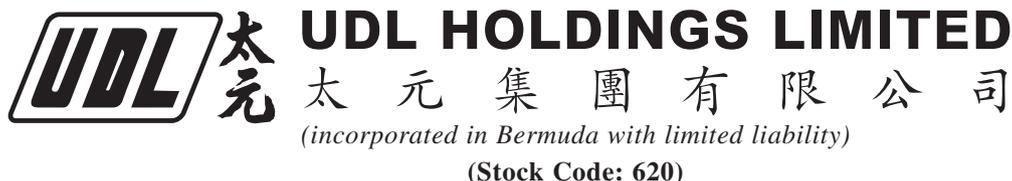


Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance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



FINAL RESULTS FOR THE YEAR ENDED 31 JULY 2013

The board of directors (the “Board”) of UDL Holdings Limited (the “Company”) is pleased to present the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 July 2013 together with the comparative figures for the year ended 31 July 2012 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 July 2013

	Note	2013 HK\$'000	2012 HK\$'000 (Restated)
Continuing operations			
Turnover	2	68,197	24,355
Other revenue and net income	4	1,242	168
Staff costs	6(a)	(24,871)	(16,889)
Marine, construction and structural steel engineering costs	6(b)	(58,614)	(20,156)
Depreciation and amortisation	6(c)	(10,567)	(8,840)
Reversal of impairment on amounts due from customers for contract works		–	8,380
Impairment loss on trade and other receivables		–	(6,407)
Write-down of inventories		–	(3,285)
Other operating expenses		(8,185)	(8,747)
Loss from operations		(32,798)	(31,421)
Finance costs	5	(979)	(3,341)
Share of profits/(losses) of associates	10(d)	858	(1,625)
Share of losses of jointly controlled entities	11(d)	(4,676)	(3,110)
Loss before taxation	6	(37,595)	(39,497)
Income tax	7	(24)	–
Loss for the year from continuing operations		(37,619)	(39,497)
Discontinued operation			
Loss for the year from discontinued operation	8(a)	(42,491)	(1,354)
Loss for the year		(80,110)	(40,851)
Attributable to:			
Owners of the Company		(76,050)	(40,516)
Non-controlling interests		(4,060)	(335)
Loss for the year		(80,110)	(40,851)
Loss per share			
From continuing and discontinued operations			
– Basic	9(a)	(29.34) cent	(19.84) cent
– Diluted	9(b)	(29.34) cent	(19.84) cent
From continuing operations			
– Basic		(14.52) cent	(19.34) cent
– Diluted		(14.52) cent	(19.34) cent

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 July 2013

	<i>Note</i>	2013 HK\$'000	2012 HK\$'000
Loss for the year		(80,110)	(40,851)
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign subsidiaries and jointly controlled entities		10,470	2,423
Item that will not be reclassified to profit or loss:			
Gain on revaluation of hotel properties		<u>—</u>	<u>7,615</u>
Total comprehensive loss for the year (net of tax)		<u>(69,640)</u>	<u>(30,813)</u>
Attributable to:			
Owners of the Company		(67,231)	(32,295)
Non-controlling interests		<u>(2,409)</u>	<u>1,482</u>
		<u>(69,640)</u>	<u>(30,813)</u>
Total comprehensive loss attributable to owners of the Company arises from:			
Continuing operations		(35,404)	(38,544)
Discontinued operation		<u>(31,827)</u>	<u>6,249</u>
		<u>(67,231)</u>	<u>(32,295)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2013

	Note	2013 HK\$'000	2012 HK\$'000
Non-current assets			
Property, plant and equipment		64,412	185,533
Lease prepayments		620	113,773
Intangible assets		–	–
Club membership		200	200
Interests in associates	10(a)	–	5,500
Interests in jointly controlled entities	11(a)	58,094	28,574
		123,326	333,580
Current assets			
Inventories	12	87,119	108,543
Lease prepayments		76	3,645
Trade and other receivables	13	12,122	14,064
Amount due from an associate	10(b)	–	431
Amount due from a jointly controlled entity	11(b)	–	63,987
Amounts due from customers for contract works	14	2,521	–
Amounts due from related parties		24	4
Cash and cash equivalents		3,799	5,841
		105,661	196,515
Assets of disposal group classified as held for sale	8(a)	256,545	–
Interests in associates classified as held for sale	8(b)	6,358	–
		368,564	196,515
Current liabilities			
Trade and other payables	15	19,940	23,240
Secured bank loans		–	9,994
Obligations under finance leases		62	–
Amounts due to related parties		7,763	9,797
Amounts due to associates	10(b)	4,332	–
Amount due to a jointly controlled entity	11(b)	18,286	–
Amounts due to customers for contract works	14	1,252	–
Amounts due to directors		1,211	507
Loan from a related company		–	1,149
Current taxation		–	804
		52,846	45,491
Liabilities of disposal group classified as held for sale	8(a)	247,967	–
		300,813	45,491
Net current assets		67,751	151,024
Total assets less current liabilities		191,077	484,604
Non-current liabilities			
Promissory note payable	16	–	166,500
Obligations under finance leases		230	–
Loan from a related company		13,643	71,082
Deferred tax liabilities		–	51,667
		13,873	289,249
NET ASSETS		177,204	195,355
CAPITAL AND RESERVES			
Share capital		137,558	102,109
Reserves		9,707	60,898
Equity attributable to owners of the Company		147,265	163,007
Non-controlling interests		29,939	32,348
TOTAL EQUITY		177,204	195,355

1. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

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

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. Of these, the Amendments to HKAS 1, *Presentation of items of financial statements – Presentation of items of other comprehensive income* have been effective from 1 August 2013. The Amendments to HKAS 1 require an entity to present the items of other comprehensive income that may be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. This change in presentation has no effect on reported profit or loss, total income and expenses or net assets for any period presented.

The Group has not applied any new/revised standard and interpretation that is not yet effective for the current accounting period (see note (c)).

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 July 2013 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 value.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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 estimate 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.

(c) **Possible impact of Amendments, New Standards and Interpretations issued but not yet effective for the annual accounting year ended 31 July 2013**

The Group has not early applied the following new or revised standards, amendments and interpretations that have been issued but are not yet effective.

Amendments to HKFRSs Amendments to HKFRS 7	Annual Improvements to HKFRSs 2009-2011 Cycle ¹ Disclosures-Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKFRS 7 and HKFRS 9	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
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ³
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 32	Offsetting Financial Assets and Financial Liabilities ³
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ³
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedging Accounting ³
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
HK(IFRIC)- Int 20	Stripping Costs in the Production Phase of a Surface Mine ¹
HK(IFRIC)- Int 21	Levies ³

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 January 2014

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

2. TURNOVER

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 and construction and structural steel engineering work.

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Continuing operations		
Revenue from:		
Marine engineering	58,112	12,020
Construction and structural steel engineering	10,085	12,335
	<hr/>	<hr/>
Turnover	68,197	24,355
	<hr/> <hr/>	<hr/> <hr/>

3. 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 three 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

An operating segment regarding hotel operations was discontinued and classified as held for sale at 31 July 2013. The following segment information does not include any amounts for the discontinued operation, which is described in more detail in note 8(a).

(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 2013 and 2012. The Group's other income and expense items, such as general and administrative expenses and share of profits/(losses) of associates/jointly controlled entities are not measured under individual segment.

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

Continuing operations

	Marine engineering		Construction and structural steel engineering		Sale of vessels		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue:								
Revenue from external customers	58,112	12,020	10,085	12,335	-	-	68,197	24,355
Reportable segment results	(20,963)	(16,232)	(2,711)	(1,867)	-	(3,285)	(23,674)	(21,384)
Share of profits/(losses) of associates							858	(1,625)
Share of losses of jointly controlled entities							(4,676)	(3,110)
Unallocated head office and corporate other revenue and income							541	168
Unallocated head office and corporate expenses							(9,665)	(10,205)
Unallocated finance costs							(979)	(3,341)
Loss before taxation							(37,595)	(39,497)
Income tax credit							(24)	-
Loss for the year from continuing operations							<u>(37,619)</u>	<u>(39,497)</u>

Continuing operations

	Marine engineering		Construction and structural steel engineering		Sale of vessels		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS								
Reportable segment assets	42,564	50,998	61,282	93,778	123,933	101,634	227,779	246,410
Assets of disposal group classified as held for sale							256,545	276,090
Interests of associates classified as held for sale							6,358	5,500
Unallocated head office and corporate assets							1,208	2,095
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total consolidated assets							<u>491,890</u>	<u>530,095</u>
LIABILITIES								
Reportable segment liabilities	40,853	94,149	18,101	1,281	7,724	5,644	66,678	101,074
Liabilities of disposal group classified as held for sale							247,967	233,640
Unallocated head office and corporate liabilities							41	26
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total consolidated liabilities							<u>314,686</u>	<u>334,740</u>
OTHER INFORMATION								
Capital expenditure incurred during the year	338	2,638	-	32,159	-	87	338	34,884
Depreciation and amortisation	10,567	6,613	-	2,227	-	-	10,567	8,840
Write-down of inventories	-	-	-	-	-	3,285	-	3,285
(Reversal of impairment)/impairment loss on trade and other receivables	(142)	6,207	-	200	-	-	(142)	6,407
Reversal of impairment on amounts due from customers for contract works	-	(8,380)	-	-	-	-	-	(8,380)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

