UDL HOLDINGS LIMITED
太元集團有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 00620

Annual Report **2012**

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

NOMINATION COMMITTEE

Mrs. Leung Yu Oi Ling, Irene
Mr. Pao Ping Wing, *JP*
Prof. Yuen Ming Fai, Matthew

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

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
Bank of Communications Co., Ltd. Hong Kong Branch

WEBSITES

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

STOCK CODE

620

Chairman's Statement

The financial year ended 31 July 2012 marked a year of cultivation for UDL Holdings Limited and its subsidiaries (the "Group"). During the year, efforts were put in the tendering of major civil and marine engineering contracts in both the public and private sectors in Hong Kong. Strategic development in the shipbuilding and structural steel engineering sectors continued to capture the growing opportunities in Mainland China. New engineering concepts are brewing to meet the forthcoming infrastructure needs in Hong Kong. Meanwhile hotel operations are maintained with a steady growth.

Notwithstanding to the global economic volatility ahead, we are confident that our efforts will be harvested in the coming year and the foundation we have laid will help us weather the storm. Following the financial year of 2012, various new contracts have been secured, ranging from construction to marine engineering, with sum of over HK$230 million. More infrastructure projects are expected to roll out in the near future.

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

Leung Yu Oi Ling, Irene
Chairman

Hong Kong, 18 October 2012

Management Discussion and Analysis

BUSINESS REVIEW AND FUTURE PROSPECTS

For the year ended 31 July 2012, the Group reports a revenue of HK$53.0 million (2011:HK$60.3 million) and a loss of HK$40.9 million (2011: HK$72.0 million). The basic loss per share was 19.84 cents (2011: 35.51 cents).

Construction and Structural Steel Engineering

Revenue of the Construction and Structural Steel Engineering sector was HK$12.3 million (2011: HK$15.2 million) with a loss of HK$1.9 million (2011: loss of HK$6.3 million). The Group had actively participated in the tendering of major civil engineering contracts in both the public and private sectors. New projects were secured, ranging from maintenance dredging to design-build. Amongst them, the latest contract of HK$215 million was awarded in September 2012 to a joint venture with an international contractor. Taking advantage of the rolling out of large scale infrastructure projects by the Hong Kong Government, the Construction and Structural Steel Engineering sector may observe a steady growth in the coming years.

Marine Engineering

The Marine Engineering sector recorded a revenue of HK$12.0 million (2011: HK$42.3 million) and a loss of HK$16.2 million (2011: loss of HK$51.0 million). During the year, the Group focused on securing contracts, leveraging from its specialized equipment and expertise in the marine engineering market. The Group has recently secured a marine engineering contract from the Hong Kong Government and has also been under final negotiation for certain marine engineering contracts. The aggregate amount of such contracts (including both the contract secured following the financial year ended 31 July 2012 and those under final negotiation) is more than HK$30 million with a term of six to twelve months. As the marine engineering market condition improves, the Group will continue to pursue contracts in both public and private sectors.

Business development in shipbuilding and structural steel engineering had progressed under the joint venture company, Universal Harbour Investment Limited, which 50% is owned by the Group. In the financial year, Universal Harbour Investment Limited acquired 100% interest of Lead Ocean Assets Management Limited, in turn the Dongguan yard facilities, from the Group. Through this joint venture, the Group shall continue to explore opportunities to cooperate with other independent third parties including established market players in the near future.

Sale of Vessels

Capturing the high level of construction and marine engineering activities in the regional market, focus was shifted away from vessels trading. There was no revenue derived from sale of vessels, as compared to 2011 of HK$1.4 million. During the year, a loss of HK$3.3 million (2011: loss of HK$1.2 million) was incurred.

Hotel Operations

The hotel operations segment observed a steady growth with revenue of HK$28.6 million (2011: HK$1.4 million) and a loss of HK$1.0 million (2011: profit of HK$4.6 million). Business growth was within the management's expectation, but inflation in the PRC continues to impose substantial pressure on the hotel operations.

LIQUIDITY AND FINANCIAL RESOURCES

In order to utilise financial resources effectively and efficiently, the Group has secured shareholders loan facility to finance the working capital of the operation and business development.

As at 31 July 2012, total indebtedness balance of the Group was HK$248.7 million (2011: HK$266.7 million). The finance costs have increased to HK$23.05 million (2011: HK$2.56 million). At the year end, bank and cash balances of the Group totalled HK$5.8 million (2011: HK$20.1 million). The deposit in foreign currencies are mainly for the operation and projects in Singapore and PRC.

The gearing ratio of the Group as a result, calculated by dividing total liabilities by total asset value, increased to 63.15% (2011: 61.5%).

EXPOSURE OF FOREIGN EXCHANGE

The Group's assets and liabilities are mainly dominated in Hong Kong Dollars, Renminbi and Singapore Dollars. Income and expenses derived from the operations in PRC and Singapore are mainly dominated in Renminbi and Singapore Dollars respectively. There is no significant exposure to the fluctuation of foreign exchange rates, but the Group is closely monitoring the financial market and would consider appropriate measures if required. The Group has no hedging arrangement for foreign currencies and has not involved in the financial derivatives.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 July 2012, other than outsourcing vendors but including contract workers, the Group has approximately 300 technical and working staff in Hong Kong, Singapore and PRC. Total staff costs, excluding contract workers, amounted to HK$24.3 million this year, as compared with HK$24.2 million last year.

There was no material change to the staff policy during the year under review. The Group encourages high productivity and remunerates its employees based on their qualification, work experiences, prevailing market prices and contribution to the Group. Incentives in the form of bonuses and share options may also be offered to eligible employees based on individual performance. The emoluments of the directors and senior management of the Company are determined by the Remuneration Committee and approved by the Board, having regard to their individual duties and responsibility with the Company, remuneration benchmark in the industry and prevailing market condition.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Leung Yat Tung, aged 59, 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 59, 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 32, 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 30, 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 16 of this report.

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 Stock Exchange of Hong Kong Limited (the"Stock Exchange").

Prof. Yuen Ming Fai, Matthew, aged 61, 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).

Ms. Tse Mei Ha, aged 40, 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.

SENIOR MANAGEMENT

Various aspects of the business and operations of the Group are respectively under direct responsibilities of the Executive Directors who are regarded as the senior management of the Company.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

Throughout the period ended 31 July 2012, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) during the period from 1 August 2011 to 31 March 2012 and the Corporate Governance Code and Corporate Governance Report (effective from 1 April 2012) during the period from 1 April 2012 to 31 July 2012 (collectively the "CG code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 "Biographical Details of Directors and Senior Management" section on page 6 of this annual report.

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.

A list of Directors and their role and function is published on the websites of the Stock Exchange and the Company.

Corporate Governance Report

The Board met regularly during the year and the Directors have made active contribution to the affairs of the Group. The following table shows the attendance of all the Directors (in person) at the meetings held during the year ended 31 July 2012:

	Meetings Attended/Held				
Directors	**Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**	**General Meeting**
Executive Directors					
Mr. Leung Yat Tung	5/5	–	–	–	2/2
Mrs. Leung Yu Oi Ling, Irene	5/5	–	–	–	2/2
Miss Leung Chi Yin, Gillian	5/5	2/2	2/2	–	2/2
Mr. Leung Chi Hong, Jerry	4/5	–	–	–	2/2
Independent Non-Executive Directors					
Mr. Pao Ping Wing, *JP*	5/5	2/2	2/2	–	1/2
Prof. Yuen Ming Fai, Matthew	5/5	2/2	2/2	–	0/2
Ms. Tse Mei Ha	5/5	2/2	2/2	–	2/2

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.

INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

In compliance with Rules 3.10A and 3.10(1) of the Listing Rules, the Company has appointed three Independent Non-Executive Directors representing more than one-third of the Board. 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. Particular considerations were applied to Prof. Yuen Ming Fai, Matthew and Mr. Pao Ping Wing, *JP* who have served the Board for over 10 years and 15 years respectively. The Board determined that all the Independent Non-Executive Directors, including Prof. Yuen Ming Fai, Matthew and Mr. Pao Ping Wing, *JP*, meet the requirements for independence as set out in Rule 3.13 of the Listing Rules and are independent.

APPOINTMENT AND RE-ELECTION 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 March 2013, 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.

TRAINING AND DEVELOPMENT

Every newly appointed Director will be given an induction so as to ensure that he/she has appropriate understanding of the Group's business and of his/her duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements. The Company provides regular updates on the business development of the Group. The Directors are continually updated on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices.

The Directors are committed to comply with Code Provision A.6.5 of the CG Code which came into effect on 1 April 2012 on Directors' training so as to ensure that their contribution to the Board will be informed and relevant. All Directors have participated in appropriate continuous professional development to develop and refresh their knowledge and skills and provided the Company their record of training they received for the period ended 31 July 2012.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 27 March 2012 with the adoption of written terms of reference in accordance with the requirements of the Listing Rules and the CG Code, which is published on the websites of the Stock Exchange and the Company. The responsibility of the Nomination Committee is mainly to review the structure, size and composition of the Board and recommend to the Board any proposed changes to complement the Company's corporate strategy, to identify individuals suitably qualified to become Board members, to assess the independence of Independent Non-Executive Directors, and to make recommendations to the Board on appointment and re-appointment of Directors and succession planning for Directors.

The Nomination Committee comprised of three members, majority of which are Independent Non-Executive Directors, namely Prof. Yuen Ming Fai, Matthew, Mr. Pao Ping Wing, *JP* and Mrs. Leung Yu Oi Ling, Irene. Mrs. Leung Yu Oi Ling, Irene is the chairman of the Nomination Committee.

The Nomination Committee shall meet at least once a year. The first Nomination Committee meeting was held on 18 October 2012 with all the committee members attended.

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 revised terms of reference of the Remuneration Committee, as approved for adoption by the Board on 27 March 2012, is published on the websites of the Stock Exchange and the Company.

The responsibility of the Remuneration Committee is to review and approve the management's remuneration proposals with reference to the corporate goals and objectives, to evaluate and to make recommendations to the Board on the remuneration packages and policies of the Directors and senior management of the Group, including bonus and options granted under the share option scheme, so as 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. Two meetings were 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.

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. On 27 March 2012, the Board has resolved that the responsibility to perform the corporate governance functions as set out in the CG Code be delegated to the Audit Committee. The revised terms of reference of the Audit Committee, as approved for adoption by the Board on 27 March 2012, is published on the websites of the Stock Exchange and the Company.

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, reviewing the Company's relations with its external auditor and the independence of the external auditor, reviewing arrangements for employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters, and performing corporate governance functions in compliance with the CG code.

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 2011 and for the six months ended 31 January 2012 have been reviewed and approved by the Audit Committee.

The Group's audited financial statements and the final results announcement for the year ended 31 July 2012 have been duly reviewed by the Audit Committee on 18 October 2012, with the members of the Audit Committee unanimously recommended to the Board for approval.

