the date of acquisition were as follows:

	Fair value recognised on acquisition *HK$'000*
Property, plant and equipment	142,735
Lease prepayments	119,447
Inventories	3,038
Trade and other receivables	5,490
Cash and cash equivalents	2,384
Secured bank loans	(15,497)
Trade and other payables	(5,996)
Deferred tax liabilities	(49,236)
Net assets acquired	202,365
Non-controlling interests	(30,828)
Gain on bargain purchase of business combination *(note (i))*	(3,681)
	167,856
Satisfied by the issue of a promissory note at fair value *(note (27))*	167,856
An analysis of the net outflow of cash and cash equivalents in respect of the acquisition is as follows:	
Cash and cash equivalents acquired	2,384

Notes:

(i) The gain on bargain purchase represented the excess of the fair value net assets as at acquisition date over the fair value of the consideration mainly attributable to the increase in fair value of the net assets acquired caused by the appreciation of RMB against HK$ at the acquisition date as compared to the agreement date.

(ii) Following the acquisition, the Silk Road Group contributed revenue and net profit after taxation of HK$1,412,000 and HK$144,000, respectively.

The effect of the Group's revenue and loss for the year ended 31 July 2011 would increase by HK$18,914,000 and HK$3,154,000, respectively, had the above acquisition took place at 1 August 2010. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have achieved had the acquisition been completed on 1 August 2010, nor is it intended to be a projection of future results.

(iii) The acquisition related costs of HK$695,000 were charged to the consolidated income statement for the year ended 31 July 2011.

39. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of a subsidiary

During the year ended 31 July 2011, the Group disposed of the entire equity interest in Denlane Offshore Engineering Pte Ltd ("Denlane") for a cash consideration of S$1 to Mr. Leung Yat Tung and Mr. Leung Chi Hong, Jerry, directors of the Company.

The net assets of Denlane at the date of disposal were as follows:

	HK$'000
Other receivables	327
Cash and bank balances	74
Other payables	(9)
Amounts due to related companies	(1,518)
Net liabilities disposed of	(1,126)
Exchange reserve realised upon disposal	134
Gain on disposal of a subsidiary	(992)
Net cash outflow arising on disposal:	
Cash and bank balances disposed of	74

The impact of Denlane's results and cash flows in the current and prior periods was insignificant.

40. EVENTS AFTER THE REPORTING PERIOD END

(i) On 27 September 2011, the Group entered into an agreement with Universal Harbour Investment Limited, pursuant to which the Group disposed its entire equity interests in three wholly-owned subsidiaries, Lead Ocean Assets Management Limited, 東莞振華建造工程有限公司 and 東莞興華造船有限公司 for an aggregate cash consideration of HK$127,574,000.

Universal Harbour Investment Limited was established on 27 September 2011 as joint venture with an authorized and issued capital of HK$10,000 and HK$2, respectively, and jointly controlled by the Group and Harbour Front. The Group's commitments to the joint venture will be approximately HK$64 million. The above disposal constituted connected transactions as defined in the Listing Rules. Further details of this transaction were disclosed in the Company's circular dated 25 October 2011.

(ii) On 27 September 2011, the Company together with a wholly-owned subsidiary, UDL Ventures Limited and Harbour Front Assets Investments Limited ("HFAI") have entered into a revolving finance agreement, whereby HFAI has agreed to increase the revolving credit facility of up to HK$260 million to the Company. The facility is unsecured, interest bearing at prime rate per annum on the amount of drawn down. The revolving credit facility shall expire on 30 November 2012, subject to further extension if required.

(iii) On 29 September 2011, a vessel owned by the Group was stranded due to typhoon. The carrying value of this vessel was approximately HK$5,000,000. No injury or death was caused by the accident. The Group has taken out protection and indemnity insurance coverage at international standard for the vessel concerned in respect to its legal liabilities to third parties. The exact amount of damage to the vessel has yet to be ascertained after the completion of the salvage.

Five Year Summary

For the year ended 31 July 2011

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

	Year ended 31 July				
	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Results					
Turnover	**60,254**	114,252	117,436	69,797	38,141
Loss before taxation	**(72,035)**	(46,928)	(27,184)	(975)	(4,291)
Income tax	**–**	(1,385)	(1,053)	(1,013)	(50)
Total loss for the year	**(72,035)**	(48,313)	(28,237)	(1,988)	(4,341)
Profit/(loss) for the year attributable to:					
Owner of the Company	**(72,073)**	(48,313)	(28,237)	(1,988)	(4,341)
Non-controlling interests	**38**	–	–	–	–
	(72,035)	(48,313)	(28,237)	(1,988)	(4,341)

	As at 31 July				
	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities					
Total assets	**585,841**	323,886	371,019	170,632	170,693
Total liabilities	**(360,283)**	(70,123)	(73,053)	(17,988)	(20,684)
Net assets/(liabilities)	**225,558**	253,763	297,966	152,644	150,009