(b) Geographical information

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

	Hong Kong		Singapore		PRC		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<u>68,197</u>	<u>23,116</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,239</u>	<u>68,197</u>	<u>24,355</u>
Specified non-current assets	<u>56,533</u>	<u>32,621</u>	<u>7,377</u>	<u>9</u>	<u>1,122</u>	<u>266,676</u>	<u>65,032</u>	<u>299,306</u>

(c) Information about major customers

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

	2013	2012
	HK\$'000	HK\$'000
Revenue from marine engineering:		
– Customer A	51,857	5,892
– Customer B	<u>-</u>	<u>8,380</u>
	<u>51,857</u>	<u>14,272</u>

4. OTHER REVENUE AND NET INCOME

	2013	2012
	HK\$'000	HK\$'000
Continuing operations		
Other revenue:		
Interest income	<u>5</u>	<u>4</u>
Total interest income on financial assets not at fair value through profit or loss	<u>5</u>	<u>4</u>
Other net income:		
Gain on disposal of property, plant and equipment	-	49
Reversal of other payable	701	-
Reversal of impairment loss on trade and other receivables	142	-
Exchange gain	170	-
Tax refund	137	-
Others	<u>87</u>	<u>115</u>
	<u>1,237</u>	<u>164</u>
	<u>1,242</u>	<u>168</u>

5. FINANCE COSTS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Continuing operations		
Interest on loans from related companies	969	3,341
Finance charges on obligations under finance leases	10	–
	<hr/>	<hr/>
Total interest expense on financial liabilities not at fair value through profit or loss	979	3,341
	<hr/> <hr/>	<hr/> <hr/>

6. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Continuing operations		
(a) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	21,610	16,635
Equity-settled share-based payments	3,026	–
Contributions to defined contribution retirement plans	235	254
	<hr/>	<hr/>
	24,871	16,889
(b) Marine, construction and structural steel engineering costs		
Subcontracting, direct engineering and material costs	42,676	15,759
Rental charges	–	368
Plant and operational costs	1,472	583
Direct overheads	387	77
Repairs, maintenance and vessel security	14,079	3,369
	<hr/>	<hr/>
	58,614	20,156
(c) Depreciation and amortisation		
Depreciation of property, plant and equipment	10,492	8,092
Amortisation of lease prepayments	75	748
	<hr/>	<hr/>
	10,567	8,840
(d) Other items		
Auditor's remuneration		
– Audit services	550	490
– Non-audit services	80	80
Operating lease charges in respect of land and buildings	3,129	2,608
Impairment loss on trade and other receivables	–	6,407
Write-down of inventories	–	3,285
Net foreign exchange loss	–	102
	<hr/> <hr/>	<hr/> <hr/>

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (RELATING TO CONTINUING OPERATIONS)

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current tax-overseas		
– Income tax	–	–
– Under-provision in respect of prior years	24	–
Deferred taxation	–	–
	<u>–</u>	<u>–</u>
	24	–
	<u>24</u>	<u>–</u>

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% (2012: 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% (2012: 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% (2012: 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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Loss before income tax from continuing operations	(37,595)	(39,497)
	<u>(37,595)</u>	<u>(39,497)</u>
Notional tax on loss before income tax, calculated at the rates applicable in the tax jurisdiction concerned	(6,318)	(6,768)
Tax effect of non-deductible expenses	2,843	4,346
Tax effect of non-taxable income	(288)	(602)
Tax effect of temporary differences	(2,013)	472
Under-provision in respect of prior years	24	–
Tax effect of tax losses utilised	(146)	(1,183)
Tax effect of unused tax losses not recognised	5,922	3,735
	<u>5,922</u>	<u>3,735</u>
Tax credit	24	–
	<u>24</u>	<u>–</u>

For the year ended 31 July 2013, the share of tax expense attributable to associates amounting to HK\$3,000 (2012: tax credit of HK\$241,000) was included in “share of profits/ (losses) of associates” in the consolidated income statement and no share of tax expense was attributable to jointly controlled entities for both years.