AUDITOR'S REMUNERATION

For the year ended 31 July 2012, 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	860,000
Non-audit services	80,000

In addition, fees of HK$79,000 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.

In light of the amendments to the code provisions of the CG Code and the Listing Rules which became effective on 1 April 2012, the Board has resolved that the responsibility in performing the corporate governance functions be delegated to the Audit Committee, and that the following corporate governance duties (as set out in Code Provision D.3.1 of the CG Code) be adopted in the written terms of reference of the Audit Committee:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the CG Code and the disclosure in the Corporate Governance Report.

Corporate Governance Report

COMPANY SECRETARY

Ms. Yuen Wing Yan, Winnie of Tricor Services Limited, an external service provider, has been engaged by the Company as its company secretary since January 2010. The primary contact person of the Company is Miss Leung Chi Yin, Gillian, an Executive Director.

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 19 to 20. 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 AND INVESTOR RELATIONS

The Board recognises the importance of effective communication with the shareholders and investors. The Company communicates with its shareholders and investors through various channels including publication of interim and annual reports, announcements, circulars, press releases and other corporate communications and publications available on the websites of the Stock Exchange and the Company.

The general meetings of the Company provide an opportunity for direct communication between the Board and its shareholders. The Company encourages their participation through annual general meetings and other general meetings where the shareholders meet and exchange views with the Board, and to exercise their right to vote at meetings. The Company shall arrange notices of meetings and circulars containing details on proposed resolutions to be sent to its shareholders. At general meetings, separate resolutions are proposed on each substantial issue, including the election of individual directors.

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 13 December 2011, except for Mr. Pao Ping Wing, *JP* and Prof. Yuen Ming Fai, Matthew, who are engaged with other work commitment, all members of the Board, Audit Committee and Remuneration Committee were present to answer the questions from the shareholders.

To promote the communication between the Company and its shareholders, the Company has adopted a Shareholders' Communication Policy on 27 March 2012 which is available on the Company's website. The Board shall review the policy annually to ensure its effectiveness.

The Company continues to enhance communication and relationship with the shareholders and investors. The Board responds to their enquiries in an informative and timely manner. The Company regularly updates its corporate information on the Company's website. The constitutional document of the Company is available on the websites of the Stock Exchange and the Company. There has not been any change in the constitutional document during the year.

SHAREHOLDERS' RIGHTS

Procedure for shareholders to put forward enquiries to the Board

The Company's website provides email address and enquiry telephone lines to enable shareholders of the Company to make any enquiries and concerns to the Board. Shareholders may send their enquiries by post or by email to the attention of the Company Secretary who will direct the enquiries to the Board for handling.

Procedures for shareholders to put forward proposals at general meetings

Shareholders can submit a requisition to move a resolution at an annual general meeting pursuant to Section 79 of the Companies Act 1981 of Bermuda. The number of shareholders necessary for a requisition shall be:

– representing not less than one-twentieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the meeting; or

– not less than 100 shareholders holding the Company's shares.

The written requisition must:

– state the resolution, with a statement not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the meeting;

– be signed by all the requisitionists (may consist of one or several documents in like form each signed by one or more requisitionists);

– be deposited at the Company's office in Hong Kong for the attention of the Company Secretary not less than six weeks before the meeting in case of a requisition requiring notice of a resolution and not less than one week before the meeting in case of any other requisition; and

– be deposited with a sum reasonably sufficient to meet the Company's expenses in giving notice of the resolution and circulating the statements of the proposed resolution to all shareholders in accordance with the requirements under the applicable laws and rules.

A shareholder can submit a notice to propose a person (other than a retiring Director) for election as a Director at an annual general meeting pursuant to clause 103 of the Company's Bye-Laws. The shareholder should deposit a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his/her willingness to be elected at the Company's office in Hong Kong for the attention of the Company Secretary at least seven days before the date of the annual general meeting.

Procedures for shareholders to convene a special general meeting

Shareholders can submit a requisition to convene a special general meeting pursuant to Section 74 of the Companies Act 1981 of Bermuda. The number of shareholders necessary for a requisition shall be representing not less than one-tenth of the Company's paid-up capital as at the date of requisition having the right to vote at the general meeting.

The written requisition must:

– state the purpose of the special general meeting;

– be signed by all the requisitionists (may consist of one or several documents in like form each signed by one or more requisitionists); and

– be deposited at the Company's office in Hong Kong for the attention of the Company Secretary.

If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a special general meeting, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a special general meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

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 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 22 to the financial statements, which are mainly sale of vessels, marine engineering, construction and structural steel engineering and related services, and hotel operations.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 July 2012 are set out in the Consolidated Income Statement on page 21 and the accompanying notes to the financial statements. As at 31 July 2012, 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 2012 (2011: nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's five largest customers in aggregate was about 40% (2011: 54%) of the total turnover of the Group and the largest customer included therein amount to approximately 16% (2011: 12%).

The percentage of purchases attributable to the Group's five largest suppliers in aggregate was about 32% (2011: 77%) of the total purchases of the Group and the largest suppliers include therein amount to 20% (2011: 38%).

Save as disclosed in note 37 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 100. The summary does not form part of the audited financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 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 25 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

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

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

In accordance with clause 99(A) as amended by clause 182(vi) of the Company's Bye-Laws and the code provisions in the CG Code contained in Appendix 14 of the Listing Rules, Mrs. Leung Yu Oi Ling, Irene, Miss Leung Chi Yin, Gillian and Ms. Tse Mei Ha 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 entered into 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 clause 99 of the Company's Bye-Laws, 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 37 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 18, 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 2012, 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

Name of Directors	*Notes*	Number of ordinary shares of HK$0.01 each and nature of interest Personal	 Other	Approximate percentage of the Company's issued 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; whereas 800,000 shares are held by Mrs. Leung Yu Oi Ling, Irene, spouse of Mr. Leung Yat Tung.

Save as disclosed above, as at 31 July 2012, 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 2012, 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 ordinary shares of HK$0.01 each	Approximate 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 2012.

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 13.

CONNECTED TRANSACTIONS

Details of the related party transactions and connected transactions of the Group are set out in note 37 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.

Directors' Report

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. As at 31 July 2012, the maximum number of shares issuable under the Share Option Scheme is 868,106,073 shares (being approximately 8.5% of the issued share capital of the Company at 13 December 2011). 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 33 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 2012.

CONTINGENCES AND OUTSTANDING LITIGATIONS

Details of the outstanding litigations are set out in note 36 to the financial statements.

AUDITOR

CCIF CPA Limited, Certified Public Accountants had been the auditor of the Company in the preceding nine 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
18 October 2012

CCIF
CCIF CPA LIMITED
9/F Leighton Centre
77 Leighton Road
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 (together the "Group") set out on pages 21 to 99, which comprise the consolidated and company statements of financial position as at 31 July 2012, 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 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.

Independent Auditor's Report

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 2012 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, 18 October 2012

Leung Chun Wa
Practising Certificate Number P04963

Consolidated Income Statement

For the year ended 31 July 2012

	Note	2012 HK$'000	2011 HK$'000
Turnover	5	**52,987**	60,254
Other revenue and net income	7	**505**	1,507
Staff costs	9(a)	**(24,287)**	(24,177)
Marine, construction and structural steel engineering costs	9(b)	**(20,156)**	(42,901)
Hotel operation costs	9(c)	**(10,442)**	(525)
Depreciation and amortisation	9(d)	**(18,580)**	(14,234)
(Reversal of impairment)/impairment loss on amounts due from customers for contract works	25	**8,380**	(23,511)
Impairment loss on trade and other receivables	24	**(6,544)**	(18,060)
Write-down of inventories	23	**(3,285)**	–
Gain on bargain purchase on acquisition of subsidiaries	38	**–**	3,681
Other operating expenses		**(12,104)**	(13,298)
Loss from operations		**(33,526)**	(71,264)
Finance costs	8	**(23,045)**	(2,557)
Gain on restructuring of promissory note	28	**20,020**	–
Share of (losses)/profits of associates	20(e)	**(1,625)**	1,786
Share of losses of jointly controlled entities	21(d)	**(3,110)**	–
Loss before taxation	9	**(41,286)**	(72,035)
Income tax credit	10	**435**	–
Loss for the year		**(40,851)**	(72,035)
Attributable to:			
Owners of the Company		**(40,516)**	(72,073)
Non-controlling interests		**(335)**	38
		(40,851)	(72,035)
			Restated
Loss per share			
– Basic	14(a)	**(19.84) cent**	(35.51) cent
– Diluted	14(b)	**(19.84) cent**	(35.51) cent

The notes on pages 28 to 99 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 July 2012

	Note	2012 HK$'000	2011 HK$'000
Loss for the year		**(40,851)**	(72,035)
Other comprehensive income for the year			
Exchange differences on translation of financial statements of foreign subsidiaries and jointly controlled entities		**2,423**	8,982
Release of exchange reserve upon disposal of subsidiaries	39(b)	**–**	134
Revaluation surplus arising from hotel properties		**7,615**	–
Total comprehensive loss for the year, net of tax		**(30,813)**	(62,919)
Attributable to:			
Owners of the Company		**(32,295)**	(62,957)
Non-controlling interests		**1,482**	38
		(30,813)	(62,919)

The notes on pages 28 to 99 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 July 2012

	Note	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	185,533	247,184
Lease prepayments	17	113,773	176,929
Intangible assets	18	–	–
Club membership	19	200	200
Interests in associates	20(a)	5,500	7,125
Interests in jointly controlled entities	21(a)	28,574	–
		333,580	431,438
Current assets			
Inventories	23	108,543	95,731
Lease prepayments	17	3,645	2,087
Trade and other receivables	24	14,064	30,678
Amount due from an associate	20(b)	431	–
Amount due from a jointly controlled entity	21(b)	63,987	–
Amounts due from customers for contract works	25	–	–
Amounts due from related parties	37(b)	4	5,836
Cash and cash equivalents	26	5,841	20,071
		196,515	154,403
Current liabilities			
Secured bank loans	27	9,994	15,497
Trade and other payables	29	23,240	37,083
Amounts due to related parties	37(c)	9,797	4,757
Amount due to an associate	20(c)	–	1,718
Amounts due to directors	37(d)	507	122
Loan from a related company	37(e)	1,149	755
Current taxation	30(a)	804	673
		45,491	60,605
Net current assets		151,024	93,798
Total assets less current liabilities		484,604	525,236
Non-current liabilities			
Promissory note	28	166,500	167,856
Loan from a related company	37(e)	71,082	82,586
Deferred tax liabilities	30(b)	51,667	49,236
		289,249	299,678
NET ASSETS		195,355	225,558
CAPITAL AND RESERVES			
Share capital	31	102,109	102,109
Reserves	32	60,898	92,583
Equity attributable to owners of the Company		163,007	194,692
Non-controlling interests		32,348	30,866
TOTAL EQUITY		195,355	225,558

Approved and authorised for issue by the Board of Directors on 18 October 2012

Leung Yu Oi Ling, Irene
Director

Leung Yat Tung
Director

The notes on pages 28 to 99 form part of these financial statements.

