THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **UDL Holdings Limited**, you should at once hand this Composite Document together with the accompanying Form of Acceptance to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the provisions of which form part of the terms of the Offer contained herein.

大唐西市
TANG WEST MARKET

UDL HOLDINGS LIMITED
太元集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 620)

DA TANG XI SHI INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

COMPOSITE DOCUMENT RELATING TO MANDATORY UNCONDITIONAL CASH OFFER BY KIM ENG SECURITIES (HONG KONG) LIMITED AND CHINA GALAXY INTERNATIONAL SECURITIES (HONG KONG) CO., LIMITED ON BEHALF OF DA TANG XI SHI INTERNATIONAL HOLDINGS LIMITED FOR ALL THE ISSUED SHARES IN UDL HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY DA TANG XI SHI INTERNATIONAL HOLDINGS LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

Joint financial advisers to
Da Tang Xi Shi International Holdings Limited

Kim Eng

中國銀河國際
CHINA GALAXY INTERNATIONAL

Kim Eng Securities (Hong Kong) Limited

China Galaxy International Securities (Hong Kong) Co., Limited

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

Hercules
Hercules Capital Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from the Board is set out on pages 6 to 11 of this Composite Document. A letter from Kim Eng and China Galaxy containing, among other things, the details of the terms of the Offer is set out on pages 12 to 19 of this Composite Document. A letter from the Independent Board Committee containing their advice on the Offer to the Independent Shareholders is set out on pages 20 to 21 of this Composite Document. A letter from the Independent Financial Adviser containing its opinion on the Offer and its recommendation to the Independent Board Committee and Independent Shareholders is set out on pages 22 to 38 of this Composite Document.

The procedures for acceptance and settlement of the Offer and other related information are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by the Registrar by no later than 4:00 p.m. on Monday, 17 August 2015 or such later time(s) and/or date(s) as the Offeror may determine and announce in accordance with the requirements of the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the Form of Acceptance to any jurisdiction outside Hong Kong, should read the details in this regard which are contained in the paragraph headed "Overseas Shareholders" in the "Letter from Kim Eng and China Galaxy" of this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Overseas Shareholders are advised to seek professional advice on deciding whether or not to accept the Offer.

This Composite Document will remain on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.udl.com.hk/) as long as the Offer remains open.

27 July 2015

CONTENTS

The expected timetable set out below is indicative only and may be subject to changes. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate. Unless otherwise specified, all times and dates references contained in this Composite Document refer to Hong Kong local time and dates.

	2015
Despatch date of this Composite Document and the Form of Acceptance and the commencement date of the Offer *(Note 1)*	Monday, 27 July
Latest time and date for acceptance of the Offer *(Notes 2 and 4)*	4:00 p.m. on Monday, 17 August
Closing Date of the Offer *(Note 1)*	Monday, 17 August
Announcement of the results of the Offer as at the Closing Date to be posted on the website of the Stock Exchange *(Note 2)*	not later than 7:00 p.m. on Monday, 17 August
Latest date for posting of remittances in respect of valid acceptances received under the Offer *(Notes 3 and 4)*	Wednesday, 26 August

Notes:

(1) The Offer, which is unconditional in all respects, is made on the date of posting of this Composite Document, and is capable of acceptance on and from Monday, 27 July 2015 until the Closing Date. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the section headed "Right of Withdrawal" in Appendix I to this Composite Document.

(2) In accordance with the Takeovers Code, the Offer must initially be opened for acceptance for at least 21 days following the date on which this Composite Document was posted. The latest time and date for acceptance of the Offer is 4:00 p.m. on Monday, 17 August 2015. An announcement will be jointly issued by the Company and the Offeror through the website of the Stock Exchange by 7:00 p.m. on Monday, 17 August 2015 stating whether the Offer has been extended, revised or expired. In the event that the Offeror decides to revise or extend the Offer and the announcement does not specify the next closing date, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.

(3) Remittances in respect of the acceptance of the Offer (after deducting the seller's ad valorem stamp duty) will be despatched to the accepting Shareholders by ordinary post at their own risk as soon as possible but in any event within 7 Business Days from the date on which the duly completed acceptance of the Offer and the relevant document of title of the Shares in respect of such acceptance are received by the Registrar in accordance with the Takeovers Code.

(4) If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning signal:

(a) in force in Hong Kong before 12:00 noon but no longer in force after 12:00 noon on the Closing Date, the time and date of the close of the Offer will remain at 4:00 p.m. on the same Business Day; or

(b) in force in Hong Kong between 12:00 noon and 4:00 p.m. on the Closing Date, the time and date of the close of the Offer will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong or such other day as the Executive may approve.

Save as mentioned above, if the latest time for the acceptance of the Offer and the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will jointly notify the Independent Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

In this Composite Document, unless the context otherwise requires, the following expressions shall have the following meanings:

"acting in concert"	the meaning ascribed to it in the Takeovers Code
"associate(s)"	the meaning ascribed to it in the Takeovers Code
"Board"	the board of Directors
"Business Day"	a day on which the Stock Exchange is open for the transaction of business
"BVI"	British Virgin Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CGI Facility"	a loan facility in the sum of up to HK$390,000,000 granted by China Galaxy to the Offeror
"China Galaxy"	China Galaxy International Securities (Hong Kong) Co., Limited, a licensed corporation holding a licence under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities and one of the joint financial advisers to the Offeror in respect of the Offer
"Closing Date"	Monday, 17 August 2015, being the closing date of the Offer, or if the Offer is extended, any subsequent closing date(s) of the Offer as may be determined and announced jointly by the Offeror and the Company, with the consent of the Executive in accordance with the Takeovers Code
"Company"	UDL Holdings Limited (太元集團有限公司), a company incorporated under the laws of Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 620)
"Composite Document"	this composite offer and response document dated 27 July 2015 jointly despatched by the Offeror and the Company to the Shareholders in connection with the Offer
"Director(s)"	director(s) of the Company, including independent non-executive director(s) of the Company

"Executive"	the executive director of the Corporate Finance Division of the SFC from time to time or any delegate of the executive director
"Form of Acceptance"	the form of acceptance and transfer of Shares in respect of the Offer which accompanies this Composite Document
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Harbour Front"	Harbour Front Limited, a company incorporated in the BVI with limited liability and a trustee of a unit trust, whereby all units in the unit trust were held by Infiniti Trust (Asia) Limited, the trustee of a discretionary trust, the beneficiaries of which were Mrs. Leung and her children, namely Ms. Gillian Leung, Mr. Jerry Leung and Mr. Leung Kai Hong, Kaiser. Mr. YT Leung was the founder of the discretionary trust
"Harbour Front Concert Parties"	collectively, Y. T. Leung Trading, Vital Strategic, Mr. YT Leung, Mrs. Leung, Ms. Gillian Leung and Mr. Jerry Leung
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Board, comprising all the independent non-executive Directors (namely Mr. Pao Ping Wing, *JP*, Professor Yuen Ming Fai, Matthew, *Ph.D.* and Ms. Tse Mei Ha), formed to advise the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance
"Independent Financial Adviser" or "Hercules"	Hercules Capital Limited, a licensed corporation under the SFO permitted to carry out Type 6 (advising on corporate finance) regulated activities for the purposes of the SFO, and which is the independent financial adviser to the Independent Board Committee and the Independent Shareholders as to the Offer
"Independent Shareholder(s)"	Shareholder(s) other than the Offeror, its ultimate beneficial owner and any parties acting in concert with any of them
"Joint Announcement"	the announcement dated 29 June 2015 jointly issued by the Offeror and the Company in relation to, among others, the Share Purchase Agreement and the Offer

"Kim Eng"	Kim Eng Securities (Hong Kong) Limited, a licensed corporation holding a licence under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities and one of the joint financial advisers to the Offeror in respect of the Offer
"Last Trading Day"	18 June 2015, the last full trading day for the Shares prior to the suspension of trading in the Shares on the Stock Exchange pending the release of the Joint Announcement
"Latest Practicable Date"	24 July 2015, being the latest practicable date prior to printing of this Composite Document for ascertaining certain information for inclusion in this Composite Document
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	Main Board of the Stock Exchange (excludes the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Mr. Jerry Leung"	Mr. Leung Chi Hong, Jerry who owned (i) 440,180 Shares immediately prior to Share Purchase Completion; and (ii) 1,000,000 Shares as at the Latest Practicable Date
"Mr. YT Leung"	Mr. Leung Yat Tung who owned (i) 8,413,608 Shares immediately prior to Share Purchase Completion; and (ii) 2,751,154 Shares as at the Latest Practicable Date
"Mrs. Leung"	Mrs. Leung Yu Oi Ling, Irene who owned (i) 21,333 Shares immediately prior to Share Purchase Completion; and (ii) 1,000,000 Shares as at the Latest Practicable Date
"Ms. Gillian Leung"	Ms. Leung Chi Yin, Gillian who owned (i) 593,045 Shares immediately prior to Share Purchase Completion; and (ii) 1,000,000 Shares as at the Latest Practicable Date
"Offer"	the unconditional cash offer made by Kim Eng and China Galaxy on behalf of the Offeror to acquire all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it pursuant to Rule 26.1 of the Takeovers Code
"Offer Period"	has the meaning ascribed thereto in the Takeovers Code, being the period commencing from 21 May 2015 (i.e. the date of the Rule 3.7 Announcement) and ending on the Closing Date

"Offer Price"	the cash amount of HK$2.33 per Offer Share payable by the Offeror for each Offer Share in respect of the Offer
"Offer Share(s)"	issued Share(s) in respect of which the Offer is made, being Share(s) not already owned or agreed to be acquired by the Offeror and parties acting in concert with it
"Offeror"	Da Tang Xi Shi International Holdings Limited, a company incorporated in the BVI with limited liability and the purchaser of the Sale Shares under the Share Purchase Agreement
"Overseas Shareholder(s)"	Shareholder(s) whose addresses, as shown on the register of members of the Company, are outside Hong Kong
"PRC"	the People's Republic of China which, for the purpose of this Composite Document, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Registrar"	the branch share registrar of the Company, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
"Relevant Period"	the period commencing on the date falling six months preceding 21 May 2015, being the date of the Rule 3.7 Announcement, up to and including the Latest Practicable Date
"Rule 3.7 Announcement"	the announcement dated 21 May 2015 made by the Company pursuant to Rule 3.7 of the Takeovers Code, Rule 13.09 of the Listing Rules and Part XIVA of the SFO
"Sale Shares"	194,033,408 Shares acquired by the Offeror from the Vendors pursuant to the terms of the Share Purchase Agreement, representing approximately 69.73% of the issued share capital of the Company immediately prior to Share Purchase Completion
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the share(s) having a par value of HK$0.50 each in the Company as at the Latest Practicable Date
"Shareholder(s)"	holder(s) of Share(s)

"Share Charge"	the share charge under the CGI Facility which provides, among other things, the number of the Sale Shares and Shares tendered for acceptance under the Offer charged by the Offeror to China Galaxy. Under the Share Charge, the Sale Shares and the Shares tendered for acceptance under the Offer have been pledged to China Galaxy. In the event of default of the CGI Facility, China Galaxy can choose to enforce the Share Charge. In case of enforcement, the rights and benefits pertaining to such enforced Shares will be transferred to China Galaxy.
"Share Option(s)"	option(s) granted under the Share Option Scheme
"Share Option Scheme"	the share option scheme of the Company adopted by the shareholders of the Company on 6 December 2012
"Share Purchase Agreement"	the sale and purchase agreement dated 19 June 2015 entered into among the Vendors and the Offeror in relation to the sale and purchase of the Sale Shares
"Share Purchase Completion"	completion of the sale and purchase of the Sale Shares in accordance with the terms of the Share Purchase Agreement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Code on Takeovers and Mergers
"Vendors"	collectively, Harbour Front and the Harbour Front Concert Parties
"Vital Strategic"	Vital Strategic Corporate Consultancy Limited, which owned 1,370 Shares immediately prior to Share Purchase Completion, was beneficially owned by Harbour Front, Mrs. Leung, Ms. Gillian Leung, Mr. Jerry Leung and Mr. Leung Kai Hong, Kaiser as to 18%, 20%, 22%, 20% and 20%, respectively, as at the Latest Practicable Date
"Y. T. Leung Trading"	Y.T. Leung Trading Company Limited, which owned 3,200 Shares immediately prior to Share Purchase Completion, was beneficially owned by Ms. Gillian Leung and Mr. Jerry Leung as at the Latest Practicable Date
"%"	per cent.

The English names of the PRC entities and/or PRC individual mentioned in this Composite Document and marked with the "" are translation or transliteration from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.*

UDL HOLDINGS LIMITED
太元集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 620)

Executive Directors:
Mr. Leung Yat Tung *(Chief Executive Officer)*
Mrs. Leung Yu Oi Ling, Irene *(Chairman)*
Ms. 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

Registered office:
Crawford House
4th Floor
50 Cedar Avenue
Hamilton HM11
Bermuda

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

27 July 2015

To the Independent Shareholders

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY KIM ENG SECURITIES (HONG KONG) LIMITED AND CHINA GALAXY INTERNATIONAL SECURITIES (HONG KONG) CO., LIMITED ON BEHALF OF DA TANG XI SHI INTERNATIONAL HOLDINGS LIMITED FOR ALL THE ISSUED SHARES IN UDL HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY DA TANG XI SHI INTERNATIONAL HOLDINGS LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

The Company and the Offeror jointly announced on 29 June 2015, among other things, that on 19 June 2015, the Vendors and the Offeror entered into the Share Purchase Agreement, pursuant to which the Vendors agreed to sell, and the Offeror agreed to acquire the Sale Shares, being 194,033,408 Shares in aggregate, at a total consideration of HK$452,097,840.64 (representing a purchase price of HK$2.33

per Sale Share). The Sale Shares represented approximately 69.73% of the issued share capital of the Company immediately prior to Share Purchase Completion.

Share Purchase Completion took place on 29 June 2015.

Immediately following the Share Purchase Completion, the Offeror became interested in 194,033,408 Shares, representing approximately 68.32% of the issued share capital of the Company as at the Latest Practicable Date, and accordingly, the Offeror is required to make a mandatory unconditional general offer in cash for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) under Rule 26.1 of the Takeovers Code. Kim Eng and China Galaxy are making the Offer on behalf of the Offeror.

Further terms and the procedures of acceptances of the Offer are set out in the "Further Terms and Procedures for Acceptance of the Offer" in Appendix I to this Composite Document of which this letter forms part. The purpose of this Composite Document is to provide you with, among other things, information relating to the Company and the Offer, the recommendation of the Independent Board Committee to the Independent Shareholders and the "Letter from the Independent Financial Adviser" to the Independent Board Committee and the Independent Shareholders in relation to the Offer.

THE OFFER

The unconditional cash offer made by Kim Eng and China Galaxy on behalf of the Offeror to acquire all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it pursuant to Rule 26.1 of the Takeovers Code.

Principal Terms of the Offer

Kim Eng and China Galaxy, on behalf of the Offeror and in compliance with the Takeovers Code, hereby make the Offer, which is unconditional in all respects in accordance with the Takeovers Code on the following basis:

The Offer

For each Offer Share . . . . **HK$2.33 in cash**

The Offer Price of HK$2.33 per Offer Share equals to the purchase price per Sale Share paid by the Offeror under the Share Purchase Agreement.

As at the Latest Practicable Date, the Company has 284,002,562 Shares in issue, of which (a) an aggregate of 194,033,408 Shares, representing approximately 68.32% of the entire issued share capital of the Company were owned by the Offeror and the parties acting in concert with it; and (b) the remaining 89,969,154 Shares in issue, representing approximately 31.68% of the entire issued share capital of the Company, were Offer Shares subject to the Offer.

The Offer Shares to be acquired under the Offer shall be fully paid, free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them on or after the date on which the Offer is made, including the right to receive in full all dividends and distributions recommended, declared, made or paid on or after the date on which the Offer is made.

The Offer will extend to all Shares in issue on the date on which the Offer is made, other than those Shares held by the Offeror and parties acting in concert with it.

Acceptance of the Offer shall be unconditional and irrevocable and shall not be capable of being withdrawn, except as permitted under the Takeovers Code.

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

INFORMATION ON THE COMPANY

The Company is a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange. The Company is an investment holding company and its subsidiaries are principally engaged in the sale of vessels, marine engineering, construction and structural steel engineering and related services.

Set out below is the audited financial information of the Group extracted from Appendix II to this Composite Document:

	Year ended 31 July		
	2014	**2013**	**2012** *Note*
	HK$'000	*HK$'000*	*HK$'000*
Revenue	119,722	68,197	24,355
Profit/(loss) for the year attributable to the owners of the Company	(11,714)	(76,050)	(40,516)

Note: The annual results of 2012 had been restated in the annual report of the Group for the year ended 31 July 2013 to take into account discontinued operations.

The audited consolidated net assets of the Group attributable to the owners of the Company as at 31 July 2014 were approximately HK$129,357,000. The audited consolidated net assets of the Group attributable to the owners of the Company as at 31 July 2013 were approximately HK$147,265,000. The audited consolidated net assets of the Group attributable to the owners of the Company as at 31 July 2012 were approximately HK$163,007,000.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (a) immediately prior to the Share Purchase Completion; (b) upon the Share Purchase Completion; and (c) as at the Latest Practicable Date (assuming no other changes in the issued share capital and shareholding in the Company from the Latest Practicable Date up to the date immediately prior to the commencement of the Offer) and before the commencement of the Offer:

	Immediately prior to the Share Purchase Completion		Upon the Share Purchase Completion		As at the Latest Practicable Date (assuming no other changes in the issued share capital and shareholding in the Company from the Latest Practicable Date up to the date immediately prior to the commencement of the Offer) and before the commencement of the Offer	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*
The Offeror and its concert parties[(1)]	–	–	194,033,408	69.73	194,033,408	68.32
Harbour Front[(2)]	184,560,672	66.33	–	–	–	–
Harbour Front Concert Parties[(3)]	9,472,736	3.40	–	–	5,751,154	2.03
Other Shareholders	84,218,000	30.27	84,218,000	30.27	84,218,000	29.65
Total	**278,251,408**	**100.00**	**278,251,408**	**100.00**	**284,002,562**	**100.00**

Notes:

1. The Offeror will finance the Offer from the CGI Facility which is secured by the Share Charge over all the Sale Shares and the Offer Shares to be acquired through the Offer and a guarantee provided collectively by Mr. Lu Jianzhong, 大唐西市文化產業投資集團有限公司 (Da Tang Xi Shi Investment Group Limited*) and 大唐西市國際集團有限公司 (Da Tang Xi Shi International Group Limited*)..

2. As at the Latest Practicable Date, Harbour Front was the trustee of a unit trust. All the units in the unit trust were held by Infiniti Trust (Asia) Limited, the trustee of a discretionary trust, the beneficiaries of which were Mrs. Leung and her children, namely Ms. Gillian Leung, Mr. Jerry Leung and Mr. Leung Kai Hong, Kaiser. Mr. YT Leung was the founder of the discretionary trust.

3. On 6 July 2015, (i) Mr. YT Leung exercised his 2,751,154 Share Options at an exercise price of HK$0.798 per Share; (ii) Mrs. Leung exercised her 1,000,000 Share Options at an exercise price of HK$0.62 per Share; (iii) Ms. Gillian Leung exercised her 1,000,000 Share Options at an exercise price of HK$0.62 per Share; and (iv) Mr. Jerry Leung exercised his 1,000,000 Share Options at an exercise price of HK$0.62 per Share.

INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP

Your attention is drawn to the sections headed "Information on the Offeror" and "Intentions of the Offeror in relation to the Group" in the "Letter from Kim Eng and China Galaxy" as set out in this Composite Document. The Board is aware of the intentions of the Offeror in respect of the Group and is willing to render reasonable co-operation with the Offeror which is in the interests of the Company and the Shareholders as a whole.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer.

In the event that after the close of the Offer, the public float of the Company falls below 25%, the new Director who is nominated by the Offeror to be appointed as Director and the then directors of the Offeror will undertake to the Stock Exchange that they will take appropriate steps to restore the minimum public float as required under the Listing Rules as soon as possible following the close of the Offer to ensure that sufficient public float exists for the Shares.

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25%, of the Shares are held by the public or if the Stock Exchange believes that (a) a false market exists or may exist in the trading of the Shares or (b) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.

The Stock Exchange will also closely monitor all acquisitions or disposals of assets by the Company. Under the Listing Rules, the Stock Exchange has the power pursuant to the Listing Rules to aggregate a series of transactions entered into by the Company within 24 months after a change in control and any such transactions may result in the Company being treated as if it were a new listing applicant and subject to the requirement for new applicants as set out in the Listing Rules.

ADVICE

The Independent Board Committee has been established to make recommendations to the Independent Shareholders as to whether the Offer is fair and reasonable and as to acceptance of the Offer. Your attention is drawn to the "Letter from the Independent Board Committee" in this Composite Document which sets out its advice and recommendation to the Independent Shareholders in relation to the Offer, and the "Letter from the Independent Financial Adviser" as set out in this Composite Document containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Offer.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to read carefully Appendix I to this Composite Document and the accompanying Form of Acceptance for further details in respect of the procedures for acceptance of the Offer.

On behalf of the board of
UDL Holdings Limited
Leung Chi Yin Gillian
Executive Director

Kim Eng Securities (Hong Kong) Limited

中國銀河國際
CHINA GALAXY INTERNATIONAL
China Galaxy International Securities (Hong Kong) Co., Limited

27 July 2015

To the Independent Shareholders

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY KIM ENG SECURITIES (HONG KONG) LIMITED AND CHINA GALAXY INTERNATIONAL SECURITIES (HONG KONG) CO., LIMITED ON BEHALF OF DA TANG XI SHI INTERNATIONAL HOLDINGS LIMITED FOR ALL THE ISSUED SHARES IN UDL HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY DA TANG XI SHI INTERNATIONAL HOLDINGS LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

Reference is made to the Joint Announcement.

The Vendors and the Offeror entered into the Share Purchase Agreement on 19 June 2015, pursuant to which the Vendors agreed to sell, and the Offeror agreed to acquire the Sale Shares, being 194,033,408 Shares in aggregate, representing approximately 69.73% of the entire issued share capital of the Company as at the date of the Share Purchase Agreement.

The Share Purchase Completion took place on 29 June 2015. Immediately following the Share Purchase Completion, the Offeror became interested in 194,033,408 Shares, representing approximately 68.32% of the entire issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

This letter sets out, among other things, the details of the Offer, information on the Offeror and the intentions of the Offeror regarding the Group. The terms of the Offer and the procedures for acceptances are set out in this letter, Appendix I to this Composite Document and the Form of Acceptance.

The Independent Shareholders are strongly advised to carefully consider the information contained in the "Letter from the Board", the "Letter from the Independent Board Committee" and the "Letter from the Independent Financial Adviser" as set out in this Composite Document.

THE OFFER

Principal terms of the Offer

Kim Eng and China Galaxy, on behalf of the Offeror, hereby make the Offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and the parties acting in concert with it), which is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions and in compliance with the Takeovers Code, on the following basis:

The Offer

For every Offer Share .... HK$2.33 in cash

The Offer Price of HK$2.33 per Offer Share under the Offer equals to the purchase price per Sale Share under the Share Purchase Agreement. The Offer Shares to be acquired under the Offer shall be fully paid and free from all liens, claims and encumbrances and together with all rights attaching or accruing thereto, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of this Composite Document.