8. DISCONTINUED OPERATION AND DISPOSAL GROUP HELD FOR SALE

(a) Disposal group classified as held for sale – Sunfill Group

On 28 October 2013, the Company and Autumn Spring Limited, an independent third party, entered into a sale and purchase agreement, pursuant to which the Company agreed to sell and Autumn Spring Limited agreed to purchase from the Company 100% equity interest in Sunfill Limited and its subsidiaries (the “Sunfill Group”) at a consideration of HK\$1. The completion of the disposal is conditional upon the shareholders’ approval in a special general meeting to be convened by the Company. The Sunfill Group is principally engaged in hotel operations in the PRC. Upon completion of the disposal, the Company will not hold any interest in the Sunfill Group, and the Sunfill Group will cease to be subsidiaries of the Company. As at 31 July 2013, the Sunfill Group was classified as a discontinued operation and disposal group held for sale in the consolidated statement of financial position of the Group.

The comparative figures in the consolidated income statement of the Company for the year ended 31 July 2013 were restated to present the loss from the discontinued operation for the year then ended. The results of the Sunfill Group for the year are presented as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Turnover	31,410	28,632
Other revenue and net income	352	337
Staff costs	(9,867)	(7,398)
Hotel operation costs	(8,720)	(10,442)
Depreciation and amortisation	(10,127)	(9,740)
Impairment loss on trade and other receivables	–	(137)
Other operating expenses	(5,791)	(3,357)
	<hr/>	<hr/>
Loss from operations	(2,743)	(2,105)
Gain on restructuring of promissory note	–	20,020
Impairment loss on lease prepayments	(25,831)	–
Finance costs	(21,533)	(19,704)
	<hr/>	<hr/>
Loss before taxation from discontinued operation	(50,107)	(1,789)
Income tax credit	7,616	435
	<hr/>	<hr/>
Loss for the year from discontinued operation	(42,491)	(1,354)
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
Owners of the Company	(38,431)	(1,019)
Non-controlling interests	(4,060)	(335)
	<hr/>	<hr/>
	(42,491)	(1,354)
	<hr/> <hr/>	<hr/> <hr/>

The major classes of assets and liabilities of Sunfill Group classified as held for sale as at 31 July 2013 are as follows:

	<i>Note</i>	2013 <i>HK\$'000</i>
Assets		
Property, plant and equipment		150,262
Land use rights		91,084
Inventories	12	4,062
Trade and other receivables	13	9,483
Cash and cash equivalents		<u>1,654</u>
Assets of disposal group classified as held for sale		<u><u>256,545</u></u>
Liabilities		
Secured bank loans		7,843
Promissory note payable	16	187,410
Trade and other payables	15	6,329
Tax payable		515
Deferred tax liabilities		<u>45,870</u>
Liabilities of disposal group classified as held for sale		<u><u>247,967</u></u>
Non-controlling interests		<u><u>29,939</u></u>
Net liabilities of disposal group directly attributable to the Group		<u><u>(21,361)</u></u>

At 31 July 2013, hotel properties and land use rights with an aggregate carrying value of HK\$235,556,000 were pledged to secure the banking facilities granted to the Sunfill Group. Immediately prior to the classification of the lease prepayments of the hotel operation as assets of a disposal group held for sale at 31 July 2013, an impairment loss of HK\$25,831,000 was recognised to write down their carrying amount to the recoverable amount, determined with reference to the open market value at 31 July 2013 based on an independent valuation 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 location and categories of properties being valued.

The net cash flows incurred by the Sunfill Group are as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Operating activities	5,994	5,576
Investing activities	(2,832)	(886)
Financing activities	(3,153)	(6,646)
Net cash inflow/(outflow)	<u><u>9</u></u>	<u><u>(1,956)</u></u>
Basic and diluted loss per share from the discontinued operation	<u><u>(14.82) cents</u></u>	<u><u>(0.50) cents</u></u>

(b) Interests in associates classified as held for sale- Crown Asia Group

On 1 August 2013, the Group entered into a shares sale agreement with the non-controlling shareholder of Crown Asia Engineering Limited (“Crown Asia”) to dispose of its entire 50% equity interest in Crown Asia and its subsidiary (“Crown Asia Group”). Crown Asia Group is principally engaged in providing marine engineering services. The disposal was completed on 1 August 2013 at a consideration of HK\$7,000,000. At 31 July 2013, the interests in Crown Asia Group were classified as assets held for sale. The Crown Asia Group contributed insignificant revenue, loss and cash flows to the Group for the year.