Statement of Financial Position

As at 31 July 2012

	Note	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	1	3
Investments in subsidiaries	22	82,452	82,452
		82,453	82,455
Current assets			
Trade and other receivables	24	303	468
Amounts due from subsidiaries	22(a)	142,349	186,715
Cash and cash equivalents	26	360	69
		143,012	187,252
Current liabilities			
Other payables	29	1,287	2,463
Amounts due to subsidiaries	22(a)	17,262	16,111
Amounts due to directors	37(d)	386	80
Loan from a related company	37(e)	1,149	755
		20,084	19,409
Net current assets		122,928	167,843
Total assets less current liabilities		205,381	250,298
Non-current liabilities			
Loan from a related company	37(e)	46,040	59,699
NET ASSETS		159,341	190,599
CAPITAL AND RESERVES			
Share capital	31	102,109	102,109
Reserves	32	57,232	88,490
TOTAL EQUITY		159,341	190,599

Approved and authorised for issue by the Board of Directors on 18 October 2012

Leung Yu Oi Ling, Irene
Director

Leung Yat Tung
Director

The notes on pages 28 to 99 form part of these financial statements.

Consolidated Statement of Changes In Equity

For the year ended 31 July 2012

	Attributable to owners of the Company											
	Share capital	**Share premium**	**Share option reserve**	**Capital redemption reserve**	**Exchange fluctuation reserve**	**Scheme reserve**	**Revaluation reserve**	**Capital reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 31	*Note 32(a)*	*Note 32(e)*	*Note 32(a)*	*Note 32(d)*	*Note 32(c)*	*Note 32(f)*	*Note 32(g)*				
At 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 differences on translation of financial statements of foreign subsidiaries	–	–	–	–	8,982	–	–	–	–	8,982	–	8,982
Release of exchange reserve upon disposal of subsidiary	–	–	–	–	134	–	–	–	–	134	–	134
Total comprehensive income/(loss) for the year	–	–	–	–	9,116	–	–	–	(72,073)	(62,957)	38	(62,919)
At 31 July 2011 and 1 August 2011	102,109	312,815	332	1,264	13,297	1,054,095	6,981	–	(1,296,201)	194,692	30,866	225,558
Deemed contribution *(note 39(a))*	–	–	–	–	–	–	–	610	–	610	–	610
Loss for the year	–	–	–	–	–	–	–	–	(40,516)	(40,516)	(335)	(40,851)
Exchange differences on translation of financial statements of foreign subsidiaries and jointly controlled entities	–	–	–	–	2,129	–	–	–	–	2,129	294	2,423
Revaluation surplus arising from hotel properties, net of deferred tax	–	–	–	–	–	–	6,092	–	–	6,092	1,523	7,615
Transfer of reserves upon disposal of subsidiaries *(notes 32 (d) and (f))*	–	–	–	–	(3,810)	–	(803)	4,613	–	–	–	–
Total comprehensive income/(loss) for the year	–	–	–	–	(1,681)	–	5,289	4,613	(40,516)	(32,295)	1,482	(30,813)
At 31 July 2012	102,109	312,815	332	1,264	11,616	1,054,095	12,270	5,223	(1,336,717)	163,007	32,348	195,355

The notes on pages 28 to 99 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 July 2012

	Note	2012 HK$'000	2011 HK$'000
Operating activities			
Loss before taxation		**(41,286)**	(72,035)
Adjustments for:			
Depreciation and amortisation	*9(d)*	**18,580**	14,234
Impairment loss on trade and other receivables	*9(e)*	**6,544**	18,060
(Reversal of impairment)/impairment loss on amounts due from customers for contract works	*25*	**(8,380)**	23,511
Gain on restructuring of promissory note	*28*	**(20,020)**	–
Write-down of inventories	*23*	**3,285**	–
Interest expenses	*8*	**23,045**	2,557
Interest income	*7*	**(4)**	(17)
Gain on disposal of property, plant and equipment	*9(e)*	**(49)**	(206)
Gain on disposal of a subsidiary	*39(b)*	**–**	(992)
Equity-settled share-based payment expenses	*9(a)*	**–**	664
Gain on bargain purchase on acquisition of subsidiaries	*38*	**–**	(3,681)
Costs directly attributable to acquisition of subsidiaries	*38*	**–**	695
Share of losses/(profits) of associates	*20*	**1,625**	(1,786)
Share of losses of jointly controlled entities	*21*	**3,110**	–
Operating loss before working capital changes		**(13,550)**	(18,996)
Increase in inventories		**(16,097)**	(27,744)
Decrease/(increase) in trade and other receivables		**17,805**	(13,927)
Increase in amounts due from customers for contract work		**–**	(7,285)
Decrease/(increase) in amounts due from related parties		**5,832**	(3,753)
(Increase)/decrease in balances with associates		**(2,149)**	4,709
Increase in amount due from jointly controlled entity		**(200)**	–
(Decrease)/increase in trade and other payables		**(10,316)**	2,375
Increase in amounts due to related parties		**5,040**	2,623
Increase/(decrease) in amounts due to directors		**385**	(58)
Cash used in operations		**(13,250)**	(62,056)
Overseas tax refunded/(paid)		**903**	(1,187)
Interest received		**4**	17
Net cash used in operating activities		**(12,343)**	(63,226)

Consolidated Statement of Cash Flows

For the year ended 31 July 2012

	Note	2012 HK$'000	2011 HK$'000
Investing activities			
Capital injection in a jointly controlled entity	21	**(32,000)**	–
Capital injection in an associate	20	**–**	(3,500)
Proceeds from disposal of property, plant and equipment		**74**	8,348
Purchase of property, plant and equipment	16	**(3,767)**	(14,644)
Acquisition of subsidiaries	38	**–**	2,384
Payment for acquisition cost of business combination	38	**–**	(695)
Net cash received from disposal of subsidiaries	39(b)	**54,866**	(74)
Dividend received from an associate	20	**–**	3,495
Net cash generated from/(used in) investing activities		**19,173**	(4,686)
Financing activities			
Interest paid	8	**(4,381)**	(2,555)
Repayment of bank loans		**(5,606)**	–
(Repayment of loans)/loans from related companies		**(11,110)**	47,683
Interest element on finance lease payments	8	**–**	(2)
Capital element of finance lease payments		**–**	(52)
Proceeds from issue of new shares, net		**–**	3,222
Net cash (used in)/generated from financing activities		**(21,097)**	48,296
Net decrease in cash and cash equivalents		**(14,267)**	(19,616)
Cash and cash equivalents at 1 August		**20,071**	37,569
Effect of foreign exchange rate changes		**37**	2,118
Cash and cash equivalents at 31 July		**5,841**	20,071
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**5,841**	20,071

The notes on pages 28 to 99 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 operations.

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

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

2. SIGNIFICANT 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.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 July 2012 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and jointly controlled entities.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for hotel properties, leasehold buildings and floating craft and vessels are stated at their fair values.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Amendments to HKAS 1, HKAS 34, HKFRS 7 and HK(IFRIC) – Int 13 as part of Improvements to HKFRSs issued in 2010
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
Amendments to HKFRS 7	Financial Instruments: Disclosures-Transfers of Financial Assets
HKAS 24 (Revised 2009)	Related Party Disclosures

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or the disclosures set out in these financial statements.

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle [1]
Amendments to HKFRS 7	Disclosures-Offsetting Financial Assets and Financial Liabilities [1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures [2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance [1]
HKFRS 9	Financial Instruments [2]
HKFRS 10	Consolidated Financial Statements [1]
HKFRS 11	Joint Arrangements [1]
HKFRS 12	Disclosure of Interests in Other Entities [1]
HKFRS 13	Fair Value Measurement [1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income [3]
Amendment to HKAS 12	Deferred Tax- Recovery of Underlying Assets [4]
HKAS 19 (Revised in 2011)	Employee Benefits [1]
HKAS 27 (Revised in 2011)	Separate Financial Statements [1]
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures [1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities [5]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine [1]

[1] Effective for annual periods beginning on or after 1 January 2013
[2] Effective for annual periods beginning on or after 1 January 2015
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 January 2014

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

Non-controlling 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. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

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. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(n) and (q) depending on the nature of the liability.

In the Company's statement of financial position, an investment in a subsidiary is carried at cost less impairment losses (see note 2 (k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates and jointly controlled entities

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.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees 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 investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Associates and jointly controlled entities *(Continued)*

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations to make payments on behalf of the investees. For this purpose, the Group's interest 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 or the jointly controlled entity.

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

When the Group ceases to have significant influence over an associate or joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate.

In the Company's statement of financial position, investments in associates and jointly controlled entities are stated at cost less impairment losses (see note 2 (k)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(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 in other comprehensive income and accumulated separately in equity in the exchange reserve.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Property, plant and equipment

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

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.

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:

Leasehold shipyard and buildings outside Hong Kong, in Singapore	Over the unexpired term of the lease
Leasehold shipyard and buildings outside Hong Kong, in the PRC	20 years or over the lease term whichever is shorter
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.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

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

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.

(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.

(j) Club memberships

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets

(i) Impairment of investments in subsidiaries, associates and jointly controlled entities and other receivables

Investments in subsidiaries, associates and jointly controlled entities, 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, associates and jointly controlled entities (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 these financial assets 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.

  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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets *(Continued)*

(i) Impairment of investments in subsidiaries, associates and jointly controlled entities and other receivables (Continued)

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;
- intangible assets;
- associates; and
- jointly controlled entities

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.

- Calculation of recoverable amount

  The recoverable amount of an asset is the higher 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).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

– 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 any goodwill allocated to the cash-generating unit (or group of units) and then, the reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of impairment loss 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 stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(k)), 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(p) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs that incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, 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 stated 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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

(i) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(s)(ii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 2(s)(ii).

(ii) Other provision and contingent liabilities

Provisions are recognised for other 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 stated 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. SIGNIFICANT 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) 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 capital 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 capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Income tax *(Continued)*

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

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

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the 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 the 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. SIGNIFICANT 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 exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

– 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 lease.

(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). 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. SIGNIFICANT 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 combinations

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 control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

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

– a deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination and the potential tax effects of of temporary differences and carryforwards or an acquiree that existed at the acquisition date or arise as a result of the acquisition are recognised and measured in accordance with HKAS 12 Income Tax;

– assets and liabilities relating to employee benefit arrangements are recognised and measured in accordance with HKAS 19 Employee Benefits;

– liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Business combinations *(Continued)*

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.

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. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39 Financial Instruments: Recognition and Measurement, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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.

If the initial accounting for business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts that are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

The policy described above is applied to all business combinations that take place on or after 1 January 2010.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated to each of the Group's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. If some or all of the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. Any impairment loss recognised for goodwill is not reversed in subsequent periods.