Acceptance of the Offer shall be unconditional and irrevocable and shall not be capable of being withdrawn, except as permitted under the Takeovers Code. The procedures for acceptance and further terms of the Offer are set out in Appendix I to this Composite Document and Form of Acceptance.

Comparison of value

The Offer Price of HK$2.33 per Offer Share represents:

(i) a discount of approximately 53.31% to the closing price of HK$4.99 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 43.99% to the average closing price of approximately HK$4.16 per Share for the last five trading days immediately prior to and including the Last Trading Day;

(iii) a discount of approximately 37.87% to the average closing price of approximately HK$3.75 per Share for the last ten trading days immediately prior to and including the Last Trading Day;

(iv) a discount of approximately 25.80% to the average closing price of approximately HK$3.14 per Share for the last thirty trading days immediately prior to and including the Last Trading Day;

(v) a premium of approximately 395.74% over the unaudited net asset value of the Group attributable to the Shareholders of approximately HK$0.47 per Share as at 31 January 2015 and a premium of approximately 395.74% over the audited net asset value of the Group attributable to the Shareholders of approximately HK$0.47 per Share as at 31 July 2014; and

(vi) a discount of approximately 33.24% to the closing price of HK$3.49 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Highest and lowest Share prices

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK$5.32 per Share on 17 June 2015 and HK$1.00 per Share on 30 December 2014 respectively.

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

Value of the Offer

As at the Latest Practicable Date, the Company has 284,002,562 Shares in issue and based on the Offer Price of HK$2.33 per Offer Share, the entire issued share capital of the Company is valued at HK$661,725,969.46. As the Offeror and parties acting in concert with it were interested in an aggregate of 194,033,408 Shares as at the Latest Practicable Date, assuming full acceptance of the Offer, the value of the Offer will amount to approximately HK$209,628,128.82.

Financial resources available to the Offeror

The Offeror will finance the Offer by the CGI Facility to meet its payment obligations for the acceptances under the Offer. As at the Latest Practicable Date, Kim Eng and China Galaxy are both satisfied that sufficient financial resources are available to the Offeror to satisfy its payment obligations for full acceptance of the Offer. It is not the intention of the Offeror that the payment of interest to be accrued on, the repayment of or the security given relating to the CGI Facility will depend on any significant extent on the business of the Company. The CGI Facility is secured by the Share Charge and a guarantee provided collectively by Mr. Lu Jianzhong, 大唐西市文化產業投資集團有限公司 (Da Tang Xi Shi Investment Group Limited*) and 大唐西市國際集團有限公司 (Da Tang Xi Shi International Group Limited*). Under the Share Charge, the Sale Shares and the Shares tendered for acceptance under the Offer have been pledged to China Galaxy. In the event of default of the CGI Facility, China Galaxy can choose to enforce the Share Charge and/or the guarantee.

Effect of accepting the Offer

The Offer is unconditional. The acceptance of the Offer by the Independent Shareholders will constitute warranties by such Independent Shareholders to the Offeror that, the Shares acquired under the Offer are fully paid and free from all liens, claims and encumbrances or other third party rights of any nature and together with all rights now or hereafter attaching or accruing to them, including without limitation, the rights to receive all future dividends and/or other distributions (if any) declared, paid or made on or after the date on which the Offer is made, being the date of this Composite Document.

Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven Business Days of the date on which the relevant documents of title in respect of such acceptances are received by the Offeror (or its agent) to render each such acceptance complete and valid.

No fractions of a cent will be payable and the amount of the consideration payable to an Independent Shareholder who accepts the Offer will be rounded up to the nearest cent.

Taxation advice

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, Kim Eng, China Galaxy and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

Overseas Shareholders

The Offer will be made available to all the Independent Shareholders, including the Overseas Shareholders. The availability of the Offer to any Overseas Shareholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions). As at the Latest Practicable Date, there was one Shareholder with his/her/its registered address in each of Australia, the PRC, the United Kingdom, Malaysia and New Zealand respectively as appeared on the register of members of the Company, while there were two, two and 16 Shareholders with their registered addresses in Macau Special Administrative Region of the PRC, Taiwan and Singapore, respectively, as appeared on the register of members of the Company.

Stamp duty

In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by relevant Independent Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, which will be deducted from the cash amount payable by the Offeror to such Independent Shareholder on accepting the Offer (where the stamp duty calculated includes a fraction of HK$1, the stamp duty would be rounded-up to the nearest HK$1). The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of relevant Independent Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

Other arrangements

The Offeror confirms that as at the Latest Practicable Date,

(i) the Offeror, its ultimate beneficial owners, and/or parties acting in concert with any of them have not received any irrevocable commitment to accept the Offer;

(ii) there is no outstanding derivative in respect of the securities in the Company which has been entered into by the Offeror, its ultimate beneficial owners and/or any person acting in concert with any of them;

(iii) save for the Sale Shares acquired under the Share Purchase Agreement, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Company and which may be material to the Offer (as referred to in note 8 to Rule 22 of the Takeovers Code);

(iv) save for the Share Purchase Agreement, there is no agreement or arrangement to which the Offeror, its ultimate beneficial owner or parties acting in concert with any of them is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer; and

(v) there is no relevant security (as defined in note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror and/or any person acting in concert with any of them has borrowed or lent.

Dealing and interests in the Company's securities

Save for the acquisition of the Sale Shares under the Share Purchase Agreement and the Share Charge, the Offeror and parties acting in concert with it have not dealt in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period. As at the Latest Practicable Date, save for the Sale Shares held by the Offeror, the Offeror and parties acting in concert with it did not hold, own, control or direct any Shares, convertible securities, warrants, options or derivatives of the Company.

Compulsory acquisition

The Offeror does not intend to avail itself of any powers of compulsory acquisition of the Shares after the close of the Offer.

INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in the BVI with limited liability. As at the Latest Practicable Date, the Offeror was wholly-owned by Da Tang Xi Shi International Group Limited 大唐西市國際集團有限公司. Da Tang Xi Shi International Group Limited 大唐西市國際集團有限公司 was wholly owned by 大唐西市文化產業投資集團有限公司 (Da Tang Xi Shi Investment Group Limited*), of which was owned as to approximately 50.60% by Mr. Lu Jianzhong, as to approximately 13.80% by Mr. Liang Lei* (梁雷), as to approximately 13.80% by Mr. Yang Xingwen* (楊興文), as to approximately 13.80% by Mr. Yu Baoan* (于寶安) and as to approximately 8.00% by 寧波歐盈宏創投資合夥企業 (Ningbo Ouying Hongchuang Investment Partnership*) respectively, as at the Latest Practicable Date.

As at the Latest Practicable Date, Mr. Lu Jianzhong and Mr. Wong Kwok Tung Gordon Allan were the directors of the Offeror.

INFORMATION ON THE GROUP

The Company, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange, is an investment holding company. Its subsidiaries are principally engaged in the sale of vessels, marine engineering, construction and structural steel engineering and related services.

INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP

Immediately after the Share Purchase Completion and as at the Latest Practicable Date, the Offeror has become the controlling shareholder of the Company.

The Offeror intends to continue the existing principal business of the Group, which comprises (i) the provision of marine engineering; (ii) the construction and structural steel engineering and related services; and (iii) trading of vessels. As at the Latest Practicable Date, the Offeror has no plan to inject any assets or businesses into the Group or to procure the Group to acquire or dispose of any assets.

The Offeror will, following the close of the Offer, conduct a review of the business operations and financial position of the Group for the purpose of developing a sustainable business plan or strategy for the Group. Subject to the result of the review and should suitable investment or business opportunities arise, the Offeror may diversify the business of the Group with the objective of broadening its sources of income. However, as of the Latest Practicable Date, no such investment or business opportunities have been identified nor has the Offeror entered into any agreement, arrangements, understandings, intention or negotiation in relation to the injection of any assets or business into the Group.

Save for the proposed change of composition of the Board as described below, the Offeror has no intention to terminate any employment of the employees of the Group or to make significant changes to any employment or to dispose of or re-allocate the Group's assets which are not in the ordinary and usual course of business of the Group.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror has no intention to privatise the Group and intends to maintain the listing of the Shares on the Stock Exchange. The Offeror will undertake to the Stock Exchange to take appropriate steps to ensure that not less than 25% of the entire issued share capital of the Company will continue to be held by the public at all times.

The Stock Exchange has indicated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public or if the Stock Exchange believes that:

(i) a false market exists or may exist in the Shares; or

(ii) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealing in the Shares.

PROPOSED CHANGE OF BOARD COMPOSITION

The Board is currently made up of seven Directors, comprising four executive Directors, namely Mr. YT Leung, Mrs. Leung, Ms. Gillian Leung and Mr. Jerry Leung; and three independent non-executive Directors, namely Mr. Pao Ping Wing, *JP*, Professor Yuen Ming Fai, Matthew, *Ph.D.* and Ms. Tse Mei Ha.

The Offeror intends to nominate Mr. Wong Kwok Tung Gordon Allan, as Director, such appointment will be made in accordance with the memorandum of association and bye-laws of the Company, the Takeovers Code and the Listing Rules.

Biographies of new Director to be nominated by the Offeror

Mr. Wong Kwok Tung Gordon Allan ("Mr. Wong"), aged 41, was appointed as director of the Offeror in 2015. Mr. Wong has extensive financial and accounting experience in various industries, and has previously worked in an accounting firm and an investment bank. Mr. Wong holds a bachelor of commerce degree from the University of Sydney and is a member of the Institute of Chartered Accounts in Australia.

Save as disclosed above, the Offeror does not intend to implement any material change to the existing management of the Group following the close of the Offer.

FURTHER TERMS OF THE OFFER

Further terms of the Offer, including procedures for acceptance and the acceptance period, are set out in Appendix I to this Composite Document and the Form of Acceptance.

GENERAL

This Composite Document has been prepared for the purposes of complying with the laws of Hong Kong, the Takeovers Code and the Listing Rules and the information disclosed may not be the same as which would have been disclosed if this Composite Document had been prepared in accordance with the laws of jurisdictions outside Hong Kong.

To ensure equality of treatment of all Shareholders, those Shareholders who hold Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

Attention of the Overseas Shareholders is drawn to paragraph headed "7. General (h)" of Appendix I to this Composite Document.

All documents and remittances will be sent to the respective addresses of the Shareholders as appear in the register of members of the Company by ordinary post at their own risk and, in the case of joint Shareholders, to such Shareholders whose name appears first in the register of members of the Company. The Offeror and parties acting in concert with any of them, the Company, Kim Eng, China Galaxy, the Registrar or professional advisers or any of their respective directors or any other parties involved in the Offer will not be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

ADDITIONAL INFORMATION

Your attention is drawn to the "Letter from the Independent Board Committee" as set out on pages 20 to 21, to the "Letter from the Independent Financial Adviser" as set out on pages 22 to 38 and to "Further terms and procedures for acceptance of the Offer" contained in Appendix I and other appendices to this Composite Document.

You are recommended to read this Composite Document and the accompanying Form of Acceptance for details of the Offer.

In considering what action to take in connection with the Offer, you should consider your own tax or financial position and if you are in any doubt, you should consult your professional advisers.

Yours faithfully,
For and on behalf of

Kim Eng Securities (Hong Kong) Limited
Wiley O'yang
Managing Director

China Galaxy International Securities (Hong Kong) Co., Limited
Steven Chiu
Managing Director

UDL HOLDINGS LIMITED
太元集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 620)

27 July 2015

To the Independent Shareholders

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY
KIM ENG SECURITIES (HONG KONG) LIMITED
AND
CHINA GALAXY INTERNATIONAL SECURITIES (HONG KONG) CO., LIMITED
ON BEHALF OF
DA TANG XI SHI INTERNATIONAL HOLDINGS LIMITED
FOR ALL THE ISSUED SHARES IN
UDL HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
DA TANG XI SHI INTERNATIONAL HOLDINGS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)

We refer to this Composite Document dated 27 July 2015 jointly issued by the Company and the Offeror, of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in this Composite Document.

We have been appointed to constitute the Independent Board Committee to consider the terms of the Offer and to advise you (i.e. Independent Shareholders) as to whether or not the terms of the Offer are fair and reasonable and as to the acceptance of the Offer. Hercules has been appointed as the Independent Financial Adviser to make recommendation to us and the Independent Shareholders in respect of whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer. Details of its advice and recommendation, together with the principal factors and reasons which it has considered before arriving at such recommendation, are set out in the "Letter from the Independent Financial Adviser" on pages 22 to 38 of this Composite Document.

We also wish to draw your attention to the "Letter from the Board", the "Letter from Kim Eng and China Galaxy" and the additional information set out in the appendices to this Composite Document.

Taking into account the terms of the Offer and the independent advice from the Independent Financial Adviser, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer. Independent Shareholders are recommended to read the full text of the "Letter from the Independent Financial Adviser" set out in this Composite Document.

However, if the net proceeds from the sale of the Shares in the open market after deducting all transaction cost would exceed the net amount receivable under the Offer, Independent Shareholders should consider selling their Shares in the market, rather than accepting the Offer.

Yours faithfully,
For and on behalf of the Independent Board Committee
UDL Holdings Limited

Pao Ping Wing, *JP* **Yuen Ming Fai, Matthew,** *Ph.D.* **Tse Mei Ha**
Independent non-executive Directors

The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, regarding its advice on the Offer prepared for the purpose of incorporation into this Composite Document.

Hercules
Hercules Capital Limited

1503 Ruttonjee House
11 Duddell Street
Central
Hong Kong

27 July 2015

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

MANDATORY UNCONDITIONAL CASH OFFER BY KIM ENG SECURITIES (HONG KONG) LIMITED AND CHINA GALAXY INTERNATIONAL SECURITIES (HONG KONG) CO., LIMITED ON BEHALF OF DA TANG XI SHI INTERNATIONAL HOLDINGS LIMITED FOR ALL THE ISSUED SHARES IN UDL HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY DA TANG XI SHI INTERNATIONAL HOLDINGS LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

We refer to our engagement as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the Offer, details of which are set out in the Letter from Kim Eng and China Galaxy and the Letter from the Board contained in the Composite Document dated 27 July 2015 to the Shareholders, of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined elsewhere in the Composite Document unless the context requires otherwise.

On 19 June 2015, the Vendors and the Offeror entered into the Share Purchase Agreement, pursuant to which the Vendors agreed to sell, and the Offeror agreed to acquire, the Sale Shares, being 194,033,408 Shares in aggregate, at a total consideration of HK$452,097,840.64 (representing a purchase price of HK$2.33 per Sale Share). The Sale Shares represent approximately 69.73% of the issued share capital of the Company immediately prior to Share Purchase Completion.

Immediately following the Share Purchase Completion, which took place on 29 June 2015, the Offeror became interested in 194,033,408 Shares, representing approximately 68.32% of the issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional general offer in cash for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it). Kim Eng and China Galaxy are making the Offer on behalf of the Offeror.

An Independent Board Committee, comprising all independent non-executive Directors (namely Mr. Pao Ping Wing, *JP*, Professor Yuen Ming Fai, Matthew, *Ph.D.* and Ms. Tse Mei Ha), has been established to advise the Independent Shareholders as to whether the Offer is fair and reasonable and as to acceptance. We, Hercules Capital Limited, have been appointed, with the approval of the Independent Board Committee, to advise the Independent Board Committee and the Independent Shareholders as to whether the Offer is fair and reasonable so far as the Independent Shareholders are concerned and whether the Independent Shareholders should accept the Offer.

We are not associated with the Company, the Offeror, the Vendors or their respective associates and do not have any shareholding in any member of the Group or right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fee or benefit from the Company, the Offeror or the Vendors or their respective associates.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information and representations supplied, and the opinion expressed, by the Directors, management of the Company and the Offeror and have assumed that such information and statements, and representations made to us or referred to in the Composite Document are true, accurate and complete in all material respects as of the Latest Practicable Date. Should there be any material change in such information, statements or representations after the Latest Practicable Date (up to the end of the Offer Period), the Shareholders would be notified of such changes as soon as possible. The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Composite Document (other than those relating to the Offeror, its ultimate beneficial owner and parties acting in concert with them), and confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than opinions expressed by the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading. The directors of the Offeror also have jointly and severally accepted full responsibility for the accuracy of the information contained in the Composite Document (other than those relating to the Group), and confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than opinions expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Composite Document and to provide a reasonable basis for our recommendation. We have no reasons to suspect that any material information has been withheld by the Directors, management of the Company or the Offeror, or is misleading, untrue or inaccurate, and consider that they may be relied upon in formulating our opinion. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group and the related subject of, and parties to, the Share Purchase Agreement. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change this opinion.

We have not considered the tax implications on the Independent Shareholders arising from acceptances or non-acceptances of the Offer as these depend on their individual circumstances. It is emphasised that we will not accept responsibility for any tax effect on, or liability of, any person resulting from his or her acceptance or non-acceptance of the Offer. Independent Shareholders who are in any doubt as to their tax position, or who are subject to overseas tax or Hong Kong taxation on securities dealings, should consult their own professional advisers without delay.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Offer, we have considered the following principal factors and reasons:

1. Background to and principal terms of the Offer

On 19 June 2015, the Vendors and the Offeror entered into the Share Purchase Agreement, pursuant to which the Vendors agreed to sell, and the Offeror agreed to acquire, the Sale Shares, being 194,033,408 Shares in aggregate, at a total consideration of HK$452,097,840.64 (representing a purchase price of HK$2.33 per Sale Share). The Sale Shares represent approximately 69.73% of the issued share capital of the Company immediately prior to Share Purchase Completion.

Immediately following the Share Purchase Completion on 29 June 2015, the Offeror became interested in 194,033,408 Shares, representing approximately 68.32% of the issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional general offer in cash for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it). Accordingly, Kim Eng and China Galaxy are making the Offer, which is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions and in compliance with the Takeovers Code, on behalf of the Offeror, on the following basis:

For each Offer Share . . . . HK$2.33 in cash

The Offer Price of HK$2.33 per Offer Share equals to the purchase price per Sale Share paid by the Offeror under the Share Purchase Agreement. The Offer Shares to be acquired under the Offer shall be fully paid, free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them on or after the date on which the Offer is made, including the right to receive in full all dividends and distributions recommended, declared, made or paid on or after the date on which the Offer is made.

As at the Latest Practicable Date, the Company had 284,002,562 Shares in issue, of which (i) an aggregate of 194,033,408 Shares, representing approximately 68.32% of the issued share capital of the Company, were owned by the Offeror and the parties acting in concert with it; and (ii) the remaining 89,969,154 Shares, representing approximately 31.68% of the issued share capital of the Company, were Offer Shares subject to the Offer.

The Offer will extend to all Shares in issue on the date on which the Offer is made, other than those Shares held by the Offeror and parties acting in concert with it. Acceptance of the Offer shall be unconditional and irrevocable and shall not be capable of being withdrawn, except as permitted under the Takeovers Code. As at the Latest Practicable Date, there are no outstanding warrants, options, derivatives or convertibles which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

Further details of the terms and conditions of the Offer, including the procedures for acceptance, are set out in the Letter from Kim Eng and China Galaxy contained in, and Appendix I to, the Composite Document.

2. Historical performance of the Group

The Company is a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange. The Company is an investment holding company and its subsidiaries are principally engaged in the sale of vessels, marine engineering, construction and structural steel engineering and related services. The financial information of the Group for the two years ended 31 July 2014 and six months ended 31 January 2015 and 31 January 2014, extracted from the 2014 annual report and 2015 interim report of the Company, is summarized as follows:

Table 1: Consolidated financial information of the Group

	For the six months ended 31 January		**For the year ended 31 July**	
	2015	**2014**	**2014**	**2013**
	(unaudited)	(unaudited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover				
– Marine engineering	54,460	39,252	80,316	58,112
– Construction and structural steel engineering	7,150	11,837	24,206	10,085
– Sale of vessels	–	15,200	15,200	–
	61,610	66,289	119,722	68,197
(Loss)/profit before taxation	(59)	29,508	(40,854)	(37,595)
Gain/(loss) for the year from discontinued operation	–	–	29,169	(42,491)
(Loss)/profit for the period/year attributable to owners of the Company	(59)	29,508	(11,714)	(76,050)

	As at 31 January 2015 (unaudited) *HK$'000*
Non-current assets	102,527
Current assets	90,796
Current liabilities	47,723
Non-current liabilities	17,097
Net assets attributable to owners of the Company	128,503

The turnover of the Group for the year ended 31 July 2014 amounted to approximately HK$119.7 million, representing an increase of approximately 75.6% as compared to the previous year. Turnover from marine engineering, construction and structural steel engineering and sale of vessels accounted for approximately 67.1%, 20.2% and 12.7% of the total turnover for the year ended 31 July 2014 respectively. The increase in turnover was mainly attributable to the growth in turnover generated from engineering contracts in both the public and private sectors in Hong Kong and the sale of vessels during the year ended 31 July 2014. However, with the increased operating expenses, including written-down of inventories amounted to approximately HK$23.5 million, during the year ended 31 July 2014, and the increase in share of losses of joint ventures of approximately HK$3.3 million, which was mainly attributable to the decrease in turnover of the joint ventures that are principally engaged in the business of construction and structural steel engineering and shipbuilding, the Group recorded a loss before taxation of approximately HK$40.9 million for the year ended 31 July 2014, representing an increase of approximately 8.7% as compared to the loss for the previous year. During the year ended 31 July 2014, the Group disposed of its interest in the downstream contracting business and discontinued the hotel operation. Taking into account the results from the discontinued operation, the Group's loss attributable to owners of the Company decreased from approximately HK$76.1 million for the year ended 31 July 2013 to approximately HK$11.7 million for the year ended 31 July 2014.

The turnover of the Group for the six months ended 31 January 2015 decreased to approximately HK$61.6 million, representing a drop of approximately 7.1% as compared to the previous corresponding period. For the six months ended 31 January 2015, 88.4% of the Group's turnover was derived from the marine engineering segment while the remaining was derived from the construction and structural steel engineering segment. Despite the decrease in turnover, the gross profit of the Group for the six months ended 31 January 2015 increased to approximately HK$17.5 million, representing an increase of approximately 61.7% as compared to the last corresponding period, as a result of the improvement in operational efficiency and cost control. However, the Group recorded a loss attributable to owners of the Company of approximately HK$59,000 for the six months ended 31 January 2015 as compared to a profit attributable to owners of the Company of approximately HK$29.5 million for the six months ended 31 January 2014 as the Group recorded an one-off gain on deconsolidation of subsidiaries in liquidation in an amount of approximately HK$28.5 million in the last corresponding period.

As at 31 January 2015, the non-current assets of the Group amounted to approximately HK$102.5 million, of which approximately HK$51.5 million were property, plant and equipment, approximately HK$47.7 million were interests in joint ventures and approximately HK$2.1 million were loan receivables, while the current assets of the Group amounted to approximately HK$90.8 million, which mainly comprised inventories of approximately HK$6.0 million, trade and other receivables of approximately HK$31.0 million, amounts due from joint ventures of approximately HK$11.5 million, amounts due from customers for contract works of approximately HK$10.7 million and assets of disposal group classified as held for sale of approximately HK$29.9 million. The current liabilities of the Group amounted to approximately HK$47.7 million as at 31 January 2015, which mainly consisted of trade and other payables of approximately HK$17.3 million, amounts due to related companies of approximately HK$6.9 million, loan from related companies of approximately HK$1.4 million, amounts due to joint ventures of approximately HK$8.1 million, amounts due to directors of approximately HK$2.2 million and liabilities of disposal group classified as held for sale of approximately HK$11.8 million. The non-current liabilities of the Group, which comprised mainly loan from a related company, amounted to approximately HK$17.1 million. As at 31 January 2015, net current assets and net assets attributable to owners of the Company amounted to approximately HK$43.1 million and HK$128.5 million respectively.