9. LOSS PER SHARE

(a) Basic loss per share

Continuing and discontinued operations

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK\$76,050,000 (2012: loss of HK\$40,516,000) and the weighted average number of 259,167,592 (2012: 204,219,363) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2013	2012
Issued ordinary shares	204,219,363	10,210,968,152
Effect of exercise of share options	71,969	–
Effect of rights issue	54,876,260	–
Effect of share consolidation	–	(10,006,748,789)
	<hr/>	<hr/>
Weighted average number of ordinary shares	<u>259,167,592</u>	<u>204,219,363</u>

The weighted average number of ordinary shares for the year ended 31 July 2012 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. 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 2013 and 2012 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.

10. ASSOCIATES

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
(a) Interests in associates		
Share of net assets of associates:		
At 1 August	5,500	7,125
Share of post-acquisition profits/(losses), net of tax	858	(1,625)
At 31 July	6,358	5,500
(b) Amounts due (to)/from associates (<i>note (e)</i>)	(4,332)	431
(c) Details of the principal associates as 31 July 2013 are as follows:		

Name of associates	Form of business structure	Place of incorporation/ operation	Particulars of issued share capital	Proportion of ownership interest		Principal activities
				Group's effective interest	Held by a subsidiary	
Crown Asia Engineering Limited (<i>note (f)</i>)	Incorporated	Hong Kong	HK\$10,000,000	50%	50%	Marine engineering
Crown Asia Logistics Limited (<i>note (f)</i>)	Incorporated	Hong Kong	HK\$10,000	50%	50%	Provision of logistics services
Penta-Ocean-Gitanes Joint Venture	Unincorporated	Hong Kong	HK\$10,000	49%	49%	Marine engineering

(d) Summary of the aggregate financial information of associates is as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Assets	18,170	14,196
Liabilities	(5,454)	(3,196)
Net assets	12,716	11,000
Group's share of net assets of associates	6,358	5,500
Revenue	28,104	23,743
Profit/(loss) after tax	1,716	(3,250)
Group's share of profits/(losses) of associates for the year	858	(1,625)

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

- (f) On 1 August 2013, the Group completed the disposal of all of its equity interests in Crown Asia Engineering Limited and Crown Asia Logistics Limited. Further details are disclosed on note 8(b). As at 31 July 2013, the investments in Crown Asia Engineering Limited and Crown Asia Logistics Limited were classified as interests in associates held for sale in the consolidated statement of financial position of the Group. These two associates contributed insignificant revenue, results and cash flows to the Group for both years.

11. JOINTLY CONTROLLED ENTITIES

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
(a) Interests in jointly controlled entities		
Share of net assets – unlisted	58,094	28,574
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
(b) Amount due (to)/from a jointly controlled entity	(18,286)	63,987

The amount due (to)/from a jointly controlled entity is unsecured, interest-free and repayable on demand.

- (c) Details of the jointly controlled entities as 31 July 2013 are as follows:

Name of company	Form of business structure	Place of incorporation/ operation	Particulars of issued share capital	Group's effective interest <i>(Note)</i>	Principal activities
Universal Harbour Investment Limited	Incorporated	Hong Kong	HK\$128,000,000 (2012: 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

Note: Under the joint venture agreements, all operating and financial decisions of the above entities have to be jointly approved by the Group and the joint venture partners. Therefore, these companies are classified as jointly controlled entities of the Group.

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

	2013 <i>HK\$’000</i>	2012 <i>HK\$’000</i>
Non-current assets	56,857	57,810
Current assets	3,592	4,800
Current liabilities	(2,355)	(34,036)
	<u>58,094</u>	<u>28,574</u>
Net assets		
	58,094	28,574
Income	3,952	21
Expenses	(8,628)	(3,131)
	<u>(4,676)</u>	<u>(3,110)</u>
Loss for the year		

(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.

12. INVENTORIES

	2013 <i>HK\$’000</i>	2012 <i>HK\$’000</i>
Vessels held for sale	122,920	101,650
Raw materials	1,920	3,290
Hotel low value consumables	4,062	3,603
Vessels transferred to property, plant and equipment	(37,721)	–
Inventories reclassified as assets of a disposal group held for sale (<i>note 8(a)</i>)	(4,062)	–
	<u>87,119</u>	<u>108,543</u>

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

	2013 <i>HK\$’000</i>	2012 <i>HK\$’000</i>
Continuing operations:		
Cost of materials consumed	1,468	–
Write-down of inventories	–	3,285
	<u>1,468</u>	<u>3,285</u>
Discontinued operation:		
Cost of materials consumed	3,258	3,226
	<u>3,258</u>	<u>3,226</u>