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

(z) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person 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. For construction contracts, the Group generally requires customers to settle billings in accordance with contracted terms, normally due within 120 days to 150 days from the date of billing, whereas for provision of services, the Group generally requires customers to settle immediately after the completion of the related transactions. Credit terms of one to three years may be granted to customers for retention receivables. 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 10% (2011: 18%) and 39% (2011: 60%) 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 24 to the financial statements.

(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.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk *(Continued)*

The Group

	2012				
	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	**23,240**	**23,240**	**23,240**	**–**	**–**
Amounts due to related parties	**9,797**	**9,797**	**9,797**	**–**	**–**
Amounts due to directors	**507**	**507**	**507**	**–**	**–**
Loans from related companies	**72,231**	**77,348**	**3,612**	**73,736**	**–**
Secured bank loans	**9,994**	**10,799**	**10,799**	**–**	**–**
Promissory note	**166,500**	**188,271**	**–**	**188,271**	**–**
	282,269	**309,962**	**47,955**	**262,007**	**–**

	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	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

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk *(Continued)*

The Company

	2012				
	Carrying amount *HK$'000*	**Total contractual undiscounted cash flow** *HK$'000*	**Within 1 year or on demand** *HK$'000*	**More than 1 year but less than 2 years** *HK$'000*	**More than 2 years but less than 5 years** *HK$'000*
Trade and other payables	**1,287**	**1,287**	**1,287**	**–**	**–**
Amounts due to subsidiaries	**17,262**	**17,262**	**17,262**	**–**	**–**
Amounts due to directors	**386**	**386**	**386**	**–**	**–**
Loans from related companies	**47,189**	**50,532**	**2,360**	**48,172**	**–**
	66,124	**69,467**	**21,295**	**48,172**	**–**

	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	60,454	64,450	771	63,679	–
	79,108	83,104	19,425	63,679	–

(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 2012, 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$764,000 (2011: HK$788,000).

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 2011.

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 State 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 that they are at management levels.

(i) Exposure to currency risk

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

The Group

	2012		2011	
	Renminbi	**Singapore Dollars**	Renminbi	Singapore Dollars
	'000	***'000***	*'000*	*'000*
Trade and other receivables	**5,961**	**232**	5,640	1,927
Cash at banks	**840**	**108**	9,301	761
Trade and other payables	**(3,894)**	**(1,374)**	(8,499)	(1,883)
Secured bank loans	**(8,200)**	**–**	(12,800)	–
	(5,293)	**(1,034)**	(6,358)	805

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 the reporting period. Other components of equity would not affect by changes in the foreign exchange rates:

	2012		2011	
	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%**	**323**	5%	385
	(5%)	**(323)**	(5%)	(385)
Singapore Dollars	**5%**	**322**	5%	(260)
	(5%)	**(322)**	(5%)	260

The sensitive analysis above has been determined assuming that the change in foreign exchange rates had occurred at the end of the 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 next annual end of reporting period. The analysis excludes differences that would result from 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 2011.

(e) Reliance on major customers

For the year ended 31 July 2012, the largest and the five largest customers of the Group in aggregate approximately 16% (2011: 12%) and 40% (2011: 54%) respectively of the Group's total turnover, evidencing a significant reliance on the Group's largest customer for the year ended 31 July 2012. During the years ended 31 July 2012 and 2011, the Group had not encountered any material disruption of sales.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(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 2012 and 2011.

(g) Estimation of fair values

(i) Interest-bearing loans and borrowings

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

	2012	2011
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.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(b) Useful life 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 2012, 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 and calculations for which the ultimate tax determination is uncertain during the course of business. The Group recognises liabilities for potential tax exposures based on its estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences would impact the income tax and deferred tax provisions in which such determination is made.

(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) Fair value of hotel properties

At 31 July 2012 and 2011, hotel properties are stated at fair value based on the valuation performed by the independent professional valuers. The fair value was based on valuation on these properties conducted by the independent qualified professional valuers using property valuation techniques which adopt the income approach by capitalizing the net income from the hotel, favourable or unfavourable changed to the assumptions, such as room rate, occupancy rate and growth rate would result in changes in fair value of the hotel properties which are operated by the Group, and the corresponding revaluation surplus was recorded in the revaluation surplus in the equity, net of the related deferred tax thereon.

(f) 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.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(g) Net realisable value 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 realisable value in accordance with the accounting policy as set out in note 2(p). Management estimates the net realisable value based on current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventory write-down or the related reversals of write-down made in prior years and affect the Group's net asset value.

(h) Impairment of interests in subsidiaries, associates and jointly controlled entities

The Group assessed and made impairment on investments in subsidiaries, associates and jointly controlled entities when the related recoverable amounts of the investments in subsidiaries, associates and jointly controlled entities estimated to be less than their carrying amounts.

(i) 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.

(j) 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)*

(k) 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$40,851,000 for the year ended 31 July 2012. The directors of the Company have taken the following actions to mitigate the liquidity issues faced by the Group and the Company:

(i) On 27 September 2011, 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 supplemental agreement to the revolving finance agreement, whereby HFAI has agreed to provide a revolving credit facility of up to HK$260 million 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 was originally expiring on 30 November 2012 but has been extended to 31 December 2013 based on a supplemental agreement which took effect on 31 July 2012. HFAI has undertaken not to demand repayment of the loan from the Company after its maturity on 31 December 2013, until such time 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) The Company raised approximately HK$48 million before expenses by issuing 68,073,121 rights shares at the subscription price of HK$0.70 per rights share on the basis of one rights share for every three consolidated shares in issue. The net proceeds from the rights issue of approximately HK$46 million will be used as general working capital and to repay the shareholder's loan from Harbour Front so as to reduce the finance costs incurred by the Group. The rights issue was completed on 17 October 2012.

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

(l) Outstanding litigations

As detailed in note 36 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.

5. TURNOVER AND REVENUE

The principal activity of the Company is investment holding. The principal activities of the subsidiaries which materially affected the results or assets of the Group during the year include sale of vessels, marine engineering work, construction and structural steel engineering work and hotel operations.

5. TURNOVER AND REVENUE *(Continued)*

An analysis of the amount of each significant category of turnover and revenue from principal activities during the year is as follows:

	2012 **HK$'000**	2011 *HK$'000*
Revenue from:		
Marine engineering	**12,020**	42,250
Sale of vessels	**–**	1,350
Construction and structural steel engineering	**12,335**	15,242
Hotel operations		
– Room rentals	**19,192**	943
– Food and beverage	**9,440**	469
	28,632	1,412
Turnover	**52,987**	60,254

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"), being the Executive Directors of the Company, for the purpose of resource allocation and performance assessment, the Group has four reportable segments as below. No operating segments have been aggregated to form the following reportable segments.

- Marine engineering
- Construction and structural steel engineering
- Sale of vessels
- Hotel operations

(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:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated and the expenses incurred by those segments or which would otherwise arise from the depreciation or amortisation of assets attributable to those segments. The measure used for reporting segment profit/loss is gross profit/loss. No inter-segment sales have occurred for the years ended 31 July 2012 and 2011. The Group's other income and expense items, such as general and administrative expenses are not measured under individual segment.

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

6. SEGMENT INFORMATION *(Continued)*

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

	Marine engineering		Construction and structural steel engineering		Sale of vessels		Hotel operations		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	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	**12,020**	42,250	**12,335**	15,242	**–**	1,350	**28,632**	1,412	**52,987**	60,254
Reportable segment results	**(16,232)**	(51,017)	**(1,867)**	(6,293)	**(3,285)**	(1,150)	**(967)**	4,567	**(22,351)**	(53,893)
Unallocated head office and corporate other revenue and income									**505**	1,507
Unallocated head office and corporate expenses									**(15,059)**	(17,092)
Unallocated finance costs									**(4,381)**	(2,557)
Loss before taxation									**(41,286)**	(72,035)
Income tax credit									**435**	–
Loss for the year									**(40,851)**	(72,035)
ASSETS										
Reportable segment assets	**56,498**	68,904	**93,778**	139,832	**101,634**	101,281	**276,090**	273,238	**528,000**	583,255
Unallocated head office and corporate assets									**2,095**	2,586
Total consolidated assets									**530,095**	585,841
LIABILITIES										
Reportable segment liabilities	**94,149**	109,267	**1,281**	10,762	**5,644**	1,333	**233,640**	238,895	**334,714**	360,257
Unallocated head office and corporate liabilities									**26**	26
Total consolidated liabilities									**334,740**	360,283
OTHER INFORMATION										
Capital expenditure incurred during the year	**2,638**	14,287	**32,159**	–	**87**	357	**883**	–	**35,767**	14,644
Depreciation and amortisation	**6,613**	5,584	**2,227**	8,650	**–**	**–**	**9,740**	–	**18,580**	14,234
Gain on bargain purchase of acquisition of subsidiaries	**–**	–	**–**	–	**–**	–	**–**	(3,681)	**–**	(3,681)
Write-down of inventories	**–**	–	**–**	–	**3,285**	–	**–**	–	**3,285**	–
Impairment loss on trade and other receivables	**6,208**	8,246	**200**	7,909	**–**	1,905	**136**	–	**6,544**	18,060
(Reversal of impairment)/ impairment loss on amounts due from customers for contract works	**(8,380)**	22,403	**–**	1,108	**–**	–	**–**	–	**(8,380)**	23,511

6. SEGMENT INFORMATION *(Continued)*

(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 are based on the physical location of the assets.

	Hong Kong		Singapore		PRC		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**22,995**	18,590	**121**	37,476	**29,871**	4,188	**52,987**	60,254
Specified non-current assets	**38,122**	48,576	**9**	276	**295,249**	382,386	**333,380**	431,238

(c) Information about major customers

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

	2012	2011
	HK$'000	*HK$'000*
Revenue from marine engineering:		
– Customer A	**–**	6,938
– Customer B	**–**	6,512
– Customer C	**5,892**	6,466
– Customer D	**–**	6,450
– Customer E	**–**	6,113
– Customer F	**8,380**	–
	14,272	32,479

7. OTHER REVENUE AND NET INCOME

	2012 HK$'000	2011 HK$'000
Other revenue:		
Interest income	**4**	17
Total interest income on financial assets not at fair value through profit or loss	**4**	17
Other net income:		
Gain on disposal of a subsidiary *(note 39(b))*	**–**	992
Gain on disposal of property, plant and equipment	**49**	206
Scrap sales	**–**	15
Rental income	**337**	–
Others	**115**	277
	501	1,490
	505	1,507

8. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest on secured bank loans	**922**	45
Interest on loans from related companies	**3,459**	2,510
Imputed interest on promissory note	**18,664**	–
Interest on finance leases	**–**	2
Total interest expense on financial liabilities not at fair value through profit or loss	**23,045**	2,557

9. LOSS BEFORE TAXATION

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

	2012 *HK$'000*	2011 *HK$'000*
(a) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**24,033**	23,121
Equity-settled share-based payment expenses	**–**	664
Contributions to defined contribution retirement plans	**254**	392
	24,287	24,177
(b) Marine, construction and structural steel engineering costs		
Subcontracting, direct engineering and material costs	**15,759**	32,548
Cost of vessels	**–**	2,500
Rental charges	**368**	2,804
Plant and operational costs	**583**	1,127
Direct overheads	**77**	953
Repairs, maintenance and vessel security	**3,369**	2,086
Consultancy fees	**–**	883
	20,156	42,901
(c) Hotel operation costs (other than staff costs and depreciation and amortisation)		
Consumables	**3,369**	169
Electricity and water	**1,946**	55
Food and beverage	**5,127**	301
	10,442	525
(d) Depreciation and amortisation		
Depreciation of property, plant and equipment	**14,272**	12,203
Amortisation of lease prepayments	**4,308**	2,031
	18,580	14,234
(e) Other items		
Auditor's remuneration		
– Audit services	**939**	1,024
– Non-audit services	**80**	350
Operating lease charges in respect of land and buildings	**2,608**	2,516
Impairment loss on trade and other receivables	**6,544**	18,060
Gain on disposal of property, plant and equipment	**(49)**	(206)
Write-down of inventories	**3,285**	–
Net foreign exchange loss	**220**	–

10. INCOME TAX

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

	2012 **HK$'000**	2011 *HK$'000*
Current tax-overseas		
– Income tax	**–**	–
Deferred taxation *(note 30(b))*	**(435)**	–
	(435)	–

The Company and subsidiaries of the Group incorporated in Bermuda and the British Virgin Islands, respectively are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profit for the year. 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.