Subsequent to the interim period of 31 January 2015, the Group entered into an agreement to dispose of a wholly-owned subsidiary, whose principal business of marine engineering in Singapore had been discontinued since 12 September 2014. The disposal was completed on 19 March 2015.

3. Future prospect of the Group

The Group is principally engaged in marine engineering, construction and structural steel engineering and related services. Its customers include both private companies and the Government of Hong Kong. Based on the licence types of approved contractors for public works issued by The Development Bureau of the Government of Hong Kong, civil engineering works in Hong Kong include four categories of works, namely port works, roads and drainage, site formation and waterworks. The marine engineering and construction and structural steel engineering works undertaken by the Group are principally under the category of port works. As no specific information regarding the market data of the port works industry in Hong Kong is available publicly, we have reviewed the market information on construction and civil engineering works in Hong Kong as a general reference for assessing the prospect of the Group. According to the statistics released by Hong Kong Census and Statistics Department, the gross value of construction works performed by main contractors at construction sites in Hong Kong amounted to approximately HK$122.8 billion in 2014, representing an increase of approximately 9.9% as compared to the previous year. The gross value of construction works performed by main contractors at construction sites in Hong Kong relating to civil engineering construction projects amounted to approximately HK$53.5 billion, HK$50.8 billion and HK$41.3 billion in 2014, 2013 and 2012 respectively. The year-over-year growth rate decreased from approximately 23.0% in 2013 to approximately 5.3% in 2014.

Although there is a continuous growth in the civil engineering construction industry in Hong Kong in recent years, the growth is slowing down in 2014 as compared to 2013. We also noted that the Group recorded continuous losses in the past five financial years and the losses for the year attributable to owners of the Company fluctuated up and down year from year in the amount of approximately HK$11.7 million, HK$76.1 million, HK$40.5 million, HK$72.1 million and HK$48.3 million for the year ended 31 July 2014, 2013, 2012, 2011 and 2010 respectively. Although the performance of the Group for the year ended 31 July 2014 seemed to be improving and recorded a lower amount of loss as compared to the year ended 31 July 2013, a loss was recorded by the Group for the six months ended 31 January 2015 again while a profit was recorded for the six months ended 31 January 2014. Having considered that the growth in Hong Kong's civil engineering construction industry is slowing down and the performance of the Group is unstable, we are of the view that it is uncertain as to whether the Group will be able to achieve any significant improvement in its profitability in the near future.

4. Offer Price

The Offer Price of HK$2.33 per Offer Share equals to the purchase price per Sale Share under the Share Purchase Agreement and represents:

(i) a discount of approximately 53.31% to the closing price of HK$4.99 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 43.99% to the average closing price of approximately HK$4.16 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to and including the Last Trading Day;

(iii) a discount of approximately 37.87% to the average closing price of approximately HK$3.75 per Share as quoted on the Stock Exchange for the last ten trading days immediately prior to and including the Last Trading Day;

(iv) a discount of approximately 25.80% to the average closing price of approximately HK$3.14 per Share as quoted on the Stock Exchange for the last thirty trading days immediately prior to and including the Last Trading Day;

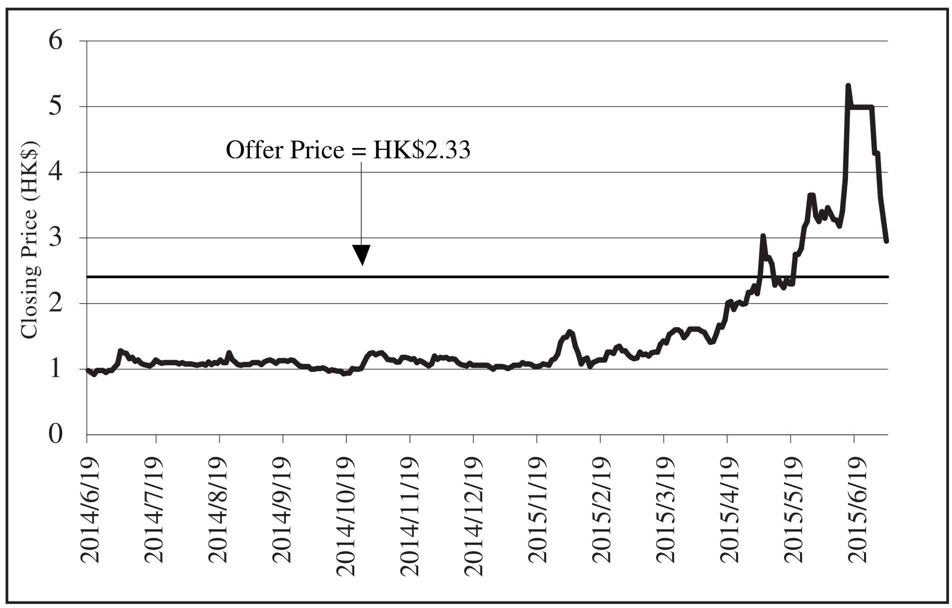
(v) a discount of approximately 33.24% to the closing price of HK$3.49 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(vi) a premium of approximately 395.74% over the unaudited net asset value of the Group attributable to the Shareholders of approximately HK$0.47 per Share as at 31 January 2015 and a premium of approximately 395.74% over the audited net asset value of the Group attributable to the Shareholders of approximately HK$0.47 per Share as at 31 July 2014.

a. ***Historical share price of the Shares***

In order to assess the fairness and reasonableness of the Offer Price, we have reviewed the movements in trading price of the Shares during the period from 19 June 2014, being twelve months immediately preceding the Last Trading Day, to the Latest Practicable Date (the "Review Period"). The closing prices of the Shares during the Review Period are depicted in Chart 1 below:

Chart 1: Closing price of the Shares during the Review Period



Source: the website of the Stock Exchange

As illustrated in Chart 1, the Shares were traded below the Offer Price for 220 trading days out of 264 trading days during the Review Period with the average closing price of approximately HK$1.57 and the highest and lowest closing prices of HK$5.32 and HK$0.92 respectively. The closing price of the Shares fluctuated in a range from HK$0.92 to HK$1.61 during the period from 19 June 2014 to 13 April 2015. The closing price of the Shares increased steadily from HK$1.41 on 13 April 2015 to HK$3.03 on 7 May 2015 and then dropped gradually to HK$2.3 on 20 May 2015, being the last trading day immediately preceding the publication of the Rule 3.7 Announcement regarding the entering into of a memorandum of understanding by the controlling Shareholder which might lead to a change in control of the Company. The average closing price of the Shares during the period from 19 June 2014 to 20 May 2015 (the "Pre-Announcement Period") was approximately HK$1.262 and the highest and lowest closing prices during the Pre-Announcement Period were HK$3.03 and HK$0.92 respectively. Following the publication of the Rule 3.7 Announcement on 21 May 2015, the closing price of the Shares increased to HK$2.75 on 22 May 2015 and further rose to HK$3.65 on 29 May 2015. The closing price of the Shares reduced to HK$3.18 on 12 June 2015 and skyrocketed to HK$5.32, being the highest level during the Review Period, on 17 June 2015. The Company published an announcement on the same day to clarify that, save for the Rule 3.7 Announcement, the Board was not aware of any reason for such increase in the price and trading volume of the Shares. The trading of Shares was halted from 19 June 2015 to 29 June 2015 pending the release of the Joint Announcement. After the trading resumption, the closing price of the Shares decreased from HK$4.99 on 18 June 2015 (the day before the trading halt) to HK$4.29 on 30 June 2015. The share price closed at HK$3.49 on the Latest Practicable Date. The average closing price of the Shares during the period from 22 May 2015 to the Latest Practicable Date (the "Post-Announcement Period") was approximately HK$3.46 and the highest and lowest closing prices during the Post-Announcement Period were HK$5.32 and HK$2.61 respectively.

The Independent Shareholders should note that the trading price of the Shares was below the Offer Price in 220 trading days out of 264 trading days during the Review Period and rose to above the Offer Price only shortly before and after the publication of the Rule 3.7 Announcement. The management of the Company confirmed that it was not aware of any event that was price sensitive in nature after the release of the Rule 3.7 Announcement, save for the Joint Announcement. Therefore, we believe that the surge in the trading price of the Shares upon the publication of the Rule 3.7 Announcement, to a large extent, may likely due to the market speculation on the possible change in control of the Company as a result of the entering into of the memorandum of understanding as announced in the Rule 3.7 Announcement. As at the Latest Practicable Date, the Shares were traded above the Offer Price. However, there are no guarantees whether the trading price of the Shares will sustain at a level higher than the Offer Price during and after the Offer Period.

Given that the Shares were traded below the Offer Price over 83% of the time of the Review Period and the Offer Price equals to the purchase price per Sale Share under the Share Purchase Agreement and represents (i) a premium of approximately 84.9% over the average closing price of the Shares for the Pre-Announcement Period of approximately HK$1.26; (ii) a premium of approximately 48.4% over the average closing price of the Shares for the Review Period of approximately HK$1.57; (iii) a premium of approximately 395.7% over the unaudited net asset value of the Group attributable to the Shareholders of approximately HK$0.47 per Share as at 31 January 2015; and (iv) a discount of approximately 32.7% to the average closing price of the Shares during the Post-Announcement Period of approximately HK$3.46, which we consider it is likely to be attributable to the market speculation on the change in control of the Company and the sustainability of the current price level is uncertain, we consider that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

b. Historical trading volume of the Shares

We have also reviewed the historical trading volume of the Shares during the Review Period. The average daily trading volume of the Shares and the percentages of average daily trading volume of the Shares as compared to the total number of issued Shares and the Shares held by the public during the Review Period are shown in Table 2 below:

Table 2: Historical average daily trading volume of the Shares

Month	Number of trading days	Average daily trading volume	% of average daily trading volume to the total number of issued Shares *(Note 1)*	% of average daily trading volume to the total number of Shares in public hands *(Note 2)*
2014				
June *(Note 3)*	8	318,750	0.1122%	0.3785%
July	22	940,311	0.3311%	1.1165%
August	21	666,440	0.2347%	0.7913%
September	21	513,370	0.1808%	0.6096%
October	21	616,396	0.2170%	0.7319%
November	20	541,501	0.1907%	0.6430%
December	21	566,421	0.1994%	0.6726%
2015				
January	21	863,941	0.3042%	1.0258%
February	18	2,931,983	1.0324%	3.4814%
March	22	1,360,424	0.4790%	1.6154%
April	19	3,744,411	1.3184%	4.4461%
May *(Note 4)*	18	5,062,665	1.7826%	6.0114%
June *(Note 5)*	15	2,323,413	0.8181%	2.7588%
July *(Note 6)*	17	1,301,446	0.4583%	1.5453%

Source: the website of the Stock Exchange

Notes:

1. Calculated based on 284,002,562 Shares in issue as at the Latest Practicable Date.

2. Calculated based on 84,218,000 Shares held in public hands as at the Latest Practicable Date.

3. Represents trading volume for the period from 19 June 2014 to 30 June 2014.

4. Trading of Shares was halted on 21 May 2015 pending the release of the Rule 3.7 Announcement.

5. Trading of Shares was halted from 19 June 2015 to 29 June 2015 pending the release of the Joint Announcement.

6. Represents trading volume for the period from 1 July 2015 to the Latest Practicable Date.

Table 2 demonstrates that during the Review Period, the average daily trading volume of the Shares was in the range of approximately 0.1122% to approximately 1.7826% of the total number of issued Shares as at the Latest Practicable Date and approximately 0.3785% to approximately 6.0114% of the total number of Shares held in public hands as at the Latest Practicable Date. The above statistics shows that the liquidity of the Shares was relatively low during the Review Period.

Given the thin trading volume of the Shares in the Review Period, a sufficiently active market may not exist to enable the Independent Shareholders to sell the Shares in bulk quantity without exerting a downward pressure on the price of the Shares in the short term. Therefore, we anticipate that the Independent Shareholders may have difficulties in selling a significant number of Shares in the open market within a short period of time if the same trading pattern of the Shares persists during and after the Offer Period, and consider that the Independent Shareholders should accept the Offer if they wish to realize their investments in a large number of Shares within a short period of time.

c. Comparison with market comparables

In forming our opinion on the Offer Price, we have also considered the commonly adopted comparison approaches in evaluation of a company, namely price-to-earnings approach, dividends approach and net assets approach. However, given that the Company recorded net loss for the two years ended 31 July 2014 and the Company had not declared any dividend to the Shareholders for the two years ended 31 July 2014, we consider that the price-to-earnings approach and the dividends approach are not applicable for assessing the value of the Group and thus only the net assets approach is adopted in assessing the value of the Group.

Based on the unaudited net asset value of the Group attributable to the owners of the Company as at 31 January 2015 of approximately HK$128.5 million and 284,002,562 Shares in issue on the Latest Practicable Date, the net asset value per Share amounted to approximately HK$0.45. Accordingly, the price-to-book ratio (the "PBR") of the Group implied by the Offer Price of HK$2.33 is approximately 5.18 times.

We have searched for companies which are listed on the Main Board and Growth Enterprises Market of the Stock Exchange and principally engaged in the same business of the Company (i.e. marine engineering business) for comparison purpose. However, no sufficient comparable companies that match the abovementioned criteria were identified. Therefore, for illustrative purpose only, we have compared the PBR of the Group implied by the Offer Price with those of other comparable companies, which (a) are currently listed on the Main Board or Growth Enterprises Market of the Stock Exchange; (b) have over 50% of their turnover derived from the business of civil engineering, which is similar to the business of the Group; and (c) have a market capitalization in the range of nil to HK$1,982 million, which represents 100% below and above the market capitalization of the Company respectively, as at the Latest Practicable Date. Based on the abovementioned criteria, we have identified five comparable companies (the "Comparables") as valuation benchmarks and we consider such Comparables represent an exhaustive list of relevant comparable companies based on the said criteria and is sufficient for assessing the fairness and reasonableness of the Offer Price as the principal business and size of the Comparables are similar to that of the Group. Set out in Table 3 below is a comparison of the PBR of the Group as implied by the Offer Price and the Comparables as at the Latest Practicable Date.

Table 3: PBRs of the Comparables and the Group

Company Name (Stock code)	Principal Business Activities	Market Capitalization	PBR
		HK$ million	*times*
Build King Holdings Limited (240)	Engaged in civil engineering work	484.3	1.40
Excel Development (Holdings) Limited (1372)	Provision of civil engineering works and building construction and maintenance	1,054	4.66
Man King Holdings Limited (2193)	Provision of civil engineering services in Hong Kong, provision of consultancy services mainly in the capacity of independent checking engineer on electrical and mechanical engineering works	456.5	3.22
Kwan On Holdings Limited (8305)	Provision of construction and maintenance works on civil engineering contracts in respect of buildings, waterworks, site formation, road works and drainage and slope upgrading in Hong Kong	585.6	8.17
CNC Holdings Limited (8356)	Provision of waterworks engineering services for public sector in Hong Kong, television broadcasting business in the Asia-Pacific region (excluding the PRC) and large outdoor display screen advertisement business in the PRC	1,015.7	N/A *(Note)*
Minimum			**1.40**
Maximum			**8.17**
Average			**4.36**
The Company (620)	**Sale of vessels, marine engineering, construction and structural steel engineering and related services**	**991.2**	**5.18**

Source: *the website of the Stock Exchange*

Note: According to its latest published annual report, CNC Holdings Limited had net liabilities as at 31 March 2015.

As shown in Table 3, the PBRs of the Comparables ranged from approximately 1.40 times to 8.17 times, with an average of approximately 4.36 times. The implied PBR of the Group of approximately 5.18 times falls within the range of the PBRs of the Comparables and is higher than the average PBR of the Comparables. We understand that the Comparables are not engaged in exactly the same business as the Group and they may not be entirely comparable to the Group in terms of market capitalization, geographical spread of activities, scale of operations, asset base, cash position, debt structure, minority interest, risk profile, track record, composition of their business activities, future prospect and other relevant criteria. All these factors may affect the valuation of a company as indicated by the varied range of result in our comparison. Therefore, the above comparison with the Comparables is for illustrative purpose only and in forming our opinion, we have considered the results of the above comparison together with all other factors stated in this letter as a whole.

d. Valuation by income approach

We have also considered assessing the value of the Group by income approach. However, given valuations using income approach involve various subjective assumptions and parameters in preparing the profit forecast and discounted cash flow such as growth rate beyond the forecast period for calculation of the terminal value, discount rate and revenue and expenses projections, which may largely affect the value of the subject, we consider that it is inappropriate to use income approach to assess the value of the Group.

e. Conclusion

Based on the above analysis and taking into consideration that (i) the Offer Price is the same as the purchase price per Sale Share under the Share Purchase Agreement and is higher than the closing price of the Shares in 220 trading days out of 264 trading days during the Review Period; (ii) the Offer Price represents a premium of approximately 395.7% over the unaudited net asset value of the Group attributable to the Shareholders of approximately HK$0.47 per Share as at 31 January 2015; (iii) although the Offer Price was lower than the closing price of the Shares throughout the Post-Announcement Period, it is uncertain whether the trading price of the Shares could be sustained at a level higher than the Offer Price during and after the Offer Period as the surge in trading price is likely to be attributable to the market speculation on the change in control of the Company; and (iv) the liquidity of the Shares during the Review Period was thin and it is uncertain whether the liquidity of the Shares could be improved to allow the Independent Shareholders to dispose of their holding in the Shares in the market without exerting downward pressure on the price of the Shares, we consider that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

5. Information of the Offeror and its intention regarding the Group

The Offeror is an investment holding company incorporated in the BVI with limited liability and was wholly-owned by Da Tang Xi Shi International Group Limited as at the Latest Practicable Date. Da Tang Xi Shi International Group Limited was wholly-owned by 大唐西市文化產業投資集團有限公司 (Da Tang Xi Shi Investments Group Limited*), which was owned as to approximately 50.6% by Mr. Lu Jianzhong, approximately 13.8% by Mr. Liang Lei* (梁雷), approximately 13.8% by Mr. Yang Xingwen* (楊興文), approximately 13.8% by Mr. Yu Baoan* (于寶安) and approximately 8.0% by 寧波歐盈宏創投資合伙企業 (Ningbo Ouying Hongchuang Investment Partnership*) as at the Latest Practicable Date. As at the Latest Practicable Date, Mr. Lu Jianzhong and Mr. Wong Kwok Tung Gordon Allan were the directors of the Offeror. Da Tang Xi Shi Investments Group Limited is principally engaged in investment, management and organization of cultural projects and related services such as organizing cultural and artistic exchange activities and planning and hosting of meetings, incentives, conferences and exhibitions events.

As at the Latest Practicable Date, the Offeror was the controlling Shareholder. As set out in the Letter from Kim Eng and China Galaxy, the Offeror intends to continue the existing principal business of the Group, which comprises (i) the provision of marine engineering; (ii) the provision of construction and structural steel engineering and related services; and (iii) trading of vessels. As at the Latest Practicable Date, the Offeror had no plans to inject any asset or business into the Group or to procure the Group to acquire or dispose of any asset. The Offeror will, following the close of the Offer, conduct a review of the business operations and financial position of the Group for the purpose of developing a sustainable business plan or strategy for the Group. Subject to the result of the review and should suitable investment or business opportunities arise, the Offeror may diversify the business of the Group with the objective of broadening its sources of income. However, no such investments or business opportunities have been identified nor has the Offeror entered into any agreement, arrangement, understanding, intention or negotiation in relation to the injection of any asset or business into the Group as of the Latest Practicable Date. Save for the proposed change of composition of the Board, the Offeror has no intentions to terminate any employment of the employees of the Group or to make significant changes to any employment or to dispose of or re-allocate the Group's assets which are not in the ordinary and usual course of business of the Group.

As disclosed in the Letter from Kim Eng and China Galaxy, the Offeror intends to maintain the listing of the Shares on the Stock Exchange and will undertake to the Stock Exchange to take appropriate steps to ensure that not less than 25% of the entire issued share capital of the Company will continue to be held by the public at all times. The Stock Exchange has indicated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealing in the Shares.

The Board currently comprises seven Directors, including four executive Directors, namely Mr. YT Leung, Mrs. Leung, Ms. Gillian Leung and Mr. Jerry Leung; and three independent non-executive Directors, namely Ms. Pao Ping Wing, *JP*, Professor Yuen Ming Fai, Matthew, *Ph.D.* and Ms. Tse Mei Ha. The Offeror intends to nominate Mr. Wong Kwok Tung Gordon Allan as a Director. The biographical details of the proposed new Director is set out in the Letter from Kim Eng and China Galaxy contained in the Composite Document.

Given that (i) the Offeror intends to continue the existing principal business of the Group; (ii) the Offeror has no plans to inject any asset or business into the Group or to procure the Group to acquire or dispose of any asset; (iii) neither concrete investments or business opportunities have been identified by the Offeror nor any agreement, arrangement, understanding, intention or negotiation in relation to the injection of any asset or business into the Group has been entered into by the Offeror as of the Latest Practicable Date; (iv) the Offeror intends to maintain the listing status of the Company on the Stock Exchange after the close of the Offer; (v) the Offeror has no intentions to terminate any employment of the employees of the Group or to dispose of or re-allocate the assets of the Group other than those in the ordinary and usual course of business of the Group; and (vi) although the Offeror is principally engaged in an industry which is completely different from the current business of the Group and its management may be lack of industry knowledge of the engineering field, it is believed that the existing management of the Group shall be able to facilitate the effective management of the Group's existing business, we do not expect that there would be any material change in the Group's business, operating performance and financial position as well as its future prospect in the near future.

RECOMMENDATION

Having considered the principal factors and reasons stated above, in particular (i) the Offer Price is the same as the consideration per Sale Share paid by the Offeror under the Share Purchase Agreement; (ii) the Offer Price represents a premium over the closing price of the Share in 220 trading days out of 264 trading days during the Review Period and the unaudited net asset value of the Group attributable to the Shareholders per Share as at 31 January 2015; (iii) although the Offer Price was lower than the closing price of the Shares throughout the Post-Announcement Period, it is uncertain whether the trading price of the Shares could be sustained at a level higher than the Offer Price during and after the Offer Period as the surge in trading price is likely to be attributable to the market speculation on the change in control of the Company; (iv) the liquidity of the Shares during the Review Period was thin and it is uncertain whether the liquidity of the Shares could be improved to allow the Independent Shareholders to dispose of their holding in the Shares in the market without exerting downward pressure on the price of the Shares; and (v) the future prospects of the Group remain uncertain due to the unstable and continuous loss-making track record of the Group, we are of the view that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. As such, we recommend the Independent Board Committee to advise the Independent Shareholders, and recommend the Independent Shareholders, to accept the Offer.