13. TRADE AND OTHER RECEIVABLES

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Trade receivables (<i>note (a)</i>)	17,587	17,432
Less: Impairment loss	(8,908)	(9,671)
	<u>8,679</u>	<u>7,761</u>
Other receivables	15,889	11,212
Deposits paid	3,132	3,147
Prepayments	3,760	2,720
Less: Impairment loss (<i>note (b)</i>)	(11,465)	(11,107)
	<u>11,316</u>	<u>5,972</u>
Retention money receivables	2,287	1,008
Less: Impairment loss (<i>note (c)</i>)	(677)	(677)
	<u>1,610</u>	<u>331</u>
Trade and other receivables reclassified as assets of a disposal group held for sale (<i>note 8(a)</i>)	<u>(9,483)</u>	<u>–</u>
	<u><u>12,122</u></u>	<u><u>14,064</u></u>

(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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
0 – 30 days	3,099	3,557
31 – 90 days	3,611	3,311
91 – 180 days	233	226
181 – 360 days	1,736	667
Over 360 days	8,908	9,671
	<u>17,587</u>	<u>17,432</u>
Less: Allowance for doubtful debts	(8,908)	(9,671)
	<u><u>8,679</u></u>	<u><u>7,761</u></u>

Except for retention receivables, credit terms granted by the Group to customers generally range from 120 to 150 days.

(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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
At 1 August	9,671	5,600
Impairment loss recognised	–	5,240
Reversal of impairment	(500)	–
Amounts written off as uncollectible	(263)	(1,169)
	<hr/>	<hr/>
At 31 July	8,908	9,671
	<hr/> <hr/>	<hr/> <hr/>

As at 31 July 2013, the Group's trade receivables of HK\$8,908,000 (2012: HK\$9,671,000) 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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Neither past due nor impaired	6,710	6,868
0 – 30 days	233	226
31 – 90 days	1,736	667
91 – 180 days	–	–
	<hr/>	<hr/>
	8,679	7,761
	<hr/> <hr/>	<hr/> <hr/>

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
At 1 August	11,107	10,480
Impairment loss recognised	358	627
	<hr/>	<hr/>
At 31 July	11,465	11,107
	<hr/> <hr/>	<hr/> <hr/>

Included in other receivables at 31 July 2013 is the aggregate amount of recovery costs of HK\$11,465,000 (2012: HK\$11,107,000) incurred by the Group to pursue arbitration and/or legal proceedings to recover the assets under a Scheme of Arrangement (the “Scheme”). Pursuant to the Scheme and an undertaking letter dated 23 October 2008 issued by Harbour Front Limited (“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 totaling HK\$11,465,000 (2012: HK\$11,107,000).

(c) **Retention money receivables**

The impairment loss of HK\$677,000 (2012: HK\$677,000) 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 income statement for the year ended 31 July 2012.

14. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORKS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Contract costs incurred plus recognised profits		
less recognised losses to date	63,830	15,706
Less: Provision for impairment loss (note below)	(7,806)	(7,806)
	56,024	7,900
Less: Progress billings	(54,755)	(7,900)
	1,269	–
Analysed for reporting purposes as:	–	
Amounts due from customers for contract works	2,521	–
Amounts due to customers for contract works	(1,252)	–
	1,269	–

Note:

The impairment loss of HK\$7,806,000 (2012: HK\$7,806,000) 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 which was credited to the profit or loss for the year ended 31 July 2012.

15. TRADE AND OTHER PAYABLES

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Trade creditors	7,861	3,500
Advances received from customers	1,322	1,895
Accrued costs for re-instatement of leasehold shipyard in Singapore	3,784	3,877
Accruals	6,873	8,578
Other payables	6,429	5,390
Trade and other payables reclassified as liabilities of a disposal group held for sale (<i>note 8(a)</i>)	(6,329)	–
	<u>19,940</u>	<u>23,240</u>

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
0 – 30 days	2,700	1,097
31 – 90 days	3,244	440
91 – 180 days	127	81
181 – 360 days	120	124
Over 360 days	1,670	1,758
	<u>7,861</u>	<u>3,500</u>

16. PROMISSORY NOTE PAYABLE

The Group

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 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 consolidated income statement for the year ended 31 July 2012. The fair value of the restructured promissory note at 31 January 2012 was determined by BMI Appraisals Limited at the effective interest rate of 12.559% per annum. The promissory note was carried at amortised cost, using the effective interest rate of 12.559% (2012: 12.559%) per annum. Details of petition for a winding up of Sunfill Limited brought by the holder of promissory note are disclosed in note 18(a).

The promissory note has been classified as liabilities of a disposal group held for sale as at 31 July 2013 (note 8(a)).