The PRC subsidiaries of the Group are subject to PRC Corporate Income Tax rate of 25% (2011: 25%) for the year. 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.

Singapore income tax has been provided at the rate of 17% (2011: 17%) for the year. No provision for Singapore income tax has been made, as the Group's Singapore subsidiaries did not generate any assessable profits during both years.

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

	2012 **HK$'000**	2011 *HK$'000*
Loss before income tax	**(41,286)**	(72,035)
Notional tax on loss before income tax, calculated at the rates applicable in the tax jurisdiction concerned	**(7,255)**	(12,135)
Tax effect of non-deductible expenses	**3,372**	7,744
Tax effect of non-taxable income	**(3,906)**	(1,406)
Tax effect of difference in depreciation between accounting and tax losses	**474**	(1,132)
Tax effect of tax losses ultilised	**(1,183)**	(2,146)
Tax effect of unused tax losses not recognised	**8,063**	9,075
Tax credit	**(435)**	–

11. DIRECTORS' EMOLUMENTS

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

	2012					
	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	–	2,938	–	–	12	2,950
Leung Yu Oi Ling, Irene	–	1,440	–	–	12	1,452
Leung Chi Yin, Gillian	–	600	–	–	12	612
Leung Chi Hong, Jerry	–	600	–	–	12	612
Independent Non-executive Directors						
Pao Ping Wing	160	–	–	–	–	160
Yuen Ming Fai, Matthew	160	–	–	–	–	160
Tse Mei Ha	180	–	–	–	–	180
	500	5,578	–	–	48	6,126

	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

During the years ended 31 July 2012 and 2011, 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 (2011: four) were executive directors whose emoluments is disclosed in note 11 above. The emoluments in respect of the remaining one (2011: one) individual are as follows:

	2012	2011
	HK$'000	*HK$'000*
Salaries and other benefits	**1,500**	1,319
Retirement scheme contributions	**12**	12
Share-based payments	**–**	664
	1,512	1,995

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

Emoluments bands	**Number of individual**	
	2012	2011
HK$1,500,001 – HK$ 2,000,000	**1**	1

13. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company includes a loss of HK$31,258,000 (2011: loss of HK$67,048,000) 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$40,516,000 (2011: loss of HK$72,073,000) and the weighted average number of 204,219,363 (2011: 202,978,097 (restated)) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2012	2011
Issued ordinary shares	**10,210,968,152**	10,090,067,478
Effect of exercise of share options	**–**	58,837,347
Effect of share consolidation	**(10,006,748,789)**	(9,945,926,728)
Weighted average number of ordinary shares	**204,219,363**	202,978,097

The weighted average number of ordinary shares for the year ended 31 July 2012 and 2011 for purpose of basic and diluted loss per share has been adjusted and restated to reflect the effects of the share consolidation and the rights issue completed on 14 September 2012 and 17 October 2012 respectively (note 40 below). There would be no effect on the weighted number of ordinary shares in respect of the bonus element inherent in the rights issue completed on 17 October 2012 as the exercise price exceeded the average market price immediately prior to the exercise of the rights.

(b) Diluted loss per share

The Company had no dilutive potential ordinary shares in existence during the years ended 31 July 2012 and 2011 since the exercise of the Company's share options is anti-dilutive and would result in a reduction in 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 2010	–	63,578	772	42,909	1,057	15,885	1,301	125,502
Acquisition of subsidiaries *(note 38)*	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
At 1 August 2011	138,310	57,056	772	38,396	2,546	19,009	1,809	257,898
Additions	–	–	–	2,098	333	724	612	3,767
Disposal of subsidiaries *(note 39(a))*	–	(57,716)	–	–	–	(10,826)	(239)	(68,781)
Disposals	–	–	–	–	(10)	(853)	(239)	(1,102)
Elimination of depreciation	(5,570)	–	–	(5,550)	–	–	–	(11,120)
Revaluation surplus	10,153	–	–	–	–	–	–	10,153
Exchange realignments	926	660	–	–	(14)	134	(2)	1,704
At 31 July 2012	143,819	–	772	34,944	2,855	8,188	1,941	192,519
Representing:								
Cost	–	–	772	–	2,855	8,188	1,941	13,756
Valuation -2012	143,819	–	–	34,944	–	–	–	178,763
	143,819	–	772	34,944	2,855	8,188	1,941	192,519
Accumulated depreciation and impairment								
At 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 and 1 August 2011	–	–	200	–	951	8,752	811	10,714
Charge for the year	5,551	1,051	77	5,550	324	1,382	337	14,272
Disposal of subsidiaries *(note 39(a))*	–	(1,057)	–	–	–	(4,649)	(136)	(5,842)
Written back on disposals	–	–	–	–	(9)	(829)	(239)	(1,077)
Elimination on revaluation	(5,570)	–	–	(5,550)	–	–	–	(11,120)
Exchange realignments	19	6	–	–	(23)	42	(5)	39
At 31 July 2012	–	–	277	–	1,243	4,698	768	6,986
Carrying amount								
At 31 July 2012	143,819	–	495	34,944	1,612	3,490	1,173	185,533
At 31 July 2011	138,310	57,056	572	38,396	1,595	10,257	998	247,184

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

The Company

	Office equipment *HK$'000*
Cost	
At 1 August 2010	18
Additions	–
At 31 July 2011 and 31 July 2012	18
Accumulated depreciation	
At 1 August 2010	12
Charge for the year	3
At 31 July 2011 and 1 August 2011	15
Charge for the year	2
At 31 July 2012	17
Carrying amount	
At 31 July 2012	1
At 31 July 2011	3

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

	2012 ***HK$'000***	2011 *HK$'000*
Outside Hong Kong		
– Medium-term leases, the PRC	**143,819**	195,366

(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 a firm of independent qualified professional valuers, BMI Appraisals Limited, with recent experience in the location and category of properties being valued.

(c) The Group's hotel properties in the PRC were revalued as at 31 July 2012 at their fair value by adopting the income approach with reference to the rental income of the hotel, occupancy rate, room charge and growth rate etc.. The valuation was performed by Saville Valuation and Professional Services Limited, a firm of independent qualified professional 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)*

(d) The Group's floating craft and vessels were revalued individually at their open market value on 31 July 2012 by Win Well Engineering & Surveyors Limited, a firm of independent qualified professional valuers in Hong Kong, with recent experience in the location and category of assets being valued.

(e) 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$133,667,000 (2011: HK$138,310,000), HK$32,476,000 (2011: HK$35,928,000) and HK$Nil (2011: HK$54,542,000), respectively.

(f) As at 31 July 2012, the Group's hotel properties and plant and machinery with an aggregate carrying amount of HK$143,819,000 (2011: HK$138,943,000) was pledged to a bank to secure bank borrowings granted to the Group (note 27).

17. LEASE PREPAYMENTS

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Leasehold land in the PRC		
Medium-term lease	**117,418**	179,016
Analysed for reporting purposes as:		
Current portion	**3,645**	2,087
Non-current portion	**113,773**	176,929
	117,418	179,016

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

	2012	2011
	HK$'000	*HK$'000*
At beginning of the year	**179,016**	58,377
Acquisition of subsidiaries *(note 38)*	**–**	119,447
Disposal of subsidiaries *(note 39(a))*	**(58,758)**	–
Amortisation	**(4,308)**	(2,031)
Exchange realignment	**1,468**	3,223
At end of the year	**117,418**	179,016

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

Lease prepayments with a carrying amount of HK$116,676,000 (2011: HK$119,447,000) was pledged to a bank to secure for bank borrowings granted to the Group (note 27).

18. INTANGIBLE ASSETS

Port work and structural steel licenses

	The Group	
	2012	2011
	HK$'000	*HK$'000*
At beginning of the year	**30,912**	30,912
Disposal of subsidiaries *(note 39(a))*	**(9,972)**	–
	20,940	30,912
Impairment recognised	**(30,912)**	(30,912)
Disposal of subsidiaries *(note 39(a))*	**9,972**	-
At end of the year	**–**	–

The port work and structural steel licenses (the "Licences") are allocated to the Group's cash generated unit identified as the marine engineering business segment.

Impairment testing on intangible assets

For the purpose of impairment test, the recoverable amount of the Licences was determined based on value-in-use calculations. These calculations use 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 estimated 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	
	2012	2011
	HK$'000	*HK$'000*
Carrying amount	**200**	200

At 31 July 2012 and 2011, the directors of the Company carried out a review of the carrying amount of the club membership. Based on their review, there was no impairment on the club membership at the end of both reporting periods.

20. ASSOCIATES

		The Group	
		2012	2011
		HK$'000	*HK$'000*
(a)	Interests in associates		
	Share of net assets of associates:		
	At 1 August	**7,125**	5,334
	Capital contribution to an associate	**–**	3,500
	Share of post-acquisition (loss)/profit, net of tax	**(1,625)**	1,786
	Dividends received	**–**	(3,495)
	At 31 July	**5,500**	7,125
(b)	Amount due from an associate *(note (f))*	**431**	–
(c)	Amount due to an associate *(note (f))*	**–**	(1,718)

(d) Details of the associates as 31 July 2012 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:

	2012 ***HK$'000***	2011 *HK$'000*
Assets	**14,196**	27,420
Liabilities	**(3,196)**	(13,170)
Group's share of net assets of associates	**5,500**	7,125
Revenue	**23,743**	41,442
(Loss)/profit after tax	**(3,250)**	3,572
Group's share of (losses)/profits of associates for the year	**(1,625)**	1,786

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

(g) The directors of the Company are of the opinion that the estimated recoverable amount of the investments in associates exceeded the carrying amount and no impairment was considered necessary.