Independent Shareholders should note that although the Offer Price represents a premium over the historical closing price of the Shares in most of the time of the Review Period, the Shares have been trading above the Offer Price lately. Therefore, opportunities may exist for Independent Shareholders to sell their Shares in the open market above the Offer Price and thus the Independent Shareholders are reminded that they should carefully and closely monitor the market price and the liquidity of the Shares before the end of the Offer Period and consider selling their Shares in the open market rather than accepting the Offer if the net proceeds from the market sale of their Shares after deducting all transaction costs are more than the net amount to be received under the Offer. Those Independent Shareholders who wish to retain some or all of their investments in the Shares and/or are confident in the future prospect of the Group or otherwise are reminded to closely monitor the development of the Group and any announcement of the Company in this regard.

Independent Shareholders are also strongly advised that the decision to realise or hold their investments in the Shares is subject to individual circumstances and investment objectives.

The procedures for acceptance of the Offer is set out in Appendix I to the Composite Document and the accompanying Form of Acceptance despatched to the Shareholders on 27 July 2015. The latest time for acceptance of the Offer (unless extended by the Offeror) is 4:00 p.m. on Monday, 17 August 2015. Independent Shareholders are urged to act according to the timetable if they wish to accept the Offer.

Yours faithfully,
For and on behalf of
Hercules Capital Limited

Louis Koo	**Amilia Tsang**
Managing Director	*Director*

Notes:

1. Mr. Louis Koo is a licensed person under the SFO to engage in Type 6 (advising on corporate finance) regulated activities and has over 20 years of experience in investment banking and corporate finance.

2. Ms. Amilia Tsang is a licensed person under the SFO to engage in Type 6 (advising on corporate finance) regulated activities and has over 15 years of experience in corporate finance, investment and corporate management.

1. PROCEDURES FOR ACCEPTANCE OF THE OFFER

To accept the Offer, you should complete and sign the Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the Offer.

(a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer, you must send the completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, being Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by post or by hand, marked "**UDL Holdings Limited Offer**" on the envelope, in any event not later than 4:00 p.m., on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

(b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer whether in full or in part of your Shares, you must either:

(i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver in an envelope marked "**UDL Holdings Limited Offer**" the completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver in an envelope marked "**UDL Holdings Limited Offer**" the completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

(iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominee Limited.

(c) If the share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be completed and delivered in an envelope marked "**UDL Holdings Limited Offer**" to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

(d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete the Form of Acceptance and deliver it in an envelope marked "**UDL Holdings Limited Offer**" to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable instruction and authority to each of Kim Eng and China Galaxy and/or the Offeror and/or any of their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.

(e) Acceptance of the Offer will be treated as valid only if the completed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code and the Registrar has recorded that the Form of Acceptance and any relevant documents required have been so received, and is:

(i) accompanied by the relevant Share certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those Share certificate(s) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or

(ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under the other subparagraph of this paragraph (e)); or

(iii) certified by the Registrar or the Stock Exchange. If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (such as grant of probate or certified copy of power of attorney) to the satisfaction of the Registrar must be produced.

(f) In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by relevant Independent Shareholders at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the cash amount payable by the Offeror to the relevant Independent Shareholder accepting the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of relevant Independent Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Shares.

(g) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

(h) The address of the Registrar is Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

2. SETTLEMENT

(a) Provided that the Form of Acceptance and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are in complete and good order in all respects in accordance with the Takeovers Code and have been received by the Registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque for the amount representing the cash consideration due to each accepting Shareholder in respect of the Offer Shares tendered by him/her/it under the Offer, less seller's ad valorem stamp duty payable by him/her/it, will be despatched to each accepting Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within seven Business Days after the date on which all the relevant documents which render such acceptance complete and valid in accordance with the Takeovers Code are received by the Registrar.

(b) Settlement of the consideration to which any Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder.

(c) No fraction of a cent will be payable and the amount of the consideration payable to each accepting Shareholder will be rounded up to the nearest cent.

3. ACCEPTANCE PERIOD AND REVISIONS

(a) Unless the Offer has previously been revised or extended with the consent of the Executive, all acceptances of the Offer must be received by the Registrar by 4:00 p.m. on Monday, 17 August 2015, being the Closing Date. The Offer is unconditional.

(b) If the Offer is extended or revised and the announcement does not specify the next closing date, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Shareholders who have not accepted the Offer and, unless previously extended or revised, shall be closed on the subsequent closing date. If the Offeror revises the terms of the Offer, all Shareholders whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms.

(c) If the closing date of the Offer is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offer as so extended.

4. NOMINEE REGISTRATION

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Offer Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

5. ANNOUNCEMENTS

(a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the expiry, revision or extension of the Offer. The Offeror must publish an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been revised or extended.

The announcement must state the total number of Offer Shares and rights over Offer Shares:

(i) for which acceptances of the Offer has been received;

(ii) held, controlled or directed by the Offeror or persons acting in concert with it before the Offer Period; and

(iii) acquired or agreed to be acquired during the Offer Period by the Offeror or persons acting in concert with it.

The announcement must also include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any person acting in concert with it has borrowed or lent (save for any borrowed shares which have been either on-lent or sold) and specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

(b) As required under the Takeovers Code, all announcements in respect of the listed companies must be made in accordance with the requirements of the Listing Rules.

6. RIGHT OF WITHDRAWAL

Acceptance of the Offer tendered by any Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out below.

As set out in Rule 19.2 of the Takeovers Code, if the Offeror is unable to comply with any of the requirements of Rule 19 of the Takeovers Code, the Executive may require that the Independent Shareholders who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that rule are met.

In such case, if the Independent Shareholder(s) withdraw(s) the acceptance, the Offeror, the Registrar or the company secretary of the Company (as the case may be) shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance to the relevant Shareholder(s).

If the Offer is withdrawn, the Offeror must, as soon as possible but in any event within 10 days thereof, post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance to, or make such share certificate(s) and/or document(s) available for collection by, those Independent Shareholders who have accepted the Offer.

7. GENERAL

(a) All communications, notices, Form of Acceptance, certificates for Shares, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Independent Shareholders and will be delivered by or sent to or from them, or their designated agents by post at their own risk, and the Offeror, its beneficial owner, the Company, Kim Eng and China Galaxy, the Independent Financial Adviser, the Registrar, any of their respective directors and professional advisers and any other parties involved in the Offer and any of their respective agents do not accept any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.

(b) The provisions set out in the Form of Acceptance form part of the terms of the Offer.

(c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.

(d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.

(e) Due execution of the Form of Acceptance will constitute an authority to the Offeror, Kim Eng, China Galaxy or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Share Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Offer Shares in respect of which such person or persons has/have accepted the Offer.

(f) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror and the Company that the Offer Shares acquired under the Offer are sold by such person or persons free from all encumbrances whatsoever and together with all rights accruing or attaching thereto including the rights to receive in full all dividends and distributions recommended, declared, made or paid on or after the date on which the Offer is made.

(g) References to the Offer in this Composite Document and the Form of Acceptance shall include any revision and/or extension thereof.

(h) The making of the Offer to the Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions. The Overseas Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of each Overseas Shareholder who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of all relevant jurisdictions in connection therewith, including, but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Such Overseas Shareholders shall be fully responsible for the payment of any transfer or other taxes and duties due by such Overseas Shareholders in respect of the relevant jurisdictions. The Overseas Shareholders are recommended to seek professional advice on deciding whether or not to accept the Offer.

(i) Acceptances of the Offer by any persons will be deemed to constitute a warranty by such persons that such persons are permitted under all applicable laws and regulations to receive and accept the Offer, and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws and regulations. Any such persons will be responsible for any such issue, transfer and other applicable taxes or other governmental payments payable by such persons.

(j) Subject to the Takeovers Code, the Offeror reserves the right to notify any matter (including the making of the Offer) to all or any Independent Shareholders with registered address(es) outside Hong Kong or whom the Offeror or Kim Eng or China Galaxy knows to be nominees, trustees or custodians for such persons by announcement in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any such Independent Shareholders to receive or see such notice, and all references in this Composite Document to notice in writing shall be construed accordingly.

(k) In making their decision, the Independent Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance shall not be construed as any legal or business advice on the part of the Offeror, its beneficial owner, the Company, Kim Eng, China Galaxy or the Independent Financial Adviser or their respective professional advisers. The Independent Shareholders should consult their own professional advisers for professional advice.

(l) The English texts of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation in case of inconsistency.

1. FINANCIAL SUMMARY

The following is a summary of (i) the audited financial results of the Group for each of the three financial years ended 31 July 2012, 2013 and 2014; and (ii) the unaudited financial results of the Group for the six months ended 31 January 2015 as extracted from the published financial statements of the Group for the relevant years/period.

No modified or qualified opinion had been given in the auditors' reports issued by the Company's auditors in respect of each of the three financial years ended 31 July 2012, 2013 and 2014.

	Year ended 31 July		
	2012[Note]	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	24,355	68,197	119,722
Loss before taxation	(33,597)	(37,595)	(40,854)
Income tax	–	(24)	–
Loss for the year from continuing operations	(33,597)	(37,619)	(40,854)
Gain/(loss) for the year from discontinued operation	(7,254)	(42,491)	29,169
Total loss for the year	(40,851)	(80,110)	(11,685)
Attributable to:			
Owners of the Company	(40,516)	(76,050)	(11,714)
Non-controlling interests	(335)	(4,060)	29
	(40,851)	(80,110)	(11,685)
Loss per share			
From continuing and discontinued operations			
– Basic	(19.84) cents	(29.34) cents	(4.25) cents
– Diluted	(19.84) cents	(29.34) cents	(4.25) cents
From continuing operations			
– Basic	(19.34) cents	(14.52) cents	(14.85) cents
– Diluted	(19.34) cents	(14.52) cents	(14.85) cents

Note: The annual results of 2012 had been restated in the annual report of the Group for the year ended 31 July 2013 to take into account discontinued operations regarding the discontinued hotel operations in the PRC as a result of the winding-up of Sunhill Limited. Details are set out in note 11(a) to the consolidated financial statements for the year ended 31 July 2014 in this appendix. Apart from the discontinued operations, there are no items which are exceptional because of size, nature and incidence in respect of each of the three financial years ended 31 July 2012, 2013 and 2014.

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

Set out below is the full text of the audited consolidated financial statements of the Company for the year ended 31 July 2014 as extracted from the annual report of the Company for the year ended 31 July 2014:

Consolidated income statement
For the year ended 31 July 2014

	Note	2014 HK$'000	2013 HK$'000
Continuing operations			
Turnover	5	119,722	68,197
Other revenue and net income	7	13,029	1,242
Staff costs	9(a)	(28,223)	(24,871)
Marine, construction and structural steel engineering costs	9(b)	(71,938)	(58,614)
Cost of vessels sold		(11,956)	–
Depreciation and amortisation	9(c)	(10,429)	(10,567)
Write-down of inventories	23	(23,473)	–
Other operating expenses		(18,561)	(8,185)
Loss from operations		(31,829)	(32,798)
Finance costs	8	(1,085)	(979)
Share of profits of associates	20(d)	–	858
Share of losses of joint ventures	21	(7,940)	(4,676)
Loss before taxation	9	(40,854)	(37,595)
Income tax	10	–	(24)
Loss for the year from continuing operations	14	(40,854)	(37,619)
Discontinued operation			
Gain/(loss) for the year from discontinued operation	11(a)	29,169	(42,491)
Loss for the year		(11,685)	(80,110)
Attributable to:			
Owners of the Company		(11,714)	(76,050)
Non-controlling interests		29	(4,060)
Loss for the year		(11,685)	(80,110)

	Note	2014 HK$'000	2013 HK$'000
Loss attributable to owners of the company arises from:			
Continuing operations		(11,805)	(33,559)
Discontinued operation		91	(42,491)
Loss for the year		(11,714)	(76,050)
Loss per share			
From continuing and discontinued operations			
– Basic	15	(4.25) cents	(29.34) cents
– Diluted		(4.25) cents	(29.34) cents
From continuing operations			
– Basic		(14.85) cents	(14.52) cents
– Diluted		(14.85) cents	(14.52) cents

Consolidated statement of comprehensive income

For the year ended 31 July 2014

	2014	2013
	HK$'000	*HK$'000*
Loss for the year	(11,685)	(80,110)
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 joint ventures	(1,130)	10,470
Reclassification of exchange reserve upon loss of control of subsidiaries	(6,450)	–
Item that will not be reclassified to profit or loss:		
Loss on revaluation of floating craft and vessels	(382)	–
Total comprehensive loss for the year (net of tax)	(19,647)	(69,640)
Attributable to:		
Owners of the Company	(19,343)	(67,231)
Non-controlling interests	(304)	(2,409)
	(19,647)	(69,640)
Total comprehensive loss attributable to owners of the Company arises from:		
Continuing operations	(19,343)	(35,404)
Discontinued operation	–	(31,827)
	(19,343)	(67,231)

Consolidated statement of financial position
As at 31 July 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	17	58,882	64,412
Lease prepayments	18	539	620
Club membership	19	200	200
Interests in associates	20(a)	–	–
Interests in joint ventures	21(a)	49,768	58,094
Other receivables		800	–
Loan receivable	24(d)	3,129	–
		113,318	123,326
Current assets			
Inventories	23	30,019	87,119
Lease prepayments	18	76	76
Trade and other receivables	24	30,209	12,122
Amount due from an associate	20(b)	3,139	–
Amount due from a joint venture	21(b)	1,134	–
Amounts due from customers for contract works	25	7,820	2,521
Amounts due from related parties	38(b)	–	24
Cash and cash equivalents	26	4,038	3,799
		76,435	105,661
Assets of disposal group classified as held for sale	11(a)	–	256,545
Interests in associates classified as held for sale	11(b)	–	6,358
		76,435	368,564

	Note	2014 *HK$'000*	2013 *HK$'000*
Current liabilities			
Trade and other payables	27	25,971	19,940
Obligations under finance leases	29	65	62
Loan from a related company	38(e)	330	–
Amounts due to related parties	38(c)	8,054	7,763
Amounts due to associates	20(b)	–	4,332
Amount due to a joint venture	21(b)	8,170	18,286
Amounts due to customers for contract works	25	–	1,252
Amounts due to directors	38(d)	2,808	1,211
Current taxation	30(a)	–	–
		45,398	52,846
Liabilities of disposal group classified as held for sale	11(a)	–	247,967
		45,398	300,813
Net current assets		31,037	67,751
Total assets less current liabilities		144,355	191,077
Non-current liabilities			
Obligations under finance leases	29	165	230
Loan from a related company	38(e)	14,833	13,643
Deferred tax liabilities	30(b)	–	–
		14,998	13,873
NET ASSETS		129,357	177,204
CAPITAL AND RESERVES			
Share capital	31	137,558	137,558
Reserves	32	(8,201)	9,707
Equity attributable to owners of the Company		129,357	147,265
Non-controlling interests		–	29,939
TOTAL EQUITY		129,357	177,204

Consolidated statement of changes in equity

For the year ended 31 July 2014

	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(b)(i)*	*Note 32(b)(v)*	*Note 32(b)(i)*	*Note 32(b)(iv)*	*Note 32(b)(iii)*	*Note 32(b)(vi)*	*Note 32(b)(vii)*				
At 1 August 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
Changes in equity for 2013:												
Loss for the year	–	–	–	–	–	–	–	–	(76,050)	(76,050)	(4,060)	(80,110)
Exchange differences on translation of financial statements of foreign subsidiaries and joint ventures	–	–	–	–	8,819	–	–	–	–	8,819	1,651	10,470
Total comprehensive income/(loss) for the year	–	–	–	–	8,819	–	–	–	(76,050)	(67,231)	(2,409)	(69,640)
Issuance of shares by rights issue, net *(note 31(a)(iii))*	34,037	12,675	–	–	–	–	–	–	–	46,712	–	46,712
Issuance of shares upon exercise of share options *(note 31(a)(i))*	1,412	1,334	(995)	–	–	–	–	–	–	1,751	–	1,751
Equity-settled share-based transactions	–	–	3,026	–	–	–	–	–	–	3,026	–	3,026
At 31 July 2013 and 1 August 2014	137,558	326,824	2,363	1,264	20,435	1,054,095	12,270	5,223	(1,412,767)	147,265	29,939	177,204
Changes in equity for 2014:												
Loss for the year	–	–	–	–	–	–	–	–	(11,714)	(11,714)	29	(11,685)
Loss on revaluation and disposal of floating craft and vessels	–	–	–	–	–	–	(569)	–	187	(382)	–	(382)
Reclassification of exchange reserve upon loss of control of subsidiaries	–	–	–	–	(6,450)	–	–	–	–	(6,450)	–	(6,450)
Transfer upon loss of control of subsidiaries	–	–	–	–	–	–	(6,091)	–	6,091	–	(29,635)	(29,635)
Exchange differences on translation of financial statements of foreign subsidiaries and joint ventures	–	–	–	–	(797)	–	–	–	–	(797)	(333)	(1,130)
Total comprehensive income/(loss) for the year	–	–	–	–	(7,247)	–	(6,660)	–	(5,436)	(19,343)	(29,939)	(49,282)
Equity-settled share-based transactions	–	–	1,435	–	–	–	–	–	–	1,435	–	1,435
At 31 July 2014	137,558	326,824	3,798	1,264	13,188	1,054,095	5,610	5,223	(1,418,203)	129,357	–	129,357

Consolidated statement of cash flows
For the year ended 31 July 2014

	2014	2013
	HK$'000	*HK$'000*
Operating activities		
Loss from continuing operations	(40,854)	(37,595)
Profit/(loss) from discontinued operation	29,169	(50,107)
Adjustments for:		
Depreciation and amortisation	10,494	20,694
Reversal of impairment on trade and other receivables	(785)	(142)
Impairment loss on lease prepayments	–	25,831
Write-down on inventories	23,473	–
Impairment of property, plant and equipment	7,610	–
Gain on loss of control of subsidiaries	(29,169)	–
Gain on disposal of associates	(641)	–
Interest expenses	1,085	22,512
Interest income	(408)	(9)
Reversal of other payable	(46)	(701)
(Gain)/loss on disposal of property, plant and equipment	(11,089)	119
Equity-settled share-based payments	1,435	3,026
Share of profits of associates	–	(858)
Share of losses of joint ventures	7,940	4,676
Changes in working capital:		
Decrease/(increase) in inventories	9,522	(20,359)
Increase in trade and other receivables	(1,637)	(7,399)
Increase in amounts due from customers for contract works	(5,299)	(2,521)
Decrease/(increase) in amounts due from related parties	24	(20)
(Increase)/decrease in balances with associates	(7,471)	4,763
(Increase)/decrease in balances with joint ventures	(11,250)	18,486
Increase in trade and other payables	6,077	3,730
Increase/(decrease) in amounts due to related parties	291	(2,034)
(Decrease)/increase in amounts due to customers for contract works	(1,252)	1,252
Increase in amounts due to directors	1,597	704
Cash used in operations	(11,184)	(15,952)
Overseas tax paid	–	(313)
Interest received	408	9
Net cash used in operating activities	(10,776)	(16,256)

	2014 *HK$'000*	2013 *HK$'000*
Investing activities		
Capital injection to joint ventures	–	(32,000)
Proceeds from disposal of property, plant and equipment	11,166	–
Payment for purchase of property, plant and equipment	(109)	(2,787)
Proceeds from disposal of subsidiaries	–	63,787
Net cash outflow on loss of control of subsidiaries	(581)	–
Net cash generated from investing activities	10,476	29,000
Financing activities		
Proceeds from shares issued under rights issue, net of issuing costs	–	46,712
Proceeds from shares issued upon exercise of share options	–	1,751
Proceeds from loan from a related company	2,390	–
Proceeds from disposal of associates	7,000	–
Receipt of other loan	1,015	–
Interest paid	(1,085)	(1,592)
Loan advance	(9,329)	–
Repayment of bank loans	–	(2,530)
Repayment of loan from a related company	(870)	(58,588)
Payment for interest element on finance lease obligations	–	(10)
Payment for capital element of finance lease obligations	(62)	(40)
Net cash used in financing activities	(941)	(14,297)
Net decrease in cash and cash equivalents	(1,241)	(1,553)
Cash and cash equivalents at 1 August	3,799	5,841
Effect of foreign exchange rate changes	1,480	1,165
Cash and cash equivalents at 31 July	4,038	5,453
Represented by:		
Continuing operations	4,038	3,799
Discontinued operation	–	1,654
	4,038	5,453

Major non-cash transaction:

During the year, inventories with carrying amount of HK$24,501,000 (2013: HK$37,721,000) were transferred to property, plant and equipment.

Notes to the consolidated financial statements

For the year ended 31 July 2014

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.

At the date of approval for these financial statements, in the opinion of the directors, the ultimate holding company of the Company is Harbour Front Limited ("Harbour Front"), a private limited liability company incorporated in the British Virgin Islands and no public financial information is available.

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") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that 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 2014 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and joint ventures.

The financial statements have been prepared on the going concern basis, except that the financial statements of a subsidiary, UDL Marine (Singapore) Pte Ltd, have been incorporated on a break up basis on the grounds that on 12 September 2014, UDL Marine (Singapore) Pte Ltd was placed into liquidation, details are set out in note 37(c) to the financial statements.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Hong Kong dollar ("HK$"), rounded to the nearest thousand except for per share data. Hong Kong dollar is the Company's functional and the Group's presentation currency.

The measurement basis used in the preparation of the financial statements is historical cost basis except for floating craft and vessels are stated at their fair value.

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

Judgments 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.

(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	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures-Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (Revised in 2011)	Employee Benefits
HKAS 27 (Revised in 2011)	Separate Financial Statements
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the amendments to 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 on the disclosures set out in these financial statements.

Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or a reclassification has a material effect on the information presented in the opening statement of financial position. The amendments also remove the requirement to present related notes to the opening statement of financial position when such statement is presented. These amendments do not have any material impact on the results of operations and financial position of the Group for the years presented.

Amendments to HKFRS 7 Disclosures-Offsetting Financial Assets and Financial Liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, Financial Instruments: Presentation and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on these financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7 during the periods presented.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the requirements in HKAS 27, Consolidated and Separate Financial Statements relating to the preparation of consolidated financial statements and HK-SIC 12 Consolidation-Special Purpose Entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 August 2013.

HKFRS 11 Joint Arrangements

HKFRS 11, which replaces HKAS 31 Interests in Joint Ventures, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 21.

HKFRS 13 Fair Value Measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 17.

The Group has not early applied the following amendments, new standards and interpretations that have been issued but are not yet effective for the year ended 31 July 2014.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets Between an Investor and Its Associate or Joint Ventures[5]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
HKFRS 9	Financial Instruments[7]
HKFRS 14	Regulatory Deferral Accounts[4]
HKFRS 15	Revenue from Contracts with Customers[6]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Define Benefit Plans: Employee Contributions[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedging Accounting[1]
HK(IFRIC)- Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
4 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
5 Effective for annual periods beginning on or after 1 January 2016
6 Effective for annual periods beginning on or after 1 January 2017
7 Effective for annual periods beginning on or after 1 January 2018

The Group is in the process of making an assessment of what the impact of these new and revised HKFRSs is expected to be in the period of initial application. So far it has considered that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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, transactions and cash flows 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.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the 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. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. 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.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when 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 or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)), 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 joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture 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.

When the Group's share of losses exceeds its interest in the associate or the joint venture, 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 made 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 joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture 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.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, 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.

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

(f) Property, plant and equipment

The following items of property, plant and equipment held for own use are stated at their revalued amount, being their fair value at the date of valuation less any subsequent accumulated depreciation:

– floating craft and vessels

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.