17. CONTINGENCIES AND LITIGATIONS

- (a) The Company and the Group had pending litigation in respect of the Statement of Claim for HCA 624 of 2005 dated 28 September 2005. The Group's solicitor is of the view that there are three claims which duplicate partly with each other: the Fonfair Company Limited ("Fonfair") claim against the defendants for the amount of HK\$19,568,644.66 together with interest and costs, the Money Facts Limited ("Money Facts") claim for the amount of HK\$13,334,211.42 (HK\$12,874,121.48 of which is pleaded by Money Facts as part of its loss and damage suffered by virtue of its 7,900/12,008th interest held in Fonfair) together with interest and costs, and the Leung Yuet Keung claim for the amount of HK\$15,190,409.54 (HK\$6,667,105.71 of which is pleaded by Leung Yuet Keung as part of his loss and damage suffered by virtue of his 3,950/7,900th interest held in Money Facts) together with interest and costs. As pleaded by the plaintiffs, (a) Harbour Front, which is the majority shareholder of the Company, holds 3,958 out of the 12,008 issued ordinary shares of Fonfair and 3,950 out of the 7,900 issued ordinary shares of Money Facts; (b) Money Facts holds 7,900 out of the 12,008 issued ordinary shares of Fonfair; and (c) Leung Yuet Keung holds 3,950 out of the 7,900 issued ordinary shares of Money Facts. Based on legal advice, the directors of the Company do not believe it probable that the court will place judgement against the Company and the Group, and therefore, no provision has therefore been made in respect of these claims.
- (b) 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.
- (c) 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 of the three aforesaid cases have now been ordered to be consolidated and proceeded as one action (the "Consolidated Suit"), the Consolidated Suit was heard during the period from 25 February 2013 to 4 March 2013 and are presently awaiting the Singapore court's decision on the matters.

18. EVENTS AFTER THE REPORTING PERIOD

The Group has the following significant events subsequent to the end of the reporting period:

- (a) As disclosed in note 8(a), on 28 October 2013, the Company and Autumn Spring Limited, an independent third party, entered into a conditional sale and purchase agreement, pursuant to which, the Company agreed to sell and Autumn Spring Limited agreed to purchase from the Company 100% equity interest in Sunfill Limited and its subsidiaries (the “Sunfill Group”) at a consideration of HK\$1. The completion of the disposal is conditional upon the shareholders’ approval in a special general meeting to be convened by the Company. The Sunfill Group is principally engaged in hotel operations in the PRC.

Upon completion of the disposal, the proforma estimated gain on sale of the disposal group will be as follows:

	<i>HK\$’000</i>
Assets of the disposal group held for sale	256,545
Liabilities of the disposal group held for sale	(247,967)
Non-controlling interests of disposal group held for sale	(29,939)
	<hr/>
Net liabilities of the disposal group attributable to the Group	(21,361)
Estimated of costs of disposal	800
Release of exchange reserve relating to the disposal group held for sale	(7,780)
	<hr/>
Proforma estimated gain on disposal of the disposal group	<u>(28,341)</u>

On 4 October 2013, a petition for winding up a wholly-owned subsidiary of the Company, Sunfill Limited, which was in default of repayment for the overdue promissory note in the amount of HK\$188,270,832 as referred to note 16, was brought up by the holder of the promissory note. The hearing for the petition in the High Court is scheduled on 11 December 2013. The directors of the Company consider that there will be no significant impact on the financial position of the Group.

- (b) As disclosed in note 8(b), on 1 August 2013, the Group completed the disposal 50% equity interests in Crown Asia Engineering Limited (“Crown Asia”) and its subsidiary (“Crown Asia Group”) at a consideration of HK\$7,000,000 to the non-controlling shareholder of Crown Asia (“the Purchaser”). The consideration is to be settled not later than 30 April 2014 based on the sale and purchase agreement dated 1 August 2013. The purchaser has pledged the 50% shareholding in Crown Asia to the Group as security for the payment of the consideration. Further details of the disposal are disclosed in note 8(b).
- (c) Subsequent to the end of the reporting period, the Group disposed of two vessels classified under the inventories, and two vessels classified under the property, plant and equipment, to an independent third party at a total consideration of HK\$30,000,000. The gains on the disposal are estimated to be approximately HK\$3,000,000 and HK\$9,000,000 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FUTURE PROSPECTS

For the year ended 31 July 2013, the Group reports an increase in revenue from continuing operations of HK\$68.197 million (2012: HK\$24.355 million) and a loss from continuing operations of HK\$37.619 million (2012: HK\$39.497 million).