21. JOINTLY CONTROLLED ENTITIES

	The Group	
	2012	2011
	HK$'000	*HK$'000*
(a) Interests in jointly controlled entities		
Share of net assets – unlisted	**28,574**	–

A joint venture company, Universal Harbour Investment Limited was established on 27 September 2011 and is owned as to 50% and 50% by a wholly-owned subsidiary of the Company and Harbour Front respectively. During the year ended 31 July 2012, Universal Harbour Investment Limited acquired certain subsidiaries of the Company as referred to note 39 (a) to the financial statements.

	2012	2011
(b) Amount due from a jointly controlled entity	**63,987**	–

The amount due from a jointly controlled entity was unsecured, interest-free and fully repaid on 16 October 2012.

(c) Details of the jointly controlled entities as 31 July 2012 are as follows:

Name of company	Form of business structure	Place of incorporation/ operation	Particulars of issued share capital	Group's effective interest	Principal activities
Universal Harbour Investment Limited	Incorporated	Hong Kong	HK$64,000,000	50%	Investment holding
Lead Ocean Assets Management Limited	Incorporated	British Virgin Islands	US$100	50%	Investment holding
Argos Engineering (International) Company Limited	Incorporated	Hong Kong	HK$2	50%	Investment holding
Cochrane Enterprises Limited	Incorporated	Hong Kong	HK$10,000	50%	Investment holding
東莞振華建造工程有限公司	Wholly-foreign-owned enterprise	PRC	HK$32,000,000	50%	Property holding
東莞興華造船有限公司	Wholly-foreign-owned enterprise	PRC	HK$24,891,783	50%	Property holding

21 JOINTLY CONTROLLED ENTITIES *(Continued)*

(d) Summary financial information on jointly controlled entities – Group's effective interest:

	2012 HK$'000	2011 HK$'000
Non-current assets	**57,810**	–
Current assets	**4,800**	–
Current liabilities	**(34,036)**	–
Net assets	**28,574**	–
Income	**21**	–
Expenses	**(3,131)**	–
Loss for the year	**(3,110)**	–

(e) The directors of the Company are of the opinion that the estimated recoverable amount of the investments in jointly controlled entities exceeded the carrying amount and no impairment was considered necessary.

22. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2012 ***HK$'000***	2011 *HK$'000*
Unlisted shares, at cost	**257,990**	257,990
Less: Impairment loss *(note (b))*	**(175,538)**	(175,538)
	82,452	82,452
Amounts due from subsidiaries *(note (a))*	**201,667**	218,303
Less: Impairment loss	**(59,318)**	(31,588)
	142,349	186,715
Amounts due to subsidiaries *(note (a))*	**17,262**	16,111

Notes:

(a) The amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand.

(b) Aggregate allowance for investments in subsidiaries and amounts due from subsidiaries of HK$234,856,000 (2011: HK$207,126,000) was recognised as at 31 July 2012 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.

22. INVESTMENTS IN SUBSIDIARIES *(Continued)*

(c) Particulars of the subsidiaries as at 31 July 2012 are as follows:

			Proportion of ownership interest			
Name	Place of incorporation/ operation	Particulars of issued/paid-up 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%	Vessel holding
Econo Plant Hire Company Limited	Hong Kong	HK$2,000,000	100%	–	100%	Dormant
Everpoint Company Limited	Hong Kong	HK$13,720,480	100%	–	100%	Dormant
Exact Profit Limited	Hong Kong	HK$20	100%	–	100%	Dormant
Fairking Transportation Limited	Hong Kong	HK$100	100%	–	100%	Dormant
Faith On International Limited	Hong Kong	HK$2	100%	–	100%	Dormant
Full Keen Investment Limited	Hong Kong	HK$2	100%	–	100%	Dormant
Graceful Ease Investment Limited	Hong Kong	HK$2	100%	–	100%	Dormant
Keen Yield Investment Limited	Hong Kong	HK$2	100%	–	100%	Dormant
S.K. Luk Construction Company Limited	Hong Kong	HK$500,000	100%	–	100%	Dormant
UDL Argos Engineering & Heavy Industries Company Limited	Hong Kong	HK$124,000,000	100%	–	100%	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

22. INVESTMENTS IN SUBSIDIARIES *(Continued)*

(c) Particulars of the subsidiaries as at 31 July 2012 are as follows: *(Continued)*

Name	Place of incorporation/ operation	Particulars of issued/paid-up share capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
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
Wellful Time Limited	Hong Kong	HK$2	100%	–	100%	Dormant
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%	Civil engineering work
廣東積達工程有限公司 *(Note (i))*	PRC	HK$2,000,000	100%	–	100%	Dormant
Wealthy King Holdings Limited	British Virgin Islands	US$1	100%	–	100%	Investment holding

22. INVESTMENTS IN SUBSIDIARIES *(Continued)*

(c) Particulars of the subsidiaries as at 31 July 2012 are as follows: *(Continued)*

			Proportion of ownership interest			
Name	**Place of incorporation/ operation**	**Particulars of issued/paid-up share capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
Hong Kong Rock Caverns Development Limited (formerly known as Profit Hill Investment Limited)	Hong Kong	HK$100	100%	–	100%	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
Hong Kong Marine Industrial Park Limited *	Hong Kong	HK$1	100%	–	100%	Dormant
Tonic Engineering Technical Limited **	Hong Kong	HK$70,000	100%	–	100%	Dormant

Notes:

* Incorporated during the year ended 31 July 2012.

** Acquired during the year ended 31 July 2012.

(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.

23. INVENTORIES

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Vessels held for sale	**101,650**	89,424
Raw materials	**3,290**	3,269
Hotel low value consumables	**3,603**	3,038
	108,543	95,731

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

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Cost of inventories sold	**–**	2,500
Cost of materials consumed	**3,226**	385
Write-down of inventories	**3,285**	–
	6,511	2,885

24. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables *(note (a))*	**17,432**	22,422	**–**	–
Less: impairment loss	**(9,671)**	(5,600)	**–**	–
	7,761	16,822	**–**	–
Other receivables *(note (b))*	**20,863**	27,035	**303**	468
Less: impairment loss	**(14,891)**	(14,264)	**–**	–
	5,972	12,771	**303**	468
Retention money receivables	**1,008**	1,085	**–**	–
Less: impairment loss *(note (c))*	**(677)**	–	**–**	–
	331	1,085	**–**	–
	14,064	30,678	**303**	468

24. TRADE AND OTHER RECEIVABLES *(Continued)*

(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	
	2012	2011
	HK$'000	*HK$'000*
0 – 30 days	**3,557**	3,468
31 – 90 days	**3,311**	6,726
91 – 180 days	**226**	2,661
181 – 360 days	**667**	4,764
Over 360 days	**9,671**	4,803
	17,432	22,422
Less: Allowance for doubtful debts	**(9,671)**	(5,600)
	7,761	16,822

Except for retention receivables, 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).

(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	
	2012	2011
	HK$'000	*HK$'000*
At 1 August	**5,600**	2,200
Impairment loss recognised	**5,240**	3,796
Amounts written off as uncollectible	**(1,169)**	(396)
At 31 July	**9,671**	5,600

24. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables *(Continued)*

(ii) Impairment of trade receivables (Continued)

As at 31 July 2012, the Group's trade receivables of HK$9,671,000 (2011: HK$5,600,000) 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	
	2012	2011
	HK$'000	*HK$'000*
Neither past due nor impaired	**6,868**	10,194
0 – 30 days	**226**	2,661
31 – 90 days	**667**	2,195
91 – 180 days	**–**	1,772
	7,761	16,822

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

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

(b) Other receivables

(i) Impairment of other receivables

	The Group	
	2012	2011
	HK$'000	*HK$'000*
At 1 August	**14,264**	–
Impairment loss recognised	**627**	14,264
At 31 July	**14,891**	14,264

24. TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Other receivables *(Continued)*

(i) Impairment of other receivables (Continued)

Included in other receivables at 31 July 2012 is the aggregate amount of recovery costs of HK$14,891,000 (2011: HK$14,264,000) incurred by the Group to pursue arbitration and/or legal proceedings to recover the assets under a Scheme of Arrangement (the "Scheme") as referred to in note 32 (c) to the financial statements. 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 action of the Scheme Assets is still ongoing and the Group would only be reimbursed of all these recovery costs incurred by Harbour Front till successful recovery of all these Scheme Assets. The directors of the Company consider 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 provision for impairment loss on these recovery costs incurred totalling HK$14,891,000 (2011: HK$14,264,000).

(c) Retention money receivables

The impairment loss of HK$677,000 (2011: Nil) represented balance due by a contractor for long outstanding contracting works done by the Group but not yet certified by the contractor due to disputes. The directors of the Company considered that the probability of recovery of this balance as low and therefore, provision for impairment loss of HK$677,000 was made in the consolidated income statement for the current year.

25. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Contract costs incurred plus recognised profits less recognised losses to date	**23,031**	72,068
Less: Provision for impairment loss *(note)*	**(15,131)**	(23,511)
	7,900	48,557
Less: Progress billings	**(7,900)**	(48,557)
	–	–
Amounts due from customers for contract works	**–**	–

Note:

The impairment loss of HK$15,131,000 (2011: HK$23,511,000) represented balances due by contractors for long outstanding contracting works done by the Group but not yet certified by the contractors due to disputes. The Group has commenced legal proceedings against the contractors since 2010. On 19 January 2012, the Group and one of the contractors entered into a settlement agreement pursuant to which the Group recovered HK$8,380,000 and as such, reversal of impairment of HK$8,380,000 (2011: Nil) was credited to the profit or loss for the year ended 31 July 2012.

26. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**5,841**	20,071	**360**	69

Bank balances carry interest at market rate of 0.01% (2011: 0.01%) per annum.

27. SECURED BANK LOANS

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

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Current liabilities		
– Secured bank loans subject to repayment on demand clause of loan agreements	**9,994**	15,497

(b) As at 31 July 2012, secured bank loans were due for repayment as follows:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Carrying amount repayable*:		
Within one year or on demand	**7,435**	7,991
After one year but within two years	**2,559**	7,506
	9,994	15,497

* The amounts due are based on scheduled repayment dates as stipulated in the respective loan agreements.

(c) As at 31 July 2012, the Group's borrowings were secured by the hotel properties and land use rights with an aggregate carrying value of HK$260,495,000 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 2012, none of the bank covenants relating to draw down facilities had been breached.

27. SECURED BANK LOANS *(Continued)*

(d) The secured bank loans are floating-rate borrowings, bearing interest ranging from 7.40% to 8.05% per annum.

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

28. PROMISSORY NOTE

The Group

As set out in note 38 to the financial statements, on 15 July 2011, Sunfill Limited, a wholly-owned subsidiary of the Company issued, as settlement for the acquisition of subsidiaries, a zero coupon promissory note with the principal amount of HK$188,271,000 to the vendor, with maturity date due on 15 August 2012. The fair value of promissory note was determined at HK$167,856,000 as at the issue date, based on a professional valuation performed by an independent valuers, BMI Appraisals Limited with an effective interest rate of 11.137% per annum.