Other items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Changes arising on the revaluation of shipyard and leasehold buildings, hotel properties and floating craft and vessels are generally dealt with in other comprehensive income and are accumulated separately in equity in the 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, at the following rates per annum:

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 – 25%
Motor vehicles	10 – $33^1/_3$%

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.

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.

(g) Club memberships

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

(h) 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, except for land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset or, if lower, the present value of the minimum lease payments, of such assets is included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(f). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(i). 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.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property or is held for development for sale.

(i) Impairment of assets

(i) Impairment of investments in equity investments and other receivables

Investments in equity securities 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 associates and joint ventures accounted for under the equity method in the consolidated financial statements, 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(i)(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(i)(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.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within 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 debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

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

- property, plant and equipment;
- lease prepayments; and
- investments in subsidiaries, associates and joint ventures in the Company's statement of financial position

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

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to 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 of disposal (if measurable), 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 favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an 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.

(j) 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.

(k) 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(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are carried at cost less allowance for impairment of doubtful debts.

(l) 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(s)(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 of the contract 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 works" under "Trade and other payables".

(m) 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.

(n) Trade and other payables

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

(o) 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.

(p) 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.

Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and other retirement benefit schemes, are recognised as an expense in profit or loss as and when incurred.

Annual contributions to pension schemes operated by the government in the PRC are recognised as an expense in profit or loss as and when incurred.

(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 share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(q) 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, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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

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

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

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.

(r) 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(r)(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(r)(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.

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

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

(t) 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. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

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.

(u) 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 ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) 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 the 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 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 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.

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 included 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 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.

(w) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business 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 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 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. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

(x) Non-current assets held for sale and discontinued operations

(i) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(y) 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.

(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 other 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 members of the family 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.

(z) 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 AND FAIR VALUES

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 68% (2013: 54%) of the total receivables were due from the Group's five largest customers.

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.

The Group

	2014				
	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	25,971	26,069	26,069	–	–
Obligations under finance leases	230	249	75	75	99
Amounts due to related parties	8,054	8,054	8,054	–	–
Amount due to a joint venture	8,170	8,170	8,170	–	–
Amounts due to directors	2,808	2,808	2,808	–	–
Loans from related companies	15,163	16,253	1,112	15,141	–
	60,396	61,603	46,288	15,216	99

	2013				
	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	19,940	19,940	19,940	–	–
Obligations under finance leases	292	324	75	75	174
Amounts due to related parties	7,763	7,763	7,763	–	–
Amount due to a joint venture	18,286	18,286	18,286	–	–
Amounts due to associates	4,332	4,332	4,332	–	–
Amounts due to directors	1,211	1,211	1,211	–	–
Loan from a related company	13,643	14,609	682	13,927	–
	65,467	66,465	52,289	14,002	174

The Company

	2014				
	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	2,180	2,180	2,180	–	–
Amounts due to subsidiaries	17,187	17,187	17,187	–	–
Amounts due to directors	716	716	716	–	–
Loan from a related company	14,833	15,883	742	15,141	–
	34,916	35,966	20,825	15,141	–

	2013				
	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	1,683	1,683	1,683	–	–
Amounts due to subsidiaries	16,859	16,859	16,859	–	–
Amounts due to directors	69	69	69	–	–
Loan from a related company	13,643	14,609	682	13,927	–
	32,254	33,220	19,293	13,927	–

(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 2014, 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$130,000 (2013: HK$177,000).

The sensitivity 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 2013.

(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 manageable 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

	2014		2013	
	Renminbi	**Singapore Dollars**	**Renminbi**	**Singapore Dollars**
	'000	*'000*	*'000*	*'000*
Trade and other receivables	220	408	403	262
Cash at banks	34	–	209	11
Trade and other payables	(760)	(1,723)	(736)	(1,081)
	(506)	(1,315)	(124)	(808)

(ii) Sensitivity 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:

	2014		2013	
	Increase/ (decrease) foreign exchange rates	**Increase/ (decrease) loss after tax and accumulated losses**	**Increase/ (decrease) foreign exchange rates**	**Increase/ (decrease) loss after tax and accumulated losses**
		HK$'000		*HK$'000*
Renminbi	5%	32	5%	8
	(5%)	(32)	(5%)	(8)
Singapore Dollars	5%	409	5%	246
	(5%)	(409)	(5%)	(246)

The sensitivity 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 2013.

(e) Reliance on major customers

For the year ended 31 July 2014, the largest and the five largest customers of the Group in aggregate approximately 60% (2013: 76%) and 98% (2013: 99%) respectively of the Group's total turnover, evidencing a significant reliance on the Group's largest customer for the year ended 31 July 2014. During the years ended 31 July 2014 and 2013, the Group had not encountered any material disruption of sales.

(f) Fair values

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially from their fair values as at 31 July 2014 and 31 July 2013. The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment. Given such terms, it is not meaningful to disclose their fair values.

(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

	2014	**2013**
The market interest rate adopted for:		
– Loans from related companies	5%-12%	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 to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(a) Estimates of fair value of floating craft and vessels

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

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

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

(b) 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.

(c) Impairment of property, plant and equipment and lease prepayments

The Group assesses annually whether property, plant and equipment and lease prepayments 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.

(d) 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.

(e) 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(j). 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.

(f) Impairment of interests in subsidiaries, associates and joint ventures

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

(g) 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.

(h) Construction contract revenue recognition

According to the accounting policies of construction contracts as stated in note 2(l), 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.

(i) 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$11,685,000 for the year ended 31 July 2014. The directors of the Company have taken the following action to mitigate the liquidity issues faced by the Group and the Company:

On 27 September 2011, the Company, together with a wholly-owned subsidiary, UDL Ventures Limited (the "UDL companies") and Harbour Front Assets Investments Limited ("HFAI"), a related company of Harbour Front, 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 UDL 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 expired on 31 December 2012 and has been further extended to 31 December 2014 and 31 December 2015 based on supplemental agreements dated 30 January 2013 and 30 September 2014, respectively. HFAI has undertaken not to demand repayment of the loan from the Company after its maturity on 31 December 2015, 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.

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

(j) Outstanding litigations

As detailed in note 37 to the financial statements, the Group had contingent liabilities in respect of a number of legal proceedings in Hong Kong and Singapore. 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

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:

	2014	2013
	HK$'000	*HK$'000*
Continuing operations		
Revenue from:		
Marine engineering	80,316	58,112
Construction and structural steel engineering	24,206	10,085
Sale of vessels	15,200	–
Turnover	119,722	68,197

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 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 ceased and discontinued in current year. The following segment information does not include any amounts for the discontinued operation.

(a) Segment results, assets and liabilities

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

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 2014 and 2013. The Group's other income and expense items, such as general and administrative expenses and share of profits/(losses) of associates/joint ventures are not measured under individual segment.

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates and joint ventures 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	
	2014	2013	2014	2013	2014	2013	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment revenue:								
Revenue from external customers	80,316	58,112	24,206	10,085	15,200	–	119,722	68,197
Reportable segment results	(22,688)	(20,963)	7,836	(2,711)	(20,098)	–	(34,950)	(23,674)
Share of profits of associates							–	858
Share of losses of joint ventures							(7,940)	(4,676)
Unallocated head office and corporate other revenue and income							13,029	541
Unallocated head office and corporate expenses							(9,908)	(9,665)
Unallocated finance costs							(1,085)	(979)
Loss before taxation							(40,854)	(37,595)
Income tax							–	(24)
Loss for the year from continuing operations							(40,854)	(37,619)

Continuing operations

	Marine engineering		Construction and structural steel engineering		Sale of vessels		Consolidated	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS								
Reportable segment assets	48,872	42,564	53,470	61,282	85,942	123,933	188,284	227,779
Assets of disposal group classified as held for sale							–	256,545
Interests of associates classified as held for sale							–	6,358
Unallocated head office and corporate assets							1,469	1,208
Total consolidated assets							189,753	491,890
LIABILITIES								
Reportable segment liabilities	44,015	40,853	8,848	18,101	7,492	7,724	60,355	66,678
Liabilities of disposal group classified as held for sale							–	247,967
Unallocated head office and corporate liabilities							41	41
Total consolidated liabilities							60,396	314,686
OTHER INFORMATION								
Capital expenditure incurred during the year	–	338	–	–	–	–	–	338
Depreciation and amortisation	10,429	10,567	–	–	–	–	10,429	10,567
Write-down of inventories	1,736	–	–	–	21,737	–	23,473	–
Reversal of impairment on trade and other receivables	(785)	(142)	–	–	–	–	(785)	(142)

(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**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	119,722	68,197	–	–	–	–	119,722	68,197
Specified non-current assets	55,376	56,533	3,310	7,377	735	1,122	59,421	65,032

(c) Information about major customers

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

	2014	**2013**
	HK$'000	*HK$'000*
Revenue from marine engineering:		
– Customer A	71,395	51,857

7. OTHER REVENUE AND NET INCOME

	2014	**2013**
	HK$'000	*HK$'000*
Continuing operations		
Other revenue:		
Interest income	408	5
Total interest income on financial assets not at fair value through profit or loss	408	5
Other net income:		
Gain on disposal of property, plant and equipment	11,089	–
Gain on disposal of associates	641	–
Reversal of other payable	46	701
Reversal of impairment loss on trade and other receivables	785	142
Exchange gain	–	170
Others	60	224
	12,621	1,237
	13,029	1,242

8. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Continuing operations		
Interest on other loan	54	–
Interest on loans from related companies	1,019	969
Finance charges on obligations under finance leases	12	10
Total interest expense on financial liabilities not at fair value through profit or loss	1,085	979

9. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	2014	2013
	HK$'000	*HK$'000*
Continuing operations		
(a) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	26,536	21,610
Equity-settled share-based payments *(note 33)*	1,435	3,026
Contributions to defined contribution retirement plans	252	235
	28,223	24,871
(b) Marine, construction and structural steel engineering costs		
Subcontracting, direct engineering and material costs	50,120	42,676
Plant and operational costs	2,874	1,472
Direct overheads	5,388	387
Repairs, maintenance and vessel security	13,556	14,079
	71,938	58,614
(c) Depreciation and amortisation		
Depreciation of property, plant and equipment	10,353	10,492
Amortisation of lease prepayments	76	75
	10,429	10,567
(d) Other items		
Auditor's remuneration		
– Audit services	1,100	550
– Non-audit services	–	80
Operating lease charges in respect of land and buildings	2,144	3,129
Revaluation loss of property, plant and equipment	7,610	–
Write-down of inventories	23,473	–
Net foreign exchange loss	1,031	–

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

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

	2014 *HK$'000*	2013 *HK$'000*
Current tax-overseas		
– Income tax	–	–
– Under-provision in respect of prior years	–	24
	–	24

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% (2013: 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% (2013: 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% (2013: 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:

	2014 *HK$'000*	2013 *HK$'000*
Loss before taxation from continuing operations	(40,854)	(37,595)
Notional tax on loss before income tax, calculated at the rates applicable in the tax jurisdiction concerned	(7,069)	(6,318)
Tax effect of non-deductible expenses	6,377	2,843
Tax effect of non-taxable income	(1,956)	(288)
Tax effect of temporary differences	914	(2,013)
Under-provision in respect of prior years	–	24
Tax effect of tax losses utilised	(3,077)	(146)
Tax effect of unused tax losses not recognised	4,811	5,922
Tax expense	–	24

For the year ended 31 July 2014, the share of tax expense attributable to joint venture amounting to HK$60,000 (2013: nil) was included in "share of losses of joint ventures" in the consolidated income statement and no share of tax expense was attributable to associates (2013: tax expense of HK$3,000).

11. DISCONTINUED OPERATION

(a) Loss of control in subsidiaries - Sunfill Group

On 28 October 2013, the Company and Autumn Spring Limited, an independent third party, entered into a sale and purchase agreement (the "Disposal 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 ("Sunfill") and its subsidiaries (the "Sunfill Group") at a consideration of HK$1. The completion of the disposal was conditional upon the shareholders' approval in a special general meeting to be convened by the Company.

As one of the conditions in the Disposal Agreement precedent of, inter alia, obtaining the approval from the Shareholders in relation to the disposal has not been fulfilled on or before 31 January 2014, the Disposal Agreement has lapsed immediately after 31 January 2014 and both the Company and Autumn Spring Limited have been released from their rights and liabilities under the Disposal Agreement.

On 11 December 2013, Sunfill was wound up by order of the High Court of Hong Kong. Messrs. Kenny King Ching Tam and Tse Chor Man both of Messrs. Kenny Tam & Co. have been appointed as joint and several liquidators of Sunfill by order of the High Court.

The Sunfill Group is engaged in hotel operations in the PRC. As a result of the winding-up, the Group's hotel operations in the PRC were discontinued.

Upon the winding up of Sunfill, the directors of the Company considered that the Group has lost control over Sunfill Group. The results, assets and liabilities and cash flows of the Sunfill Group were deconsolidated from the consolidated financial statements of the Group with effect from 11 December 2013.

The gain from the discontinued operation for the year ended 31 July 2014 is analysed as follows:

	2014 *HK$'000*
Profit for the year of discontinued operation	120
Carrying amount of net assets disposed of	(7,036)
Release of exchange reserve upon loss of control of subsidiaries	6,450
Non-controlling interests	29,635
Gain on loss of control of subsidiaries	29,169

The results of Sunfill Group for the years ended 31 July 2014 and 2013 are presented as follows:

	2014	**2013**
	HK$'000	*HK$'000*
Turnover	16,963	31,410
Other revenue and net income	25	352
Staff costs	(3,410)	(9,867)
Hotel operation costs	(7,794)	(8,720)
Depreciation and amortisation	(3,470)	(10,127)
Other operating expenses	(2,452)	(5,791)
Loss from operations	(138)	(2,743)
Impairment loss on lease prepayment *(note 18)*	–	(25,831)
Finance costs	(197)	(21,533)
Loss before taxation from discontinued operation	(335)	(50,107)
Income tax credit	455	7,616
Loss for the year from discontinued operation	120	(42,491)
Attributable to:		
Owners of the Company	91	(38,431)
Non-controlling interests	29	(4,060)
	120	(42,491)

Note: The auditor's remuneration in respect of the audit services of the Sunfill Group amounted to nil (2013: HK$500,000) for the year.

The major classes of assets and liabilities of Sunfill Group at the date of loss of control were as follows:

	Note	2014 HK$'000	2013 HK$'000
Assets			
Property, plant and equipment	17	147,012	150,262
Land use rights	18	89,156	91,084
Inventories	23	3,942	4,062
Trade and other receivables	24	9,235	9,483
Cash and cash equivalents	26	581	1,654
Transfer to discontinued operation/assets of disposal group classified as held for sale		249,926	256,545
Liabilities			
Secured bank loans		5,272	7,843
Promissory note payable	28	187,410	187,410
Trade and other payables	27	4,630	6,329
Tax payable	30(a)	515	515
Deferred tax liabilities	30(b)	45,063	45,870
Transfer to discontinued operation/liabilities of disposal group classified as held for sale		242,890	247,967
Non-controlling interests		29,635	29,939
Net cash outflow arising on loss of control of subsidiaries		(581)	(1,654)
Basic and diluted earnings/(loss) per share from the discontinued operation		10.60 cents	(14.82) cents

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 (note 36). Immediately prior to the reclassification of the lease prepayments of the hotel operation as 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 (i.e. fair value less cost to sell), based on an independent valuation performed by Savills Valuation and Professional Services Limited.

(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 in year 2013. The Crown Asia Group contributed insignificant turnover, loss and cash flows to the Group for the year ended 31 July 2013. A gain on disposal of interests in associates of HK$641,000 after disposal expenses of HK$1,000 was recorded in profit or loss for the year ended 31 July 2014.

12. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32) are as follows:

	2014					
	Fees	**Salary allowances and benefits in kind**	**Discretionary Bonuses**	**Share-based payments**	**Retirement benefit scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors						
Leung Yat Tung *(Chief Executive Officer)*	–	3,271	–	1,435	15	4,721
Leung Yu Oi Ling, Irene	–	1,392	–	–	15	1,407
Leung Chi Yin, Gillian	–	600	–	–	15	615
Leung Chi Hong, Jerry	–	600	–	–	15	615
Independent Non-executive Directors						
Pao Ping Wing	120	–	–	–	–	120
Yuen Ming Fai, Matthew	120	–	–	–	–	120
Tse Mei Ha	120	–	–	–	–	120
	360	5,863	–	1,435	60	7,718

	2013					
	Fees	**Salary allowances and benefits in kind**	**Discretionary Bonuses**	**Share-based payments**	**Retirement benefit scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors						
Leung Yat Tung *(Chief Executive Officer)*	–	2,918	–	960	15	3,893
Leung Yu Oi Ling, Irene	–	1,362	–	352	15	1,729
Leung Chi Yin, Gillian	–	600	–	352	15	967
Leung Chi Hong, Jerry	–	634	–	352	44	1,030
Independent Non-executive Directors						
Pao Ping Wing	120	–	–	–	–	120
Yuen Ming Fai, Matthew	120	–	–	–	–	120
Tse Mei Ha	120	–	–	–	–	120
	360	5,514	–	2,016	89	7,979

During the years ended 31 July 2014 and 2013, no amounts were paid or payable by the Group to any director and the highest paid individual 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.

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four individuals (2013: four) were executive directors whose emoluments is disclosed in note 12 above. The emoluments in respect of the remaining one (2013: one) individual are as follows:

	2014	2013
	HK$'000	*HK$'000*
Salaries and other benefits	1,385	1,500
Retirement scheme contributions	15	15
Share-based payments	–	529
	1,400	2,044

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

Emoluments bands	**Number of individual**	
	2014	**2013**
HK$1,000,001 – HK$ 1,500,000	1	–
HK$1,500,001 – HK$ 2,000,000	–	–
HK$2,000,001 – HK$ 2,500,000	–	1

14. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company includes a loss of HK$45,350,000 (2013: loss of HK$43,761,000) which has been dealt with in the financial statements of the Company.

15. 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$11,714,000 (2013: loss of HK$76,050,000) and the weighted average number of 275,115,408 (2013: 259,167,592) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2014	2013
Issued ordinary shares	275,115,408	10,210,968,152
Effect of exercise of share options	–	71,969
Effect of rights issue	–	(9,951,872,529)
Weighted average number of ordinary shares	275,115,408	259,167,592

(b) Diluted loss per share

The Company had no dilutive potential ordinary shares in existence during the years ended 31 July 2014 and 2013 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.

16. DIVIDENDS

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

17. PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Hotel properties	Leasehold improvements	Floating craft and vessels	Furniture, fixtures and office equipment	Plant, machinery and workshop equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation							
At 1 August 2012	143,819	772	34,944	2,855	8,188	1,941	192,519
Additions	1,066	–	–	592	1,135	326	3,119
Transfer from inventories *(note 23)*	–	–	37,721	–	–	–	37,721
Disposals	–	–	–	(166)	(156)	(82)	(404)
Transfer to discontinued operation *(note 11(a))*	(150,363)	–	–	(2,205)	(3,684)	(552)	(156,804)
Elimination of depreciation	–	–	(9,743)	–	–	–	(9,743)
Exchange realignments	5,478	–	(238)	57	253	20	5,570
At 31 July 2013	–	772	62,684	1,133	5,736	1,653	71,978
Representing:							
Cost	–	772	–	1,133	5,736	1,653	9,294
Valuation -2013	–	–	62,684	–	–	–	62,684
	–	772	62,684	1,133	5,736	1,653	71,978
At 1 August 2013	–	772	62,684	1,133	5,736	1,653	71,978
Additions	–	–	–	109	–	–	109
Transfer from inventories	–	–	24,105	–	–	–	24,105
Disposals	–	(249)	(11,309)	(2)	–	–	(11,560)
Elimination of depreciation	–	–	(9,767)	–	–	–	(9,767)
Loss on revaluation	–	–	(7,992)	–	–	–	(7,992)
Exchange realignments	–	–	38	–	(69)	(1)	(32)
At 31 July 2014	–	523	57,759	1,240	5,667	1,652	66,841
Representing:							
Cost	–	523	–	1,240	5,667	1,652	9,082
Valuation - 2014	–	–	57,759	–	–	–	57,759
	–	523	57,759	1,240	5,667	1,652	66,841

	Hotel properties 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
Accumulated depreciation and impairment							
At 1 August 2012	–	277	–	1,243	4,698	768	6,986
Charge for the year	5,783	79	9,794	346	667	311	16,980
Written back on disposals	–	–	–	(146)	(139)	–	(285)
Transfer to discontinued operation *(note 11(a))*	(5,891)	–	–	(367)	(106)	(178)	(6,542)
Elimination on revaluation	–	–	(9,743)	–	–	–	(9,743)
Exchange realignments	108	–	(51)	(4)	114	3	170
At 31 July 2013 and 1 August 2013	–	356	–	1,072	5,234	904	7,566
Charge for the year	–	77	9,756	47	304	234	10,418
Written back on disposals	–	(203)	–	–	–	–	(203)
Elimination on revaluation	–	–	(9,767)	–	–	–	(9,767)
Exchange realignments	–	–	11	–	(66)	–	(55)
	–	230	–	1,119	5,472	1,138	7,959
Carrying amount							
At 31 July 2014	–	293	57,759	121	195	514	58,882
At 31 July 2013	–	416	62,684	61	502	749	64,412

(b) The Company

	Office equipment HK$'000
Cost	
At 1 August 2012	18
Additions	–
At 31 July 2013 and 31 July 2014	18
Accumulated depreciation	
At 1 August 2012	17
Charge for the year	1
At 31 July 2013 and 1 August 2013	18
Charge for the year	–
At 31 July 2014	18
Carrying amount	
At 31 July 2014	–
At 31 July 2013	–

Notes:

(i) At 31 July 2013, the hotel properties and other plant and equipment related to hotel operations were classified as assets of a disposal group held for sale as referred to in note 11(a) to the financial statements.

At 31 July 2013 and immediately prior to the reclassification to assets of disposal group held for sale at 31 July 2013, an independent professional valuation for hotel buildings at 31 July 2013, on open market value basis, was performed by Savills Valuation and Professional Services Limited, a firm of independent professional valuers which among its staff have relevant experience and qualification on the assets being valued. No impairment on the hotel buildings was required immediately prior to the reclassification and at 31 July 2013.

(ii) Had the floating craft and vessels been carried at cost less accumulated depreciation, the carrying amount would have been HK$55,958,000 (2013: HK$60,910,000).

(iii) The carrying amount of the motor vehicle held under a finance lease as at 31 July 2014 was HK$239,000 (2013: HK$304,000).

(c) Fair value measurement of vessels

(i) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured at Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 31 July 2014	**Fair value measurements as at 31 July 2014 can be categorised**		
		Level 1	**Level 2**	**Level 3**
The Group	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement				
Floating craft and vessels held for own use - HK	57,759	–	–	57,759

During the year ended 31 July 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's floating craft and vessels held for own use were revalued as at 31 July 2014. The valuations were carried out by an independent firm of surveyors, 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. The Group's fleet manager has discussion with the valuer on the valuation assumptions and valuation results when the valuation is performed at each annual reporting date.

(ii) Information about Level 3 fair value measurements

	Valuation technique	Unobservable inputs	Range
Floating craft and vessels	Market comparison approach	Premium/(discount) on quality of the vessels	10% to 40%

The fair value of floating craft and vessels located in Hong Kong is determined using market comparison approach by reference to recent sale prices of comparable vessels on a price per tonnage, adjusted for a premium or discount specific to the quality of the Group's vessels compared to the recent sales.