During the financial year of 2013, the management had given careful consideration in sustaining business growth and building up on its core businesses. In the light of this, following the financial year ended 31 July 2013, the Group had disposed its interest in the downstream contracting business through Crown Asia Engineering Limited. Further, the zero coupon promissory note as detailed in note 16 to the financial statements above has remain unpaid and therefore overdue after the extended maturity date of 15 August 2013 and the promissory note holder has filed a winding-up petition against Sunfill Limited, the issuer of the promissory note on 4 October 2013. The Group is therefore in the process of disposing (the “Disposal”) Sunfill Limited, the holding company of the hotel operation as detailed in the Company’s announcement dated 28 October 2013 (the “Announcement”) and a conditional sale and purchase agreement was signed on 28 October 2013 as detailed in the Announcement. Through the Disposal, the Group will no longer be responsible for repayment of the promissory note as there is no guarantee issued by the Company or other members of the Group in respect of the promissory note. The Disposal will also remove the net liability and net loss incurred by the hotel operation which was classified as discontinued operation and a disposal group held for sale at 31 July 2013. Financial information of the hotel operation and the Disposal is detailed in notes 8(a) and 18(a) to the financial statements above.

Construction and Structural Steel Engineering

The Construction and Structural Steel Engineering sector recorded a revenue of HK\$10.085 million (2012: HK\$12.335 million) and a loss HK\$2.711 million (2012: HK\$1.867 million). Sales attributed to contracts in both the public and private sectors in Hong Kong, ranging from short-term to over a span of year. The local market is now in demand of more technical-specific engineering work and the Group is confident in meeting such requirements leveraging from the knowledge accumulated over decades.

Marine Engineering

A significant growth in sales is observed in the Marine Engineering sector in 2013, with revenue of HK\$58.112 million (2012: HK\$12.020 million) and a loss of HK\$20.963 million (2012: HK\$16.232 million). It is expected that such growth will continue as the Group is in the process of negotiating and finalizing few major contracts in the forthcoming months.

Sale of Vessels

There was no revenue derived from sale of vessels again in the financial year of 2013 and no profit as compared to financial year of 2012 of loss of HK\$3.285 million. Following the financial year end, the Group observed demand for local vessels picked up and several vessels were sold. The management is closely monitoring the market requirements and ensures demands are met.

LIQUIDITY AND FINANCIAL RESOURCES

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

With completion of the rights issue on 17 October 2012, 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 shares in issue. The net proceeds from the rights issue will be used as general working capital and to repay the shareholder's loan so as to reduce the finance costs incurred by the Group.

As at 31 July 2013, total indebtedness balance of the continuing operations of the Group was HK\$13.9 million (2012: HK\$71.1 million). The finance costs of continuing operations decreased to HK\$1.0 million (2012: HK\$3.3 million). At the financial year end, bank and cash balances totalled HK\$3.8 million, as compared with HK\$5.8 million of the Group last year. 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 64.11% (2012: 63.15%).

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 2013, other than outsourcing vendors but including contract workers, the Group has approximately 340 technical and working staff in Hong Kong, Singapore and PRC. Total staff costs of the continuing operations of the Group, excluding contract workers, amounted to HK\$24.9 million this year, as compared with HK\$16.9 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.

DIVIDEND

The Board does not recommend any dividend for the year ended 31 July 2013 (2012: Nil).

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

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

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (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").

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 regarding any non-compliance with the Model Code during the year under review and they all confirmed that they have fully complied with the required standard set out in the Model Code.

The Remuneration Committee reviews and evaluates the remuneration policies of the directors and senior management of the Group and makes recommendations to the Board from time to time.

The Company has established a Nomination Committee in accordance with the requirements of the CG Code. The Nomination Committee reviews the structure, size and composition of the Board and makes recommendations to the Board from time to time.

The Company has established an Audit Committee in accordance with the requirements of the CG Code. The Audit Committee and the management have reviewed the accounting policies and practices adopted by the Group, discussed the internal control procedures and reviewed the corporate governance functions.

The annual results of the Group for the year ended 31 July 2013 have been reviewed by the Audit Committee of the Company. The Group's consolidated financial statements have been audited by the Company's auditors, CCIF CPA Limited, and they have issued an unqualified opinion.

PUBLICATION OF ANNUAL RESULTS ON WEBSITES

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

ANNUAL GENERAL MEETING

The 2013 annual general meeting of the Company will be held on 6 December 2013. The notice of the annual general meeting will be published and dispatched to the shareholders of the Company in due course.

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

Hong Kong, 31 October 2013

The Directors as at the date of this announcement are as follows:

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
Professor Yuen Ming Fai, Matthew, Ph.D.
Ms. Tse Mei Ha