Based on an agreement made between the promissory note holder and the Group on 31 January 2012, the promissory note with principal value of HK$188,271,000 was restructured with an extended maturity from 15 August 2012 to 15 August 2013, resulting in a gain on restructuring of HK$20,020,000 which was recognised in the profit or loss for the year ended 31 July 2012. The fair value of the restructured promissory note at 31 January 2012 was determined by BMI Appraisal Limited at the effective interest rate of 12.559% per annum. The promissory note is carried at amortised cost, using the effective interest rate of 12.559% (2011: 11.137%) per annum.

An analysis of the promissory note is as follows:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Issued on acquisition of subsidiaries *(note 38)*	**167,856**	167,856
Imputed interest charged	**18,664**	–
Gain on restructuring	**(20,020)**	–
At 31 July	**166,500**	167,856

29. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade creditors	**3,500**	6,431	**–**	–
Advances received from customers	**1,895**	9,049	**–**	–
Cost of re-instatement of leasehold shipyard in Singapore	**3,877**	4,022	**–**	–
Accruals	**8,578**	9,702	**527**	–
Other payables	**5,390**	7,879	**760**	2,463
	23,240	37,083	**1,287**	2,463

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

	The Group	
	2012	2011
	HK$'000	*HK$'000*
0 – 30 days	**1,097**	2,855
31 – 90 days	**440**	570
91 – 180 days	**81**	45
181 – 360 days	**124**	1,672
Over 360 days	**1,758**	1,289
	3,500	6,431

30. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Provision for income tax	**804**	673

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

(b) Deferred tax liabilities

	Accelerated depreciation allowance *HK$'000*	Revaluation of floating craft and vessels *HK$'000*	Revaluation of hotel properties *HK$'000*	Tax losses *HK$'000*	Total *HK$'000*
At 1 August 2010	1,033	679	–	(1,712)	–
Acquisition of subsidiaries	–	–	53,820	(4,584)	49,236
Credited/(charged) to income statement	306	–	–	(306)	–
At 31 July 2011 and 1 August 2011	1,339	679	53,820	(6,602)	49,236
Charged to equity	–	–	2,538	–	2,538
Charged/(credited) to income statement	–	–	(1,287)	852	(435)
Exchange difference	–	–	356	(28)	328
At 31 July 2012	1,339	679	55,427	(5,778)	51,667

(c) Deferred tax assets not recognised

At 31 July 2012, no deferred tax asset has been recognised in respect of tax losses of HK$254,870,000 (2011: HK$250,782,000) due to the unpredictability of future profit streams against which these tax losses can be utilised in the foreseeable future. The tax losses do not expire under current tax legislation.

31. SHARE CAPITAL

	2012 Number of ordinary shares *'000*	**2012** *HK$'000*	2011 Number of ordinary shares *'000*	2011 *HK$'000*
Authorised:				
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	**10,210,968**	**102,109**	10,090,068	100,900
Issue of ordinary shares upon exercise of share options *(note (a))*	**–**	**–**	120,900	1,209
Ordinary shares of HK$0.01 each at 31 July	**10,210,968**	**102,109**	10,210,968	102,109

31. SHARE CAPITAL *(Continued)*

(a) 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.

(b) Capital management

The Group's objective for capital management is to safeguard the Group's ability to continue as a going concern, to enhance shareholder value and to 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 2012 and 2011, the Group consistently followed the objectives and applied the policies and process on managing capital. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Group monitors its capital structure by reviewing its net debt-to-equity ratio and cash flow requirements, taking into account its future financial obligations and commitments. For this purpose, the Group defines net debt as total debts less cash and cash equivalents. The net debt-to-equity ratios at 31 July 2012 and 2011 were as follows:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Loans from related companies	**72,231**	83,341
Secured bank loans	**9,994**	15,497
Promissory note	**166,500**	167,856
Trade and other payables	**23,240**	37,083
Amounts due to related parties	**9,797**	4,757
Amounts due to directors	**507**	122
Amount due to an associate	**–**	1,718
Total debt	**282,269**	310,374
Less: Cash and cash equivalents	**(5,841)**	(20,071)
Net debt	**276,428**	290,303
Total equity	**195,355**	225,558
Net debt-to-equity ratio	**142%**	128%

31. SHARE CAPITAL *(Continued)*

(b) Capital management *(Continued)*

	The Company	
	2012	2011
	HK$'000	*HK$'000*
Loans from related companies	**47,189**	60,454
Other payables	**1,287**	2,463
Amounts due to directors	**386**	80
Amounts due to subsidiaries	**17,262**	16,111
Total debts	**66,124**	79,108
Less: Cash and cash equivalents	**(360)**	(69)
Net debt	**65,764**	79,039
Total equity	**159,341**	190,599
Net debt-to-capital ratio	**41%**	41%

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)	Capital reserve HK$'000 Note32(g)	Accumulated losses HK$'000	Total HK$'000
At 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 on translation of financial statements of foreign subsidiaries	–	–	–	8,982	–	–	–	–	8,982
Reclassification adjustment on disposal of a subsidiary	–	–	–	134	–	–	–	–	134
Total comprehensive income/ (loss) for the year	–	–	–	9,116	–	–	–	(72,073)	(62,957)
At 31 July 2011 and 1 August 2011	312,815	332	1,264	13,297	1,054,095	6,981	–	(1,296,201)	92,583
Deemed contribution *(note 39(a))*	–	–	–	–	–	–	610	–	610
Loss for the year	–	–	–	–	–	–	–	(40,516)	(40,516)
Other comprehensive income:									
Exchange differences on translation of financial statements of foreign subsidiaries and jointly controlled entities	–	–	–	2,129	–	–	–	–	2,129
Revaluation surplus arising from hotel properties, net of deferred tax	–	–	–	–	–	6,092	–	–	6,092
Transfer of reserves upon disposal of subsidiaries *(notes 32(d) and (f))*	–	–	–	(3,810)	–	(803)	4,613	–	–
Total comprehensive income/ (loss) for the year	–	–	–	(1,681)	–	5,289	4,613	(40,516)	(32,295)
At 31 July 2012	312,815	332	1,264	11,616	1,054,095	12,270	5,223	(1,336,717)	60,898

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 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 and 1 August 2011	312,815	1,264	21,689	332	287,524	(535,134)	88,490
Loss for the year	–	–	–	–	–	(31,258)	(31,258)
At 31 July 2012	312,815	1,264	21,689	332	287,524	(566,392)	57,232

(a) Share premium and capital redemption reserve

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

(b) Contributed surplus

The contributed surplus of the Company represents the excess of the net assets of the subsidiaries acquired pursuant to the Group Reorganisation in prior years, over the nominal value of the Company's shares issued in exchange. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances which the Company cannot currently 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). Upon the disposal of certain subsidiaries to a joint venture entity equally controlled and owned by the Group and the ultimate holding company, 50% of the related exchange fluctuation reserve of HK$3,810,000 attributable to those derecognised subsidiaries was transferred to the capital reserve.

(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)(ii).

(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). Upon the disposal of certain subsidiaries to a joint venture entity equally controlled and owned by the Group and the ultimate holding company, 50% of the related revaluation reserve of HK$803,000 attributable to those derecognised subsidiaries was transferred to the capital reserve.

(g) Capital reserve

The capital reserve arose from the disposal of certain subsidiaries of the Group to the joint venture jointly equally controlled and owned by the Group and the ultimate holding company, as referred to in note 39(a), which comprises the deemed contribution of HK$610,000 by that joint venture and transfers of exchange fluctuation reserve and revaluation reserve of assets attributable to these derecognised subsidiaries to the extent of 50% equity interest of these subsidiaries transferred to the ultimate holding company.

(h) Distributable reserves

At 31 July 2012, in the opinion of the directors, the Company did not have any reserve available for distribution to shareholders (2011: Nil).

33. EQUITY COMPENSATION AND EMPLOYEE RETIREMENT BENEFITS

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.

(a) 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:			
Li Kam Wa			
– on 22 March 2011	40,000,000	–	10 years

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

	2012		2011	
	Weighted average exercise price ***HK$***	**Number of options**	Weighted average exercise price *HK$*	Number of options
Outstanding at the beginning of the year	**0.04**	**20,000,000**	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**	0.04	20,000,000
Exercisable at the end of the year	**0.04**	**20,000,000**	0.04	20,000,000

The options outstanding at 31 July 2012 had an exercise price of HK$0.04 and a weighted average remaining contractual life of 8.99 years (2011: 9.99 years).

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

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

(c) Fair value of share options and assumptions

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

Fair value of share options and assumptions were as follows:

Date granted	22 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.

(d) 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$25,000. 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.

34. OPERATING LEASE COMMITMENTS

At 31 July 2012, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Land and buildings:		
Within one year	**2,608**	1,880
In the second to fifth year inclusive	**2,584**	2,730
More than five years	**3,128**	3,592
	8,320	8,202

The Group and the Company did not have any material capital commitments at 31 July 2012 and 2011.

35. 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:

	2012	2011
	HK$'000	*HK$'000*
Hotel properties	**143,819**	138,310
Land use rights	**116,676**	119,447
Plant and machinery	**–**	633
	260,495	258,390

36. CONTINGENCIES AND LITIGATIONS

(a) On 31 July 2002, Charterbase Management Limited, one of the petitioners, issued a writ in 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 on 17 May 2001, Mr. Wong Pui Fai and Mr. Chan Kim Leung resigned as the directors of the Company on 28 April 2002 and on 27 September 2002, respectively. The Bermuda Writ recited the basis of the petitioners' complaint with respect of Charterbase Management Limited, namely, that the circular regarding the subscription of 100,922,478 Shares by Harbour Front (the "Subscription") mis-described the Scheme Administrator's voting capacity in respect of the Shares held by the Scheme Administrator under the Scheme. The Bermuda Writ alleged that the Company was negligent and its directors were negligent and/or in breach of their fiduciary duty in 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.

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 were an abuse of the Court's process. The Court therefore considered it unreasonable to permit the Joint 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 Joint Petitioners' attorney during the court hearing. Moreover, in the Re-amended Petition, the Joint Petitioners no longer sought an order that a provisional liquidator be appointed pending the effective hearing of the Re-amended Petition.

36. CONTINGENCIES AND LITIGATIONS *(Continued)*

(a) *(Continued)*

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.

(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 Mr. 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; (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 irrevocable 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 action.

(d) UDL Marine (Singapore) Pte Limited ("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. UMSG also commenced proceedings against Economic Development Bureau ("EDB"), Civil Suit 156 of 2011, for damages for negligent mis-statement in relation to the renewal of the aforesaid lease. JTC has also commenced proceedings against UMSG, Civil Suit 98 of 2011, for repossession of the land and double value of rent for the period of holding over. All the three aforesaid cases have now been ordered to be consolidated and proceeded as one action, titled as Civil Suit 502 of 2010.