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	HK$'000
Floating craft and vessels held for own use - HK	
At 1 August 2013	62,684
Additions	24,105
Disposals	(11,309)
Exchange realignments	38
Depreciation charge for the year	(9,767)
Loss on revaluation	(7,992)
At 31 July 2014	57,759

Loss on revaluation and exchange realignment of floating craft and vessels held for own use are recognised in other comprehensive income in "revaluation reserve" and "exchange fluctuation reserve" respectively.

18. LEASE PREPAYMENTS

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
Leasehold land in the PRC		
Medium-term lease	615	696
Analysed for reporting purposes as:		
Current portion	76	76
Non-current portion	539	620
	615	696

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

	2014	**2013**
	HK$'000	*HK$'000*
At beginning of the year	696	117,418
Amortisation	(76)	(3,714)
Impairment loss *(note 11(a))*	–	(25,831)
Transfer to discontinued operation *(note 11(a))*	–	(91,084)
Exchange realignment	(5)	3,907
At end of the year	615	696

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

At 31 July 2013 and immediately prior to reclassification to assets of the disposal group held for sale, a valuation for land use rights, on the open market basis, was performed by Savills Valuation and Professional Services Limited, a firm of independent professional valuers who have among its staff Fellows of Hong Kong Institute of Surveyors and with relevant experience and qualification on the assets being valued. The carrying amount of the lease prepayments was written down to the recoverable amount, determined with reference to the open market value at 31 July 2013 based on the valuation.

19. CLUB MEMBERSHIP

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
Carrying amount	200	200

At 31 July 2014 and 2013, 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. INTERESTS IN ASSOCIATES

		The Group	
		2014	**2013**
		HK$'000	*HK$'000*
(a)	Share of net assets of associates:		
	At 1 August	–	5,500
	Share of profit for the year, net of tax	–	858
		–	6,358
	Interests in associates classified as held for-sale *(note 11(b))*	–	(6,358)
	Carrying amount at 31 July	–	–
(b)	Amount due from/(to) an associate *(note (e))*	3,139	(4,332)

(c) The following list contains only the material associate, which is unlisted corporate entity whose quoted market price is not available.

				Proportion of ownership interest		
Name of associate	**Form of business structure**	**Place of operation**	**Particulars of issued share capital**	**Group's effective interest**	**Held by a subsidiary**	**Principal activities**
Penta-Ocean - Gitanes Joint Venture	Unincorporated	Hong Kong	–	49%	49%	Marine engineering

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

	2014 *HK$'000*	2013 *HK$'000*
Assets	18,542	18,170
Liabilities	(18,584)	(5,454)
Net (liabilities)/assets	(42)	12,716
Group's share of net (liabilities)/assets of associates	(21)	6,358
Revenue	72,154	28,104
Profit after tax	–	1,716
Group's share of profits of associates for the year	–	858

(e) The amount due from/(to) an associate is 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 for an aggregate consideration of HK$7,000,000, a gain on disposal of interests in associates of HK$641,000 was recorded in profit or loss for the year ended 31 July 2014.

(g) The above associate is accounted for using the equity method in the consolidated financial statements.

21. INTERESTS IN JOINT VENTURES

		The Group	
		2014 *HK$'000*	2013 *HK$'000*
(a)	Unlisted shares, at cost	65,495	65,881
	Share of net assets	(15,727)	(7,787)
		49,768	58,094
(b)	Amount due from a joint venture	1,134	–
	Amount due to a joint venture	(8,170)	(18,286)

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

(c) Details of the joint ventures as at 31 July 2014 are as follows:

Name of company	Form of business structure	Place of incorporation/ operation	Particulars of issued share capital	Group's effective interest (Note)	Principal activities
Universal Harbour Investment Limited	Incorporated	Hong Kong	128,000,000 shares	50%	Investment holding
Lead Ocean Assets Management Limited	Incorporated	British Virgin Islands	100 shares	50%	Investment holding
Argos Engineering (International) Company Limited	Incorporated	Hong Kong	2 shares	50%	Investment holding
Cochrane Enterprises Limited	Incorporated	Hong Kong	10,000 shares	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
HKPFH Joint Venture	Unincorporated joint venture	Hong Kong	–	39%	Investment holding
HKPFH Limited	Incorporated	Hong Kong	2 shares	50%	Contract works
HKPFH Operation Limited	Incorporated	Hong Kong	1 share	50%	Contract works
Regal Rich Limited	Incorporated	Hong Kong	1 share	50%	Vessels 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 accounted for as joint ventures of the Group under the equity method.

(d) Summarised financial information of the material joint ventures, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

For the year ended 31 July 2014

	Universal Harbour Group *Note (i)* *HK$'000*	**Regal Rich Limited** *HK$'000*
Current assets	6,491	77
Non-current assets	98,889	18,185
Current liabilities	(6,302)	(16,074)
Equity	99,078	2,188
Included in the above assets and liabilities		
Cash and cash equivalents	127	–
Revenue	1,021	2,672
(Loss)/profit from continuing operations	(15,694)	2,188
Total comprehensive (loss)/income	(15,694)	2,188
Included in the above (loss)/profit:		
Depreciation and amortisation	(6,272)	(805)
Interest income	1	534
Interest expenses	–	–
Income tax	–	–
Reconciled to the Group's interest:		
Gross amounts of net assets	99,078	2,188
Group's effective interest	50%	50%
Group's share of net assets	49,539	1,094
Carrying amount in the consolidated financial statements	49,539	1,094

For the year ended 31 July 2013

	Universal Harbour Group *Note (i)* *HK$'000*	Regal Rich Limited *HK$'000*
Current assets	7,183	–
Non-current assets	113,103	–
Current liabilities	(4,709)	–
Equity	115,577	–
Included in the above assets and liabilities		
Cash and cash equivalents	435	–
Revenue	8,017	–
Loss from continuing operations	(9,386)	–
Total comprehensive loss	(9,386)	–
Included in the above loss:		
Depreciation and amortisation	(6,192)	–
Interest income	2	–
Interest expenses	–	–
Income tax	–	–
Reconciled to the Group's interest:		
Gross amounts of net assets	115,577	–
Group's effective interest	50%	–
Group's share of net assets	57,789	–
Carrying amount in the consolidated financial statement	57,789	–

Note:

(i) Universal Harhour Group comprises Universal Harbour Investment Limited as holding company, and its subsidiaries, Lead Ocean Assets Management Limited, 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.

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

22. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2014	**2013**
	HK$'000	*HK$'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))*	201,340	211,924
Less: Impairment loss *(note (b))*	(125,945)	(95,091)
	75,395	116,833
Amounts due to subsidiaries *(note (a))*	17,187	16,859

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$301,483,000 (2013: HK$270,629,000) was recognised as at 31 July 2014 because the related recoverable amounts of the individual balance of investments in subsidiaries and amounts due from subsidiaries, which were operating at losses, were estimated to be less than their carrying amounts.

(c) The following list contains only the particulars of subsidiaries which principally affected the results, assets and liabilities of the Group. The class of shares held is ordinary shares unless otherwise stated.

			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	2,000 shares	100%	100%	–	Investment holding
China Famous Limited	Hong Kong	1 share	100%	–	100%	Trading of vessels
East Coast Towing Limited	Hong Kong	2 shares	100%	–	100%	Investment holding
Econo Plant Hire Company Limited	Hong Kong	2,000,000 shares	100%	–	100%	Management services
UDL Argos Engineering & Heavy Industries Company Limited	Hong Kong	124,000,000 shares	100%	–	100%	Structural steel engineering work and ship management services
UDL Contracting Limited	Hong Kong	50,700,000 shares	100%	–	100%	Engineering work
UDL Dredging Limited	Hong Kong	2 shares	100%	–	100%	Engineering work
UDL Employment Services Limited	Hong Kong	2 shares	100%	–	100%	Provision of human resources and management services
UDL Marine Operation Limited	Hong Kong	2 shares	100%	–	100%	Investment holding
UDL Ship Management Limited	Hong Kong	2 shares	100%	–	100%	Marine engineering work and ship management services
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	2,500,000 shares	100%	–	100%	Investment holding
Net Excel Management Limited	British Virgin Islands	100 shares	100%	–	100%	Investment holding
Chui Hing Construction Company Limited	Hong Kong	1,820,000 shares	100%	–	100%	Rental of motor vehicles
Tonic Engineering and Construction Company Limited	Hong Kong	459,071 shares	100%	–	100%	Civil engineering work
Gitanes Engineering Company Limited	Hong Kong	134,850,740 shares	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	1 share	100%	–	100%	Investment holding
UDL Marine Equipments Limited	Hong Kong	10,000 shares	100%	–	100%	Plant hire services
Sino Coverage Limited	British Virgin Islands	1 share	100%	–	100%	Investment holding

Note:

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

23. INVENTORIES

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
Vessels held for sale	29,843	85,199
Raw materials	176	1,920
Hotel low value consumables	–	4,062
Transfer to discontinued operation *(note 11(a))*	–	(4,062)
	30,019	87,119

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

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
Continuing operations:		
Cost of materials consumed	–	1,468
Write-down of inventories	23,473	–
	23,473	1,468
Discontinued operation:		
Cost of materials consumed	–	3,258

24. TRADE AND OTHER RECEIVABLES

	2014	**2013**
	HK$'000	*HK$'000*
Trade receivables *(note (a))*	10,403	11,543
Less: Impairment loss	(5,417)	(8,307)
	4,986	3,236
Other receivables	16,580	13,534
Less: Impairment loss *(note (b))*	(6,518)	(6,258)
	10,062	7,276
Retention money receivables *(note (c))*	3,782	2,287
Less: Impairment loss	(677)	(677)
	3,105	1,610
Loan receivables *(note (d))*	12,056	–
	30,209	12,122

(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:

	2014	2013
	HK$'000	*HK$'000*
0 – 30 days	3,415	723
31 – 90 days	–	1,451
91 – 180 days	–	–
181 – 360 days	–	1,220
Over 360 days	6,988	8,149
	10,403	11,543
Less: Allowance for doubtful debts	(5,417)	(8,307)
	4,986	3,236

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:

	2014	2013
	HK$'000	*HK$'000*
At 1 August	8,307	9,671
Reversal of impairment	(1,085)	(500)
Amounts written off as uncollectible	(1,889)	(263)
Exchange difference	84	–
	5,417	8,908
Reclassified as assets of a disposal group held for sales	–	(601)
At 31 July	5,417	8,307

As at 31 July 2014, the Group's trade receivables of HK$5,417,000 (2013: HK$8,908,000) 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 ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2014 *HK$'000*	2013 *HK$'000*
Neither past due nor impaired	3,415	723
0 – 30 days	–	1,015
31 – 90 days	–	–
91 – 180 days	–	1,220
181 – 360 days	1,571	278
	4,986	3,236

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.

(i) *Impairment of other receivables*

	2014 *HK$'000*	2013 *HK$'000*
At 1 August	6,258	11,107
Impairment loss recognised	300	358
Exchange difference	(40)	–
	6,518	11,465
Reclassified as assets of a disposal group held for sale	–	(5,207)
At 31 July	6,518	6,258

Note:

Included in other receivables at 31 July 2014 is the aggregate amount of recovery costs of HK$6,518,000 (2013: HK$11,465,000) 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$6,518,000 (2013: HK$6,258,000).

(c) Retention money receivables

The impairment loss of HK$677,000 (2013: 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 is low and therefore, provision for impairment loss of HK$677,000 was made in the income statement for the year ended 31 July 2014.

(d) Loan receivables

Loan receivables comprised of HK$5,185,000 (including non-current portion of HK$3,129,000) and HK$10,000,000 made to a former associate, Crown Asia Engineering Limited, ("Crown Asia"), bearing interest at 6% per annum and 1% per annum respectively. The loans are secured on the marine plant of Crown Asia and issued shares of its subsidiary, Crown Asia Logistics Limited and are repayable over a period of 36 months and on demand, respectively.

25. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
Contract costs incurred plus recognised profits less recognised losses to date	152,165	63,830
Less: Provision for impairment loss *(note below)*	(7,806)	(7,806)
	144,359	56,024
Less: Progress billings	(136,539)	(54,755)
	7,820	1,269
Analysed for reporting purposes as:		
Amounts due from customers for contract works	7,820	2,521
Amounts due to customers for contract works	–	(1,252)
	7,820	1,269

Note:

The impairment loss of HK$7,806,000 (2013: 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.

26. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank and in hand	4,038	3,799	223	38
Cash and cash equivalents included in discontinued operation *(note 11(a))*	–	1,654	–	–
Cash and cash equivalents in the consolidated cash flow statement	4,038	5,453	223	38

Bank balances carry interest at market rate of 0.01% (2013: 0.01%) per annum.

27. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade creditors	4,499	7,861	–	–
Advances received from customers for contract works	1,246	1,322	–	–
Liabilities recognised in respect of liquidating subsidiaries	6,454	3,784	–	–
Accruals	5,401	6,873	1,149	1,560
Other payables	6,415	6,429	1,031	123
Other loan *(note below)*	1,956	–	–	–
Trade and other payables reclassified as liabilities of a disposal group held for sale *(note 11(a))*	–	(6,329)	–	–
Financial liabilities measured at amortised cost	25,971	19,940	2,180	1,683

Note: Other loan represented loan of HK$1,956,000 from an independent third party, unsecured, interest bearing at 5.5% per annum, and repayable within 12 months.

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

	2014	**2013**
	HK$'000	*HK$'000*
0 – 30 days	1,671	2,700
31 – 90 days	1,338	3,244
91 – 180 days	47	127
181 – 360 days	312	120
Over 360 days	1,131	1,670
	4,499	7,861

28. 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.

The promissory note was transferred to discontinued operation (note 11(a)).

29. OBLIGATIONS UNDER FINANCE LEASES

At 31 July 2014, the Group had obligations under finance leases repayable as follows:

	The Group			
	2014		2013	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	65	75	62	75
After 1 year but within 2 years	69	75	65	75
After 2 year but within 5 years	96	99	165	174
	165	174	230	249
	230	249	292	324
Less: Total future interest expenses		(19)		(32)
Present value of lease obligations		230		292

At 31 July 2014, certain of the Group's plant and machinery were held under finance leases and the effective borrowing rate is 2.5% per annum. Interest rate is fixed at the contract date.

The Group's obligations under finance leases are secured by the lessor's title to the leased assets (note 17(b)(iii)).

30. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	The Group 2014 *HK$'000*	2013 *HK$'000*
Provision for income tax	–	515
Transfer to discontinued operation *(note 11(a))*	–	(515)
	–	–

(b) Deferred tax liabilities/(assets)

	Accelerated depreciation allowance *HK$'000*	Revaluation of floating craft and vessels *HK$'000*	Revaluation of hotel and properties *HK$'000*	Tax losses *HK$'000*	Total *HK$'000*
At 1 August 2012	942	679	55,427	(5,381)	51,667
(Credited)/charged to consolidated income statements:					
– Continuing operations	2,082	–	–	(2,082)	–
– Discontinued operation *(note 11(a))*	–	–	(7,804)	188	(7,616)
Exchange difference	–	–	1,958	(139)	1,819
Transfer of deferred tax liabilities to discontinued operation *(note 11(a))*	–	–	(49,581)	3,711	(45,870)
At 31 July 2013 and 1 August 2013	3,024	679	–	(3,703)	–
(Credited)/charged to consolidated income statements:					
– Continuing operations	2,811	–	–	(2,811)	–
	5,835	679	–	(6,514)	–

(c) Deferred tax assets not recognised

At 31 July 2014, no deferred tax asset has been recognised in respect of tax losses of HK$266,429,000 (2013: HK$226,984,000) 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

(a) Authorised and issued share capital

	2014		2013	
	Number of ordinary shares		**Number of ordinary shares**	
	'000	*HK$'000*	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.50 each	480,000	240,000	480,000	240,000
Issued and fully paid:				
Ordinary shares of HK$0.50 each (2013: HK$0.01 each)	275,115	137,558	10,210,968	102,109
Shares issued upon exercise of share options *(note (a)(i))*	–	–	2,823	1,412
Share consolidation *(note (a)(ii))*	–	–	(10,006,749)	–
Share issued by rights issue *(note (a)(iii))*	–	–	68,073	34,037
Ordinary shares of HK$0.50 each at 31 July	275,115	137,558	275,115	137,558

Notes:

(i) *Shares issued upon exercise of share options*

During the year ended 31 July 2013, share options to subscribe for 2,822,924 shares were exercised, for which HK$1,412,000 was credited to share capital and the balance of HK$1,334,000 was credited to the share premium account.

(ii) *Share consolidation*

Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 13 September 2012, every fifty issued and unissued shares of HK$0.01 each were consolidated into one consolidated share of HK$0.50 each with effect from 14 September 2012.

(iii) *Shares issued by rights issue*

On 17 October 2012, 68,073,121 ordinary shares of the Company were issued at the subscription price of HK$0.7 each by way of rights issue. The gross proceeds received by the Company from the rights issue were approximately HK$46,712,000, of which HK$34,037,000 was credited to the share capital account and the balance of HK$12,675,000 (net of professional fees of HK$940,000) 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 2014 and 2013, the Group consistently followed the objectives and applied the policies and process on managing capital. The Company and its subsidiaries are not subject to externally imposed capital requirements.

The Group sets the amount of shareholders' equity in proportion to its overall financing structure. Debts include obligations under finance leases, trade and other payables, amounts due to directors and amounts due to related parties. Shareholders' equity comprises all components of equity attributable to the equity shareholders of the Company. The net debt-to-capital ratio at 31 July 2014 and 2013 was as follows:

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
Loans from related companies	15,163	13,643
Trade and other payables	25,971	19,940
Obligations under finance leases	230	292
Amounts due to related parties	8,054	7,763
Amount due to a joint venture	8,170	18,286
Amounts due to directors	2,808	1,211
Amounts due to associates	–	4,332
Total debt	60,396	65,467
Less: Cash and cash equivalents	(4,038)	(3,799)
Net debt	56,358	61,668
Total equity	129,357	177,204
Net debt-to-capital ratio	44%	35%

	The Company	
	2014	**2013**
	HK$'000	*HK$'000*
Loan from a related company	14,833	13,643
Other payables	2,180	1,683
Amounts due to directors	716	69
Amounts due to subsidiaries	17,187	16,859
Total debts	34,916	32,254
Less: Cash and cash equivalents	(223)	(38)
Net debt	34,693	32,216
Total equity	123,154	167,069
Net debt-to-capital ratio	28%	19%

32. RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

(a) Movements of components of equity

	Share premium	Capital redemption reserve	Contributed surplus	Share option reserve	Scheme reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 32(b)(i)	*Note 32(b)(i)*	*Note 32(b)(ii)*	*Note 32(b)(v)*	*Note 32(b)(iii)*		
At 1 August 2012	312,815	1,264	21,689	332	287,524	(566,392)	57,232
Changes in equity for 2013:							
Loss for the year	–	–	–	–	–	(43,761)	(43,761)
Issuance of shares by rights issue *(note 31(a)(iii))*	12,675	–	–	–	–	–	12,675
Issuance of shares upon exercise of share options	1,334	–	–	(995)	–	–	339
Equity-settled share-based transactions	–	–	–	3,026	–	–	3,026
At 31 July 2013 and 1 August 2013	326,824	1,264	21,689	2,363	287,524	(610,153)	29,511
Changes in equity for 2014:							
Loss for the year	–	–	–	–	–	(45,350)	(45,350)
Equity-settled share-based transactions	–	–	–	1,435	–	–	1,435
At 31 July 2014	326,824	1,264	21,689	3,798	287,524	(655,503)	(14,404)

(b) Nature and purpose of reserves

(i) 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.

(ii) 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.

(iii) 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.

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.

(iv) 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(t). 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 in 2012.

(v) 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 recognised in accordance with the accounting policy adopted for share-based payments in note 2(p)(ii).

(vi) 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(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 revaluation reserve of HK$803,000 attributable to those derecognised subsidiaries was transferred to the capital reserve in 2012.

(vii) 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 in prior year, 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.

(viii) Distributable reserves

At 31 July 2014, in the opinion of the directors, the Company did not have any reserve available for distribution to shareholders (2013: Nil).

33. EQUITY SETTLED SHARE-BASED TRANSACTIONS

A share option scheme (the "2002 Scheme") was adopted by the Company on 31 December 2002. Under the 2002 Scheme, 120,900,674 shares of the Company were issued upon exercise of share options in 2012. During the year 2011, options which had been granted to an employee of the Group to subscribe for 396,000 shares (after adjustment for the share consolidation and rights issue) of the Company remained outstanding as at 31 July 2014. The 2002 Scheme expired on 30 December 2012. Upon expiration of the 2002 Scheme, no further option can be granted under the 2002 Scheme, but all options granted thereunder will remain exercisable in accordance with the terms of the 2002 Scheme.

A new share option scheme was approved and adopted by the shareholders of the Company pursuant to an ordinary resolution passed on 6 December 2012 (the "2012 Scheme"). The 2012 Scheme was set up for the primary purpose to provide rewards or incentives to eligible participants for their contribution to the development of the Group, and will expire on 5 December 2022.

Pursuant to the 2012 Scheme, the Board of Directors of the Company (the "Board") may grant options to the eligible participants to subscribe the Company's shares for a consideration of HK$1 for each lot of share options granted. The exercise price is to be determined by the Board and shall not be less than the highest of (i) the closing price of the Shares as quoted on the Stock Exchange on the date of grant, which must be a business day; (ii) the average of the closing prices of the Shares as quoted on the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share. The maximum number of shares of the Company in respect of which options may be granted under the 2012 Scheme is 26,833,248 shares, which together with the adjusted number of 396,000 shares issuable upon exercise of the outstanding share options under the 2002 Scheme, representing 10% of the issued share capital of the Company as at the date adoption of the 2012 Scheme.

There is no specific requirement that an option must be held for any minimum period before it can be exercised that the directors may, at their absolute discretion to impose any such minimum period at the time of grant of an option.

The following table sets out the movements of the Company's share options during the year:

				Number of options			
Eligible person	Date of grant	Exercise period	Exercise price *HK$*	Outstanding at 1 August 2013	Granted during the year	Exercised during the year	Outstanding and exercisable at 31 July 2014
Directors	23.1.2013	23.1.2013 to 22.1.2023	0.62	3,000,000	–	–	3,000,000
	15.4.2014	15.4.2014 to 14.4.2024	0.798	–	2,751,154	–	2,751,154
Employees	22.3.2011	22.3.2011 to 21.3.2021	2.02	396,000	–	–	396,000
	23.1.2013	23.1.2013 to 22.1.2023	0.62	2,760,000	–	–	2,760,000
				6,156,000	2,751,154	–	8,907,154
Weighted average exercise price			0.737				

The following table sets out the movements of the Company's share options during prior year:

				Number of options			
Eligible person	Date of grant	Exercise period	Exercise price *HK$*	Outstanding at 1 August 2012	Granted during the year	Exercised during the year	Outstanding and exercisable at 31 July 2013
Directors	23.1.2013	23.1.2013 to 22.1.2023	0.62	–	5,722,924	(2,722,924)	3,000,000
Employees	22.3.2011	22.3.2011 to 21.3.2021	2.02	396,000	–	–	396,000
	23.1.2013	23.1.2013 to 22.1.2023	0.62	–	2,860,000	(100,000)	2,760,000
				396,000	8,582,924	(2,822,924)	6,156,000
Weighted average exercise price			0.710				

The options outstanding at 31 July 2014 under the 2002 Scheme and 2012 Scheme had exercise price of HK$2.02 (2013: HK$2.02) and ranged from HK$0.798 to HK$0.62 (2013: HK$0.62) respectively and weighted average remaining contractual life of 6.99 years (2013: 7.99 years) and 8.5 years (2013: 9.5 years), respectively.