37. RELATED PARTY TRANSACTIONS

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

(i) Harbour Front Assets Investments Limited, UDL Marine Assets (Hong Kong) Limited and HF Marine Assets (Singapore) Pte Ltd are wholly-owned subsidiaries of Harbour Front, the ultimate holding company of the Company.

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

(iii) Vital Strategic Corporate Consultancy Limited is a company in which Mrs. Leung Yu Oi Ling, Irene, Miss Leung Chi Yin, Gillian and Mr. Leung Chi Hong, Jerry are directors and shareholders.

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

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

(a) Transactions with related parties

	2012 ***HK$'000***	2011 *HK$'000*
Interest expenses paid to Harbour Front Assets Investments Limited	**(3,405)**	(2,504)
Engineering fees paid to UDL Engineering Pte Ltd	**–**	(426)
Business development fees paid to Hong Hay Pte Ltd	**–**	(730)
Management and accounting services fee paid to Vital Strategic Corporate Consultancy Limited	**(60)**	(60)
Rental income from Hong Kong Marine Concrete Engineering Limited	**–**	53
Rental charges paid to Crown Asia Engineering Limited	**–**	(183)
Plant hire income from Crown Asia Engineering Limited	**1,471**	1,850
Service income from Crown Asia Engineering Limited	**750**	1,486
Contract costs paid to Crown Asia Engineering Limited	**(5,896)**	(10,265)
Motor vehicle rental income from Crown Asia Engineering Limited	**120**	108
Sale of vessels to Crown Asia Engineering Limited	**–**	2,500
Sale of vessels to HF Marine Assets (Singapore) Pte Ltd	**–**	6,512
Repair & maintenance expenses paid to Crown Asia Engineering Limited	**(164)**	–
Sub-contracting fees paid to Crown Asia Engineering Limited	**(85)**	–
Service income received from Harbour Front Limited	**300**	–
Plant hire cost paid to HF Marine Assets (Singapore) Pte Ltd	**(583)**	–
Provision of berthing space and labour, materials, tools and equipment paid to HF Marine Assets (Singapore) Pte Ltd	**(128)**	–
Sub-contracting fees from Crown Asia Engineering Limited	**–**	1,909
Agency fee paid to UDL Marine Assets (Hong Kong) Limited	**(316)**	–
Purchase of engines from HF Marine Assets (Singapore) Pte Ltd	**(4,676)**	–

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.

37. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Amounts due from related parties

Non-trade

	The Group			
	2012		2011	
	Maximum amounts *HK$'000*	**Balance** *HK$'000*	Maximum amounts *HK$'000*	Balance *HK$'000*
Beaver Marine SDN BHD	**527**	**527**	514	514
Denlane Offshore Engineering Pte Ltd	**4,909**	**–**	4,909	4,909
廣州市太元工程船舶租賃有限公司	**147**	**147**	138	138
Harbour Front Assets Investments Limited	**31**	**–**	31	31
Hong Kong Marine Concrete Engineering Limited	**363**	**–**	363	363
Libellus Limited	**19**	**19**	19	19
UDL Assets Management Pte Ltd	**46**	**46**	42	42
UDL Construction Pte Ltd	**30**	**30**	27	27
UDL Dredging (Singapore) Pte Ltd	**14**	**14**	12	12
UDL Marine Assets (Hong Kong) Limited	**–**	**–**	66	66
HF Marine Assets (Singapore) Pte Ltd	**4**	**4**	498	498
		787		6,619
Less: Impairment losses recognised		**(783)**		(783)
		4		5,836

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

37. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Amounts due to related parties

Non-trade

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Best Year (Asia) Limited	**1,960**	1,947
Brilliant Guide Limited	**81**	81
Harbour Front Assets Investments Limited	**1,614**	1,417
Harbour Front Limited	**326**	–
HF Marine Assets (Singapore) Pte Ltd	**1,207**	73
Hong Hay Pte Ltd	**748**	776
UDL Engineering Pte Ltd	**447**	463
UDL Marine Assets (Hong Kong) Limited	**3,414**	–
	9,797	4,757

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

(d) Amounts due to directors

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Leung Yat Tung	**154**	2	**154**	–
Leung Yu Oi Ling, Irene	**57**	21	**50**	–
Leung Chi Yin, Gillian	**64**	1	**61**	–
Leung Chi Hong, Jerry	**172**	18	**61**	–
Yuen Ming Fai, Matthew	**10**	25	**10**	25
Tse Mei Ha	**25**	20	**25**	20
Pao Ping Wing	**25**	35	**25**	35
	507	122	**386**	80

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

37. RELATED PARTY TRANSACTIONS *(Continued)*

(e) Loans from related companies

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Non-current liabilities:				
Harbour Front Assets Investments Limited *(note (i))*	**71,082**	82,586	**46,040**	59,699
Current liabilities:				
Multi-Ventures Limited *(note(ii))*	**1,149**	755	**1,149**	755
	72,231	83,341	**47,189**	60,454

Notes:

(i) On 27 September 2011, the Company, together with a wholly-owned subsidiary, UDL Ventures Limited 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 was originally expiring on 30 November 2012 but has been extended to 31 December 2013 based on a supplemental agreement which took effect on 31 July 2012.

On 9 February 2011, a wholly-owned subsidiary of the Company, UDL Ship Management Limited and HFAI entered into a finance agreement, pursuant to which HFAI has agreed to provide UDL Ship Management Limited with a facility up to HK$30 million. The facility shall expire on 9 February 2014.

The loans are unsecured, bear interest at prevailing prime rate offered by Hong Kong and Shanghai Banking Corporation. The actual weighted average interest rate charged for the year is 5% per annum (2011: 5%). Interest paid and payable to the related company, amounted to HK$3,405,000 (2011: HK$2,510,000) for the year ended 31 July 2012.

(ii) On 18 April 2012, the Company and the related company, Multi-Ventures entered into a finance agreement, under which Multi-Ventures has agreed to provide the Company with a facility up to HK$2,000,000. The facility is unsecured, bearing interest at 5% per annum on the amount of the facility drawn down and repayable on 31 December 2012.

(f) Guarantee provided by a related party

As referred to in note 27 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 Habour Front

Included in the other receivables at 31 July 2012 as referred to in note 24(b) to the financial statements is an aggregate amount of HK$14,891,000 (2011: HK$14,264,000) 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 in 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 action of the Scheme Assets is still ongoing and the Group would only be reimbursed of all these recovery costs incurred by Harbour Front till successful recovery of all these Scheme Assets. The directors of the Company consider 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 provision for impairment loss on these recovery costs incurred totalling HK$14,891,000 (2011: HK$14,264,000).

37. RELATED PARTY TRANSACTIONS *(Continued)*

(h) Key management personnel remuneration

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

	2012	2011
	HK$'000	*HK$'000*
Salaries and allowances	**7,078**	7,121
Retirement scheme contributions	**60**	60
Share-based payments	**–**	664
	7,138	7,845

38. ACQUISITION OF SUBSIDIARIES – 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 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.

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 acquisition of subsidiaries *(note (i))*	(3,681)
	167,856
Satisfied by the issue of a promissory note at fair value *(note 28)*	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

38. ACQUISITION OF SUBSIDIARIES – 2011 *(Continued)*

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/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 profoma information is for illustrative purposes only and is not necessarily as 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. DISPOSAL OF SUBSIDIARIES

(a) Disposal of subsidiaries – 2012

On 27 September 2011, the Group entered into an agreement to dispose of the Group's wholly-owned subsidiaries Lead Ocean Assets Management Limited and its subsidiaries, Argos Engineering (International) Company Limited, Cochrane Enterprises Limited, 東莞振華建造工程有限公司 and 東莞興華造船有限公司 (collectively the "Lead Ocean Group") to Universal Harbour Investment Limited for an aggregate cash consideration of HK$127,574,000. The transaction was completed on 24 November 2011.

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

39. DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Disposal of subsidiaries – 2012 *(Continued)*

The net assets of the Lead Ocean Group at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	62,939
Intangible assets	–
Lease prepayments	58,758
Trade and other receivables	645
Cash and cash equivalents	8,922
Trade and other payables	(3,527)
Provision of taxation	(772)
	126,965
Gain on disposal of subsidiaries transferred to equity *(note (i))*	610
	127,575
Satisfied by:	
Cash	63,788
Consideration receivables *(note (ii))*	63,787
	127,575
Net cash inflow/(outflow) arising on disposal:	
Cash consideration received	63,788
Bank balances and cash disposed of	(8,922)
	54,866

Notes:

(i) As the disposal was made to the joint venture, which is 50%:50% owned by the Company and the ultimate holding company, the gain on disposal of subsidiaries was regarded as deemed contribution from the ultimate holding company and transferred to the equity upon completion of the disposal.

(ii) Consideration receivables were unsecured, interest-free and fully settled on 16 October 2012.

(iii) The subsidiaries disposed of during the year did not contribute significantly to the results and cash flows of the Group during the period prior to the disposal. No tax charge or credit arose on gain on the disposal.

39. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of a subsidiary – 2011

During the year ended 31 July 2011, the Group disposed of the entire equity interest in Denlane Offshore Engineering Pte Limited ("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

Pursuant to the approval in the special general meeting held on 13 September 2012, every 50 issued and unissued shares of the Company of HK$0.01 each were consolidated into one consolidated share of HK$0.50 each. After the share consolidation having become effective on 14 September 2012, the authorised share capital of the Company is HK$240,000,000 divided into 480,000,000 consolidated shares of HK$0.50 each, of which 204,219,363 consolidated shares are in issue and fully paid or credited as fully paid.

The Company raised approximately HK$48 million before expenses by issuing 68,073,121 rights shares at the subscription price of HK$0.70 per rights share on the basis of one rights share for every three consolidated shares in issue. The net proceeds from the rights issue will be used as general working capital and to repay the shareholder's loan from Harbour Front so as to reduce the finance costs incurred by the Group. The rights issue was completed on 17 October 2012. After completion of the rights issue, the number of issued shares of the Company has been increased to 272,292,484 shares.

Five Year Summary

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				
	2012	2011	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Results					
Turnover	**52,987**	60,254	114,252	117,436	69,797
Loss before taxation	**(41,286)**	(72,035)	(46,928)	(27,184)	(975)
Income tax	**435**	–	(1,385)	(1,053)	(1,013)
Total loss for the year	**(40,851)**	(72,035)	(48,313)	(28,237)	(1,988)
Profit/(loss) for the year attributable to:					
Owner of the Company	**(40,516)**	(72,073)	(48,313)	(28,237)	(1,988)
Non-controlling interests	**(335)**	38	–	–	–
	(40,851)	(72,035)	(48,313)	(28,237)	(1,988)

	As at 31 July				
	2012	2011	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities					
Total assets	**530,095**	585,841	323,886	371,019	170,632
Total liabilities	**(334,740)**	(360,283)	(70,123)	(73,053)	(17,988)
Net assets	**195,355**	225,558	253,763	297,966	152,644