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 of the 2012 Scheme:

	2014	**2013**
Date of grant	15 April 2014	23 January 2013
Fair value at measurement date	HK$0.77	HK$0.62
Share price	HK$0.77	HK$0.62
Exercise price	HK$0.798	HK$0.62
Expected volatility	122.39%	122.66%
Option life	9 years	10 years
Risk-free interest rate	2.172%	0.975%
Expected dividend yield	–	–

The expected volatility was based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

The Group recognised the total expenses of HK$1,435,000 (2013: HK$3,026,000) in the profit or loss during the year in relation of share options granted by the Company.

34. 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$30,000. Contributions to the plan vest immediately. The Group has no other material obligation for the payment of pension benefits associated with the MPF Scheme beyond the annual contributions described above.

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

35. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2014 *HK$'000*	**2013** *HK$'000*
Land and buildings:		
Within one year	2,413	2,472
In the second to fifth year inclusive	2,891	3,559
More than five years	1,995	2,636
	7,299	8,667

36. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged to banks to secure the general credit facilities granted to disposal group classified as held for sale (note 11(a)):

	2014	2013
	HK$'000	*HK$'000*
Hotel properties	–	144,472
Land use rights	–	91,084
	–	235,556

37. 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 were ordered to be consolidated and proceeded as one action by order of the High Court of Singapore dated 28 November 2011. A judgement was issued on 7 November 2013 and ordered that UMSG to pay JTC the sum of S$1,109,420. An appeal against the judgement was filed and heard before the Court of Appeal and was dismissed on 29 May 2014.

On 22 July 2014, UMSG received a winding-up petition by JTC, for the claim of a sum of S$1.037 million due to JTC by UMSG. A winding-up order was issued by the High Court of Singapore on 12 September 2014 that UMSG be wound up. The Group has recognised a related liability of HK$6,450,000 (equivalent to S$1.037 million).

38. RELATED PARTY TRANSACTIONS

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

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

(ii) Harbour Front Assets Investments Limited and HF Marine Assets (Singapore) Pte Ltd are wholly-owned subsidiaries of Harbour Front Limited.

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

(iv) 東莞振華建造工程有限公司 is joint venture of the Group.

(v) Crown Asia Engineering Limited was an associate of the Group, which was disposed of on 1 August 2013.

(vi) Multi-Ventures Limited is a related party controlled by Harbour Front Limited

(a) Transactions with related parties

	2014	**2013**
	HK$'000	*HK$'000*
Interest expenses paid to Multi-Ventures Limited	(75)	–
Interest expenses paid to Harbour Front Assets Investments Limited	(944)	(964)
Management and accounting services fee paid to Vital Strategic Corporate Consultancy Limited	(180)	(130)
Sale-contracting income from Crown Asia Engineering Limited	–	1,604
Vessel rental income from Crown Asia Engineering Limited	–	120
Plant hire income from Crown Asia Engineering Limited	–	2,808
Sub-contracting fees paid to Crown Asia Engineering Limited	–	(4,243)
Service income received from Harbour Front Assets Investment Limited	4	–
Service income received from HF Marine Assets (Singapore) Pte Ltd	16	–
Plant hire cost paid to Harbour Front Assets Investment Limited	(456)	–
Office rental cost paid to Denlane Offshore Engineering Pte Ltd	(98)	–
Plant hire cost paid to HF Marine Assets (Singapore) Pte Ltd	–	(230)
Cost for construction of vessels paid to 東莞振華建造工程有限公司	–	(4,222)
Sub-contracting fees paid to 東莞振華建造工程有限公司	–	(3,600)

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.

(b) Amounts due from related parties

Non-trade	The Group			
	2014		2013	
	Maximum amounts	Balance	Maximum amounts	Balance
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Beaver Marine SDN BHD	–	–	527	527
廣州市太元工程船舶租貸有限公司	–	–	147	147
Libellus Limited	–	–	19	19
UDL Assets Management Pte Ltd	–	–	46	46
UDL Construction Pte Ltd	–	–	30	30
UDL Dredging (Singapore) Pte Ltd	–	–	14	14
HF Marine Assets (Singapore) Pte Ltd	24	–	24	24
		–		807
Less: Impairment losses recognised		–		(783)
		–		24

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, Ms. 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.

(c) Amounts due to related parties

Non-trade	The Group	
	2014	2013
	HK$'000	*HK$'000*
Best Year (Asia) Limited	2,019	2,035
Brilliant Guide Limited	2	2
Harbour Front Assets Investments Limited	1,782	1,417
Harbour Front Limited	326	326
Loyal Fit Investment Limited	51	12
HF Marine Assets (Singapore) Pte Ltd	369	394
Hong Hay Pte Ltd	747	730
UDL Engineering Pte Ltd	445	436
Denlane Offshore Engineering Pte Ltd	–	98
UDL Marine Assets (Hong Kong) Limited	2,313	2,313
	8,054	7,763

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, Ms. 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	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Leung Yat Tung	771	82	655	28
Leung Yu Oi Ling, Irene	310	116	19	10
Leung Chi Yin, Gillian	306	277	25	20
Leung Chi Hong, Jerry	1,421	736	17	11
	2,808	1,211	716	69

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

(e) Loans from related companies

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities:				
Harbour Front Assets Investments Limited *(note (i))*	14,833	13,643	14,833	13,643
Current liabilities:				
Multi-Ventures Limited *(note (ii))*	330	–	–	–
	15,163	13,643	14,833	13,643

Notes:

(i) On 27 September 2011, the Company, together with a wholly-owned subsidiary, UDL Ventures Limited and Harbour Front Assets Investments Limited ("HFAI") have entered into a supplemental agreement under which HFAI has agreed to increase the revolving credit facility up to HK$260 million to the companies. The revolving credit facility shall expire on 31 December 2013, and further extend to 31 December 2014 and 31 December 2015 based on a supplemental agreement dated 30 January 2013 and 30 September 2014, respectively.

The facilities 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% (2013: 5%) per annum. Interest paid and payable to the related company, amounted to HK$3,405,000 (2013: HK$969,000) for the year ended 31 July 2014.

(ii) On 16 October 2013, the Company and the related company, Multi-Ventures Limited entered into a loan agreement, under which Multi-Ventures Limited has agreed to provide the Company a loan with principal amount of HK$1,200,000. The facility is unsecured, bears interest at 12% per annum, and repayable within twelve months.

(f) Recovery of Scheme Assets for Harbour Front

Included in the other receivables at 31 July 2014 as referred to in note 24(b) to the financial statements is an aggregate amount of HK$6,518,000 (2013: HK$11,465,000 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(b)(iii) 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 considered that these recovery costs have been long outstanding and the favorable outcome of the recovery actions taken by the Group is uncertain, and as such provision for impairment loss on these recovery costs incurred totalling HK$6,518,000 (2013: HK$6,258,000) was recognised.

(g) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 12 is as follows:

	2014	**2013**
	HK$'000	*HK$'000*
Salaries and allowances	7,608	7,374
Retirement scheme contributions	75	104
Share-based payments	1,435	2,545
	9,118	10,023

39. EVENT AFTER THE REPORTING PERIOD

On 22 July 2014, UDL Marine (Singapore) Pte Limited ("UMSG"), a wholly-owned subsidiary of the Company received a winding-up petition by Jurong Town Corporation ("JTC"), for the claim of a sum of S$1.037 million due to JTC by UMSG. A winding-up order was issued by the High Court of Singapore on 12 September 2014 that UMSG be wound up. The Group has recognised a related liability of HK$6,450,000 (equivalent to S$1.037 million).

3. UNAUDITED INTERIM FINANCIAL INFORMATION OF THE GROUP

Set out below is the full text of the unaudited condensed consolidated financial statements of the Company for the six months ended 31 January 2015 as extracted from the interim report of the Company for the six months ended 31 January 2015:

Condensed consolidated income statement

For the six months ended 31 January 2015

		(Unaudited) Six months ended 31 January	
		2015[Note]	**2014**
	Note	*HK$'000*	*HK$'000*
Turnover	2	61,610	66,289
Cost of sales		(44,108)	(55,465)
Gross profit		17,502	10,824
Other income		347	10,214
General and administrative expenses		(16,358)	(17,345)
Gain on deconsolidation of subsidiaries in liquidation		–	28,545
Profit/(Loss) from operations	4	1,491	32,238
Finance costs	5	(359)	(647)
Share of profits/(losses) of joint ventures		(1,191)	(2,083)
(Loss)/Profit before taxation		(59)	29,508
Income tax	6	–	–
(Loss)/Profit for the period attributable to owners of the Company		(59)	29,508
(Loss)/Earnings per share	7		
Basic		(0.02) Cent	10.73 Cent
Diluted		(0.02) Cent	10.73 Cent

Note: There are no items which are exceptional because of size, nature or incidence for the six months ended 31 January 2015. No net profit or loss attributable to non-controlling interests was published for the interim report of the Company for the six months ended 31 January 2015.

Condensed consolidated statement of comprehensive income
For the six months ended 31 January 2015

	(Unaudited) Six months ended 31 January 2015 HK$'000	2014 HK$'000
(Loss)/Profit for the period attributable to owners of the Company	(59)	29,508
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign subsidiaries and joint ventures	(795)	94
Release of exchange reserve upon deconsolidation of subsidiaries in liquidation	–	(7,780)
Total comprehensive income/(loss) for the period attributable to owners of the Company	(854)	21,822

Condensed consolidated statement of financial position
As at 31 January 2015

	Note	(Unaudited) At 31 January 2015 HK$'000	(Audited) At 31 July 2014 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	51,529	58,882
Lease prepayments	9	496	539
Club membership		200	200
Interests in joint ventures	10(a)	47,687	49,768
Other receivables		560	800
Loan receivables		2,055	3,129
		102,527	113,318
Current assets			
Inventories	11	5,974	30,019
Lease prepayments	9	74	76
Trade and other receivables	12	31,037	30,209
Amount due from an associate		810	3,139
Amounts due from joint ventures	10(b)	11,530	1,134
Amounts due from customers for contract works		10,661	7,820
Cash and cash equivalents		793	4,038
		60,879	76,435
Assets of disposal group classified as held for sale	16	29,917	–
		90,796	76,435

	Note	(Unaudited) At 31 January 2015 HK$'000	(Audited) At 31 July 2014 HK$'000
Current liabilities			
Trade and other payables	13	17,284	25,971
Obligations under finance leases	14	67	65
Amounts due to related companies		6,867	8,054
Loan from related companies	15	1,378	330
Amounts due to joint ventures	10(b)	8,096	8,170
Amounts due to directors		2,170	2,808
		35,862	45,398
Liabilities of disposal group classified as held for sale	16	11,861	–
		47,723	45,398
Net current assets		43,073	31,037
Total assets less current liabilities		145,600	144,355
Non-current liabilities			
Obligations under finance leases	14	131	165
Loan from a related company	15	16,966	14,833
		17,097	14,998
NET ASSETS		128,503	129,357
CAPITAL AND RESERVES			
Share capital	17	137,558	137,558
Reserves		(9,055)	(8,201)
Equity attributable to owners of the Company		128,503	129,357

Condensed consolidated statement of changes in equity

For the six months ended 31 January 2015

	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	Accumu-lated 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*
At 31 July 2014 (Audited)	137,558	326,824	3,798	1,264	13,188	1,054,095	5,610	5,223	(1,418,203)	129,357	–	129,357
Loss for the period	–	–	–	–	–	–	–	–	(59)	(59)	–	(59)
Exchange differences on translation of financial statements of foreign subsidiaries and joint ventures	–	–	–	–	(795)	–	–	–	–	(795)	–	(795)
Total comprehensive income/(loss) for the period	–	–	–	–	(795)	–	–	–	(59)	(854)	–	(854)
At 31 January 2015 (Unaudited)	137,558	326,824	3,798	1,264	12,393	1,054,095	5,610	5,223	(1,418,262)	128,503	–	128,503
At 31 July 2013 (Audited)	137,558	326,824	2,363	1,264	20,435	1,054,095	12,270	5,223	(1,412,767)	147,265	29,939	177,204
Profit for the period	–	–	–	–	–	–	–	–	29,508	29,508	–	29,508
Exchange differences on translation of foreign operations and jointly controlled entities	–	–	–	–	94	–	–	–	–	94	–	94
Release of exchange reserve upon deconsolidation of subsidiaries in liquidation	–	–	–	–	(7,780)	–	–	–	–	(7,780)	–	(7,780)
Total comprehensive income/(loss) for the period	–	–	–	–	(7,686)	–	–	–	29,508	21,822	–	21,822
Transfer of revaluation reserve upon deconsolidation of subsidiaries in liquidation	–	–	–	–	–	–	(6,091)	–	6,091	–	–	–
Deconsolidation of subsidiaries in liquidation	–	–	–	–	–	–	–	–	–	–	(29,939)	(29,939)
At 31 January 2014 (Unaudited)	137,558	326,824	2,363	1,264	12,749	1,054,095	6,179	5,223	(1,377,168)	169,087	–	169,087

Condensed consolidated statement of cash flows
For the six months ended 31 January 2015

	(Unaudited) Six months ended 31 January	
	2015	**2014**
	HK$'000	*HK$'000*
Net cash used in operating activities	(6,462)	(20,778)
Net cash (used in)/generated from investing activities	(36)	11,647
Net cash generated from financing activities	3,148	7,722
Net decrease in cash and cash equivalents	(3,350)	(1,409)
Cash and cash equivalents at beginning of period	4,038	3,799
Effects of foreign exchange rate changes	105	86
Cash and cash equivalents at end of period	793	2,476
Analysis of the balances of cash and cash equivalents		
Bank and cash balances	793	2,476

Notes to the consolidated financial statements

For the six months ended 31 January 2015

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 31 January 2015 has been prepared in accordance with the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies used in the condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's audited annual financial statements for the year ended 31 July 2014.

A number of new or revised Standards, Amendments and Interpretations are effective for the Group's financial period beginning on or after 1 August 2014. The adoption of the new and revised Standards, Amendments and Interpretations had no material effect on how the results and financial position for the current and prior accounting periods have been prepared and presented.

The Group has not early adopted any new standards, amendments and interpretation of the Hong Kong Financial Reporting Standards which have been issued but not yet effective for the financial period beginning 1 August 2014.

2. TURNOVER

The Group's turnover represents revenue derived from marine engineering, construction and structural steel engineering and sale of vessels. Revenue recognized during the period is as follows:

	(Unaudited) Six months ended 31 January	
	2015	**2014**
	HK$'000	*HK$'000*
Revenue from marine engineering	54,460	39,252
Revenue from construction and structural steel engineering	7,150	11,837
Revenue from sale of vessels	–	15,200
	61,610	66,289

3. SEGMENT INFORMATION

Business segments

The Group manages its business by three operating divisions – marine engineering, construction and structural steel engineering and sale of vessels. The following is an analysis of the Group's revenue and results by reportable segments for the period:

	(Unaudited) Six months ended 31 January							
	Marine engineering		Construction and structural steel engineering		Sale of vessels		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:								
Revenue from external customers	54,460	39,252	7,150	11,837	–	15,200	61,610	66,289
Segment results	8,658	6,068	1,902	1,062	–	6,587	10,560	13,717
Unallocated other income							315	253
Unallocated gain on deconsolidation of subsidiaries in liquidation							–	28,545
Unallocated expenses							(10,575)	(12,360)
Unallocated finance costs							(359)	(647)
(Loss)/Profit before taxation							(59)	29,508

4. PROFIT/(LOSS) FROM OPERATIONS

The Group's profit/(loss) from operations has been arrived at after charging:

	(Unaudited) Six months ended 31 January	
	2015	2014
	HK$'000	*HK$'000*
Depreciation	4,077	5,133
Staff costs (including directors' remuneration)		
– contributions to mandatory provident fund	104	137
– salaries, wages and other benefits	6,612	6,471
Operating leases	1,046	1,117
Legal and professional fees	55	315

5. FINANCE COSTS

Finance costs in the condensed consolidated income statement represents:

	(Unaudited) Six months ended 31 January	
	2015	**2014**
	HK$'000	*HK$'000*
Interest on loans from related companies	354	627
Interest on other borrowings	–	13
Finance charges on obligations under finance leases	5	7
	359	647

6. INCOME TAX

No provision for Hong Kong Profits Tax has been made as the Group did not derive any assessable profits for both periods. No provision for Singapore income tax has been made as the Group's subsidiaries in Singapore did not have any assessable profits for both periods. No provision for the People's Republic of China ("PRC") corporate income tax has been made as the Group's PRC subsidiaries did not generate any assessable profits for both periods.

7. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of approximately HK$59,000 (31 January 2014: profit of HK$29,508,000) and on the weighted average number of 275,115,408 ordinary shares (31 January 2014: 275,115,408 ordinary shares) in issue during the period.

There were no dilutive potential shares in existence for the periods ended 31 January 2014 and 2015. Therefore, the diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share for both periods.

8. PROPERTY, PLANT AND EQUIPMENT

	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 31 July 2014 (Audited)	523	57,759	1,240	5,667	1,652	66,841
Additions	36	–	–	–	–	36
Transfer to disposal group classified as held for sale *(note 16)*	–	(3,310)	(626)	(516)	(183)	(4,635)
Exchange realignments	–	–	–	(46)	(1)	(47)
At 31 January 2015 (Unaudited)	559	54,449	614	5,105	1,468	62,195
Accumulated depreciation and impairment						
At 31 July 2014 (Audited)	230	–	1,119	5,472	1,138	7,959
Charge for the period	28	3,914	21	20	94	4,077
Transfer to disposal group classified as held for sale *(note 16)*	–	–	(626)	(516)	(183)	(1,325)
Exchange realignments	–	–	–	(44)	(1)	(45)
At 31 January 2015 (Unaudited)	258	3,914	514	4,932	1,048	10,666
Carrying amount						
At 31 January 2015 (Unaudited)	301	50,535	100	173	420	51,529
At 31 July 2014 (Audited)	293	57,759	121	195	514	58,882

At the period end date, carrying amount of the motor vehicles held under a finance lease was HK$206,000 (31 July 2014: HK$239,000).

9. LEASE PREPAYMENTS

	(Unaudited) 31 January 2015 *HK$'000*	(Audited) 31 July 2014 *HK$'000*
Leasehold land in the PRC		
Medium-term lease	570	615
Analysed for reporting purposes as:		
Current portion	74	76
Non-current portion	496	539
	570	615

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

	(Unaudited) 31 January 2015 *HK$'000*	(Audited) 31 July 2014 *HK$'000*
At beginning of period	615	696
Amortisation	(38)	(76)
Exchange realignment	(7)	(5)
	570	615

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

10. JOINT VENTURES

		(Unaudited) 31 January 2015 *HK$'000*	(Audited) 31 July 2014 *HK$'000*
(a)	Interests in joint ventures		
	Unlisted shares, at beginning of period	49,768	65,495
	Share of net assets	(2,081)	(15,727)
		47,687	49,768
(b)	Amounts due from joint ventures	11,530	1,134
	Amounts due to joint ventures	(8,096)	(8,170)

The amounts due from/(to) joint ventures are unsecured, interest-free and with no fixed term of repayment.

(c) Details of the joint ventures as at 31 January 2015 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	128,000,000 shares	50%	Investment holding
Lead Ocean Assets Management Limited	Incorporated	British Virgin Islands	100 shares	50%	Investment holding
Argos Engineering (International) Company Limited	Incorporated	Hong Kong	2 shares	50%	Investment holding
Cochrane Enterprises Limited	Incorporated	Hong Kong	10,000 shares	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
HKPFH Joint Venture	Unincorporated joint venture	Hong Kong	–	39%	Contract works
HKPFH Limited	Incorporated	Hong Kong	2 shares	50%	Contract works
HKPFH Operation Limited	Incorporated	Hong Kong	1 share	50%	Contract works
Regal Rich Limited	Incorporated	Hong Kong	1 share	50%	Vessels 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 joint ventures of the Group.

11. INVENTORIES

	(Unaudited) 31 January 2015 *HK$'000*	(Audited) 31 July 2014 *HK$'000*
Vessels held for trading	29,843	29,843
Raw materials	174	176
Inventories reclassified as assets of a disposal group held for sale *(note 16)*	(24,043)	–
	5,974	30,019

12. TRADE AND OTHER RECEIVABLES

	(Unaudited) 31 January 2015 *HK$'000*	(Audited) 31 July 2014 *HK$'000*
Trade receivables	13,972	4,986
Retention money receivables	3,153	3,105
Prepayments, deposits and other receivables	7,138	10,062
Loan receivables	9,335	12,056
Trade and other receivables reclassified as assets of a disposal group held for sale *(note 16)*	(2,561)	–
	31,037	30,209

The aging analysis of trade receivables of the Group as at the period end date is as follows:

	(Unaudited) 31 January 2015 *HK$'000*	(Audited) 31 July 2014 *HK$'000*
0 – 30 days	6,398	3,415
31 – 90 days	7,123	–
91 – 180 days	–	–
181 – 360 days	–	–
Over 360 days	5,868	6,988
	19,389	10,403
Less: Allowance for doubtful debts	(5,417)	(5,417)
	13,972	4,986

Trading terms with customers are largely on credit, where trade deposits, advances and payments in advance are normally required. Invoices are normally payable within 60 days of issuance, except for certain well established customers, where the terms are extended beyond 60 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management.

13. TRADE AND OTHER PAYABLES

	(Unaudited) 31 January 2015 *HK$'000*	(Audited) 31 July 2014 *HK$'000*
Trade creditors	5,966	4,499
Advances received from customers for contract works	–	1,246
Liabilities recognised in respect of liquidating subsidiaries	6,454	6,454
Other payables and accruals	13,581	11,816
Other loan	1,956	1,956
Trade and other payables reclassified as liabilities of a disposal group held for sale *(note 16)*	(10,673)	–
	17,284	25,971

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

	(Unaudited) 31 January 2015 *HK$'000*	(Audited) 31 July 2014 *HK$'000*
0 – 30 days	4,095	1,671
31 – 90 days	652	1,338
91 – 180 days	36	47
181 – 360 days	–	312
Over 360 days	1,183	1,131
	5,966	4,499

14. OBLIGATIONS UNDER FINANCE LEASES

At 31 January 2015, the Group had obligations under finance leases repayable as follows:

	(Unaudited) 31 January 2015		(Audited) 31 July 2014	
	Present value of the minimum lease payments *HK$'000*	Total minimum lease payments *HK$'000*	Present value of the minimum lease payments *HK$'000*	Total minimum lease payments *HK$'000*
Within 1 year	67	75	65	75
After 1 year but within 2 years	70	75	69	75
After 2 years but within 5 years	61	62	96	99
	131	137	165	174
	198	212	230	249
Less: Total future interest expenses		(14)		(19)
Present value of lease obligations		198		230

At 31 January 2015, motor vehicles were held under finance leases and the effective borrowing rate is 2.5% per annum. Interest rate is fixed at the contract date.

The Group's obligations under finance leases are secured by the lessor's title to the leased assets (note 8).

15. LOAN FROM RELATED COMPANIES

	(Unaudited) 31 January 2015 *HK$'000*	(Audited) 31 July 2014 *HK$'000*
Non-current liabilities		
Harbour Front Assets Investments Limited *(note i)*	16,966	14,833
Current liabilities		
Multi-Ventures Limited *(note ii)*	–	330
Harbour Front Assets Investments Limited *(note iii)*	1,378	–
	18,344	15,163

Notes:

(i) The loan is unsecured, bearing interest at prevailing prime rate offered by The Hongkong and Shanghai Banking Corporation Limited and repayable originally on 31 December 2013, which has been further extended to 31 December 2015. The actual weighted average interest rate charged for the period is 5% per annum (31 July 2014: 5%).

(ii) On 16 October 2013, a wholly owned subsidiary of the Company, UDL Ship Management Limited and Multi-Ventures Limited entered into a loan agreement, under which Multi-Ventures Limited has agreed to provide a loan of HK$1,200,000. The loan is unsecured, bearing interest at 12% per annum and repayable by 12 monthly installments commencing from November 2013.

(iii) On 29 December 2014, a wholly owned subsidiary of the Company, UDL Ship Management Limited and Harbour Front Assets Investments Limited ("HFAI") entered into a loan agreement, under which HFAI has agreed to provide a loan of HK$1,500,000. The loan is unsecured, bearing interest at 5% per annum and repayable by 12 monthly installments commencing from January 2015.

16. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

Disposal group classified as held for sale – Wealthy King Group

On 16 March 2015, UDL Ventures Limited, a wholly owned subsidiary of the Company, and Crown Asia Equipment Limited, an independent third party, entered into a sale and purchase agreement, pursuant to which UDL Ventures Limited agreed to sell and Crown Asia Equipment Limited agreed to purchase 100% equity interest in Wealthy King Holdings Limited at a consideration of US$1 together with its shareholder loan at a consideration of HK$1. The principal business of the disposal group, comprised of Wealthy King Holdings Limited and its subsidiaries (the "Wealthy King Group"), was marine engineering in Singapore which had been discontinued since the winding up of its principal subsidiary UDL Marine (Singapore) Pte Ltd on 12 September 2014. Upon completion of the disposal, the Company will not hold any interest in the Wealthy King Group, and the Wealthy King Group will cease to be subsidiaries of the Company. As at 31 January 2015, the Wealthy King Group was classified as a disposal group held for sale in the consolidated statement of financial position of the Group.

The major classes of assets and liabilities of the Wealthy King Group classified as held for sale as at 31 January 2015 are as follows:

	Note	*HK$'000*
Assets		
Property, plant and equipment	*8*	3,310
Inventories	*11*	24,043
Trade and other receivables	*12*	2,561
Cash and cash equivalents		3
Assets of disposal group classified as held for sale		29,917
Liabilities		
Trade and other payables	*13*	10,673
Amounts due to related companies		1,182
Amounts due to directors		6
Liabilities of disposal group classified as held for sale		11,861
Net amount due to other Group companies		23,349
Net liabilities of disposal group attributable to the Group		(5,293)

17. SHARE CAPITAL

Ordinary shares	**Number of ordinary shares**	**Nominal value** *HK$'000*
Authorised:		
At 1 August 2014 and 31 January 2015		
Ordinary shares of HK$0.50 each	480,000,000	240,000
Issued and fully paid:		
At 1 August 2014 and 31 January 2015		
Ordinary shares of HK$0.50 each	275,115,408	137,558

Share options

The Company had adopted a share option scheme (the "Share Option Scheme 2002") on 31 December 2002 with a life of 10 years. Upon expiration of the Share Option Scheme 2002, the Company adopted a new share option scheme (the "Share Option Scheme 2012") on 6 December 2012 and terminated the operation of the Share Option Scheme 2002. Any share options which were granted under the Share Option Scheme 2002 prior to such termination shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme 2002.

(a) Share Option Scheme 2002

Details of the share options outstanding under the Share Option Scheme 2002 are as follows:

	Exercise period	Exercise price	At 1 August 2014	Granted during the period	Exercised during the period	Lapsed during the period	At 31 January 2015
				Number of share options			
Employee	22 March 2011 to 21 March 2021	HK$2.02	396,000	–	–	–	396,000

(b) Share Option Scheme 2012

The Company has adopted the Share Option Scheme 2012 on 6 December 2012 with a life of 10 years whereby the directors of the Company are authorised, at their discretion, to invite eligible participants as described in definitions of the circular of the Company dated 7 November 2012, including employees, directors and consultants 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 quoted on the Stock Exchange on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the closing prices of the Shares as quoted on the Stock Exchange for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a Share. The Share Option Scheme 2012 shall be valid and effective until 5 December 2022. Options under the Share Option Scheme 2012 are exercisable during such period as determined by the Board provided that such period shall not be more than 10 years from the date of grant.

Details of the movement of share options granted under the Share Option Scheme 2012 during the period and outstanding as at 31 January 2015 are as follows:

	Exercise period	Exercise price	At 1 August 2014	Granted during the period	Exercised during the period	Lapsed during the period	At 31 January 2015
				Number of share options			
Employees	23 January 2013 to 22 January 2023	HK$0.62	2,760,000	–	–	–	2,760,000
Directors							
Leung Yu Oi Ling, Irene	23 January 2013 to 22 January 2023	HK$0.62	1,000,000	–	–	–	1,000,000
Leung Chi Yin, Gillian	23 January 2013 to 22 January 2023	HK$0.62	1,000,000	–	–	–	1,000,000
Leung Chi Hong, Jerry	23 January 2013 to 22 January 2023	HK$0.62	1,000,000	–	–	–	1,000,000
Leung Yat Tung	15 April 2014 to 14 April 2024	HK$0.798	2,751,154	–	–	–	2,751,154

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 of grant	**15 April 2014**	**23 January 2013**
Fair value option at measurement date	HK$0.77	HK$0.35
Share price	HK$0.77	HK$0.62
Exercise price	HK$0.798	HK$0.62
Expected volatility	122.39%	122.66%
Option life	10 years	10 years
Risk-free interest rate	2.172%	0.975%
Expected dividend yield	–	–

The expected volatility was based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

18. SIGNIFICANT RELATED PARTY TRANSACTIONS

	(Unaudited) Six months ended 31 January	
	2015	2014
	HK$'000	*HK$'000*
Contract management fee income from a joint venture	14,197	–
Project services income from a joint venture	638	–
Services fee from a related company	–	11
Rental charges paid to related companies	–	220
Consultancy fee paid to a related company	90	90
Car hiring fee paid to a joint venture	57	57
Finance costs payable to related companies	354	627

19. 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 Limited, 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 recognised 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 Limited, UDL Contracting is entitled to the reimbursement of the recovery costs upon success in the Scheme Asset recovery action.

(c) UDL Marine (Singapore) Pte Ltd ("UMSG"), a wholly-owned subsidiary of the Company, commenced proceedings against Jurong Town Corporation ("JTC") in relation to an application for renewal of the lease at 3 Benoi Road, Singapore 629877, Civil Suit 502 of 2010. This claim against JTC seeks for a renewal of the lease be granted. UMSG also commenced proceedings against Economic Development Bureau, 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 were ordered to be consolidated and proceeded as one action by order of the High Court of Singapore dated 28 November 2011. A judgement was issued on 7 November 2013 and ordered that UMSG to pay JTC the sum of S$1,109,420. An appeal against the judgement was filed and heard before the Court of Appeal and was dismissed on 29 May 2014.

On 22 July 2014, UMSG received a winding-up petition by JTC, for the claim of a sum of S$1.037 million due to JTC by UMSG. A winding-up order was issued by the High Court of Singapore on 12 September 2014 that UMSG be wound up. The Group has recognised a related liability of HK$6,450,000 (equivalent to S$1.037 million).

4. INDEBTEDNESS

Borrowings

As at the close of business on 31 May 2015, being the latest practicable date prior to the printing of this Composite Document for the purpose of this indebtedness statement, the Group had outstanding borrowings from a related company of approximately HK$14,839,000. As at the close of business on 31 May 2015, the Group had obligations under finance leases of approximately HK$187,000.

Contingent liabilities

Further details of contingent liabilities being (a) a dormant litigation related to disputes over rental and use of the Group's Hong Kong ex-shipyard in the early 2000s; (b) a dormant litigation and a dormant arbitration related to disputes over a construction contract of the Group completed in late 1990s; and (c) litigations related to disputes over the renewal and repossession of the Group's Singapore ex-shipyard in the early 2010s are set out in Appendix III to this Composite Document under the paragraph headed "Litigation" and note 37 of the 2014 annual report of the Company and note 19 of the interim report of the Company for the six months ended 31 January 2015 as referred to in sections 2 and 3, respectively in this appendix above. As at the close of business on 31 May 2015, the Group did not have any significant contingent liabilities.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 May 2015, the Group did not have any outstand loan capital, debt securities, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills and payables) or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

5. MATERIAL CHANGE

The Directors confirm that save and except for (i) the entering into of a disposal agreement on 15 March 2015 in relation to the disposal of the entire interest in Wealthy King Holdings Limited, whose principal business of marine engineering in Singapore had been discontinued since the winding up of UDL Marine (Singapore) Pte Ltd., its principal subsidiary, on 12 September 2014, details of which are disclosed in the announcement of the Company dated 16 March 2015; (ii) the change from recording net profit attributable to owners of the Company for the six months ended 31 January 2014 to net loss attributable to owners of the Company for the six months ended 31 January 2015 as an one-off gain on deconsolidation of subsidiaries in liquidation recognized for the six months ended 31 January 2014, which amounted to approximately HK$28.5 million, was absent for the six months ended 31 January 2015, as disclosed in the interim report of the Company for the six months ended 31 January 2015; and (iii) the Share Purchase Completion, which resulted in the Offeror owning approximately 68.32% of all Shares in issue as at the Latest Practicable Date, there has been no material change in the financial or trading position or outlook of the Group since 31 July 2014, being the date to which the latest published audited financial statements of the Company were made up, and up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Independent Shareholders with regard to the Group and the Offer.

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Offeror, its ultimate beneficial owners and parties acting in concert with them), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Group), and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. CORPORATE INFORMATION OF THE COMPANY

The Company is a company incorporated in Bermuda with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The principal activities of the Company is investment holding and the principal activities of its subsidiaries include the sale of vessels, marine engineering, construction and structural steel engineering and related services.

The address of its registered office is Crawford House, 4th Floor, 50 Cedar Avenue, Hamilton HM11, Bermuda. The address of its head office and principal place of business in Hong Kong is Room 702, 7th Floor, Aitken Vanson Centre, 61 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong.

3. SHARE CAPITAL AND SHARE OPTIONS OF THE COMPANY

The authorised share capital and the issued share capital of the Company as at the Latest Practicable Date were HK$240,000,000 divided into 480,000,000 Shares and HK$142,001,281 divided into 284,002,562 Shares respectively.

All existing issued Shares rank pari passu in all respect including all rights as to dividends, voting and interests in capital.

As at the Latest Practicable Date, there are no other outstanding options, warrants, derivatives or convertibles which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

Since 31 July 2014, being the date to which the latest published audited consolidated financial statements of the Company were made up, and up to the Latest Practicable Date, the Company had issued 8,887,154 new Shares.

4. MARKET PRICES

The table below shows the closing price of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the last Business Day immediately preceding the date of the Rule 3.7 Announcement; (iii) the Last Trading Day; and (iv) the Latest Practicable Date:

Date	**Closing price of Shares** *(HK$)*
28 November 2014	1.05
31 December 2014	1.04
30 January 2015	1.41
27 February 2015	1.35
31 March 2014	1.48
30 April 2015	2.17
20 May 2015 *(being the last Business Day immediately preceding the date of the Rule 3.7 Announcement)*	2.30
29 May 2015	3.65
18 June 2015 *(being the Last Trading Day)*	4.99
30 June 2015	4.29
24 July 2015 *(being the Latest Practicable Date)*	3.49

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK$5.32 on 17 June 2015 and HK$1.00 on 30 December 2014, respectively.

5. DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors in the Shares, underlying Shares and debentures of the Company and its associated corporations

Save as disclosed below, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange:

Name of Directors	Capacity	Number of Shares	Approximate % of the issued share capital of the Company
Mr. YT Leung[1]	Beneficial owner	2,751,154	0.97%
	Interest of spouse	1,000,000	0.35%
Mrs. Leung[1]	Beneficial owner	1,000,000	0.35%
	Interest of spouse	2,751,154	0.97%
Ms. Gillian Leung	Beneficial owner	1,000,000	0.35%
Mr. Jerry Leung	Beneficial owner	1,000,000	0.35%
Yuen Ming Fai, Matthew, *Ph. D.*[2]	Interest of spouse	96	0.00%

Notes:

1. Mr. YT Leung is the spouse of Mrs. Leung.

2. 96 shares are held by Mrs. Yuen Chiu Yin May, May, spouse of Professor Yuen Ming Fai, Matthew, *Ph. D.*.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interests in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

(b) Interests and short positions of the substantial shareholders in the Shares, underlying Shares and debentures of the Company

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had, or were deemed or taken to have, an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital:

Name	Capacity	Number of Shares	Approximate % of the issued share capital of the Company
The Offeror	Beneficial owner	194,033,408	68.32%
Da Tang Xi Shi International Group Limited[Note 1]	Interest in corporation	194,033,408	68.32%
大唐西市文化產業投資集團有限公司 (Da Tang Xi Shi Investment Group Limited*)[Note 1]	Interest in corporation	194,033,408	68.32%
Mr. Lu Jianzhong	Interest in corporation	194,033,408	68.32%
Mr. Lu Shihui[Note 2]	Interest of child under the age of 18	194,033,408	68.32%
Ms. Zhu Ronghua[Note 3]	Interest of spouse	194,033,408	68.32%

Notes:

1. As at the Latest Practicable Date, the Offeror was wholly owned by Da Tang Xi Shi International Group Limited. Da Tang Xi Shi International Group Limited was wholly owned by 大唐西市文化產業投資集團有限公司 (Da Tang Xi Shi Investment Group Limited*)which was owned by Mr. Lu Jianzhong as to approximately 50.60%.

2. Mr. Lu Shihui is the child of Mr. Lu Jianzhong under the age of 18.

3. Ms. Zhu Ronghua is the spouse of Mr. Lu Jianzhong.

6. INTERESTS IN THE COMPANY AND THE OFFEROR AND ARRANGEMENTS IN CONNECTION WITH THE OFFER

As at the Latest Practicable Date,

(a) neither the Company nor the Directors was interested in or owned or controlled any shares, convertible securities, warrants, options or derivatives of the Offeror;

(b) save for the Sale Shares, neither the Offeror, its directors nor parties acting in concert with the Offeror was interested in or owned or controlled any Shares, derivatives, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into, Shares;

(c) there was no shareholding in the Company which the Offeror or any party acting in concert with it borrowed or lent;

(d) there was no shareholding in the Company which the Company or any Directors had borrowed or lent;

(e) none of the subsidiaries of the Company or pension fund of the Company or of a subsidiary of the Company or an adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company;

(f) save for the Sale Shares, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who was an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code or with the Offeror or any person acting in concert with it;

(g) no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by fund managers connected with the Company;

(h) no person had irrevocably committed himself or herself or itself to accept or reject the Offer;

(i) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer;

(j) there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror or any person acting in concert with it and any Director, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offer;

(k) there was no agreement or arrangement to which the Offeror was a party which related to the circumstances in which the Offeror may or may not invoke or seek to invoke a condition to the Offer;

(l) save for the Share Charge, the Offeror had no intention to transfer, charge or pledge the Shares acquired in pursuance of the Offer to any other persons; and

(m) As each of Mr. Pao Ping Wing, *JP*, Professor Yuen Ming Fai, Matthew, *Ph.D.* and Ms. Tse Mei Ha does not beneficially own any Shares, each of then is not entitled to the Offer. Mr. YT Leung, Mrs. Leung, Ms. Gillian Leung and Mr. Jerry Leung, each being a Director who is entitled to the Offer, intended to reject the Offer in respect of his/her own beneficial shareholdings in the Shares.

7. DEALINGS IN SECURITIES AND ARRANGEMENTS IN RELATION TO DEALINGS

During the Relevant Period,

(a) save for the Sale Shares and the Share Charge, neither the Offeror, its directors nor parties acting in concert with the Offeror had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company;

(b) none of the Company or the Directors had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Offeror;

(c) save as disclosed below, none of the Directors had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company:

(i) Mr. YT Leung bought 862,000 Shares during the period from 17 December 2014 to 6 January 2015, details as follows:

Date	**Number of Shares bought**	**Unit price of Shares** *(HK$)*
17 December 2014	100,000	1.06
17 December 2014	200,000	1.05
17 December 2014	100,000	1.04
18 December 2014	30,000	1.04
19 December 2014	50,000	1.07
19 December 2014	50,000	1.06
19 December 2014	50,000	1.05
22 December 2014	50,000	1.05
23 December 2014	28,000	1.04
30 December 2014	50,000	1.01
30 December 2014	50,000	1.00
5 January 2015	100,000	1.02
6 January 2015	4,000	0.98

(ii) pursuant to the Share Purchase Agreement, Mr. YT Leung, Mrs. Leung, Ms. Gillian Leung and Mr. Jerry Leung sold 8,413,608 Shares, 21,333 Shares, 593,045 Shares and 440,180 Shares respectively to the Offeror;

(iii) allotment and issuance of 2,751,154 Shares to Mr. YT Leung upon exercise of the Share Options granted to Mr. YT Leung at an exercise price of HK$0.798 on 6 July 2015;

(iv) allotment and issuance of 1,000,000 Shares to Mrs. Leung upon exercise of the Share Options granted to Mrs. Leung at an exercise price of HK$0.62 on 6 July 2015;

(v) allotment and issuance of 1,000,000 Shares to Ms. Gillian Leung upon exercise of the Share Options granted to Ms. Gillian Leung at an exercise price of HK$0.62 on 6 July 2015; and

(vi) allotment and issuance of 1,000,000 Shares to Mr. Jerry Leung upon exercise of the Share Options granted to Mr. Jerry Leung at an exercise price of HK$0.62 on 6 July 2015.

(d) no fund managers who were connected with the Company had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company which were managed on a discretionary basis;

(e) save as disclosed below, no person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company:

(i) allotment and issuance of 1,400,000 Shares to Mr. Li Kam Wa ("Mr. Li"), an associate of the Company by virtue of class (3) of the definition of "associate" under the Takeover Code, upon exercise of the Share Options granted to Mr. Li at an exercise price of HK$0.62 on 28 May 2015;

(ii) allotment and issuance of 396,000 Shares to Mr. Li upon exercise of the Share Options granted to Mr. Li at an exercise price of HK$2.02 on 3 June 2015;

(iii) allotment and issuance of 2,751,154 Shares to Mr. YT Leung, an associate of the Company by virtue of class (3) of the definition of "associate" under the Takeover Code, upon exercise of the Share Options granted to Mr. YT Leung at an exercise price of HK$0.798 on 6 July 2015;

(iv) allotment and issuance of 1,000,000 Shares to Mrs. Leung, an associate of the Company by virtue of class (3) of the definition of "associate" under the Takeover Code, upon exercise of the Share Options granted to Mrs. Leung at an exercise price of HK$0.62 on 6 July 2015;

(v) allotment and issuance of 1,000,000 Shares to Ms. Gillian Leung, an associate of the Company by virtue of class (3) of the definition of "associate" under the Takeover Code, upon exercise of the Share Options granted to Ms. Gillian Leung at an exercise price of HK$0.62 on 6 July 2015; and

(vi) allotment and issuance of 1,000,000 Shares to Mr. Jerry Leung, an associate of the Company by virtue of class (3) of the definition of "associate" under the Takeover Code, upon exercise of the Share Options granted to Mr. Jerry Leung at an exercise price of HK$0.62 on 6 July 2015;

and

(f) none of the subsidiaries of the Company and pension fund of the Company or of a subsidiary of the Company or an adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company.

The Offeror confirms that as at the Latest Practicable Date,

(i) the Offeror, its ultimate beneficial owner, and/or parties acting in concert with any of them had not received any irrevocable commitment to accept the Offer;

(ii) there was no outstanding derivative in respect of securities in the Company which has been entered into by the Offeror, its ultimate beneficial owner and/or any person acting in concert with any of them;

(iii) save for the Sale Shares, there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which exists between the Offeror, or any person acting in concert with the Offeror, and any other person, or between any other associate of the Offeror and any other person;

(iv) save for the Sale Shares, none of the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them owned or had control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company;

(v) save for the Share Purchase Agreement, there was no agreement or arrangement to which the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them was a party which relates to circumstances in which it might or might not invoke or seek to invoke a pre-condition or a condition to the Offer; and

(vi) there was no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror and/or any person acting in concert with any of them had borrowed or lent.

8. DIRECTORS' SERVICE CONTRACTS AND OTHER INTERESTS

The Company has entered into service agreements with the following Directors either (i) which was amended within six months before the commencement of the Offer Period; or (ii) for a fixed term of more than 12 months irrespective of notice period. Details of such service agreements are set out below:

1. The service agreement dated 7 May 2014 and entered into between Mr. YT Leung and the Company with a term of three years from 7 May 2014 to 6 May 2017 and entitlement of discretionary bonus as determined by the Company was amended by a supplemental agreement dated 25 February 2015 and entered into between Mr. YT Leung and the Company, pursuant to which (i) the annual remuneration of Mr. YT Leung was revised from HK$4,800,000 (fixed monthly salary of HK$400,000) to HK$60,000 (fixed monthly salary of HK$5,000) effective from 25 February 2015; and (ii) an additional clause was added as to termination of the supplemental agreement should not affect the employment agreements, if any, entered into between Mr. YT Yeung and the subsidiaries and/or associated companies of the Company;

2. The continuous service contract dated 25 February 2015 and entered into between Mr. YT Leung and UDL Ventures Limited, a wholly-owned subsidiary of the Company. Under the said service contract, Mr. YT Leung is entitled to an annual remuneration of HK$4,740,000 (fixed monthly salary of HK$395,000).

3. The continuous service contract dated 9 May 2005 and entered into between Ms. Gillian Leung and the Company with entitlement of discretionary bonus as determined by the Company was amended by a letter of revision of remuneration package dated 25 February 2015, pursuant to which the annual remuneration of Ms. Gillian Leung was revised from HK$420,000 (fixed monthly salary of HK$35,000), which was subsequently revised to HK$600,000 (fixed monthly salary of HK$50,000) effective from 1 August 2009, to HK$60,000 (fixed monthly salary of HK$5,000) effective from 25 February 2015;

4. The continuous service contract dated 25 February 2015 and entered into between Ms. Gillian Leung and UDL Ventures Limited with entitlement of discretionary bonus as determined by UDL Ventures Limited was amended by a letter of revision of remuneration package dated 1 April 2015, pursuant to which (i) the annual remuneration of Ms. Gillian Leung was revised from HK$540,000 (fixed monthly salary of HK$45,000) to HK$1,140,000 (fixed monthly salary of HK$95,000) effective from 1 April 2015; and (ii) an additional clause was added as to a share option would be granted to Ms. Gillian Leung up to 1% of the total issued share capital subject to approval by UDL Ventures Limited and replenished on annual basis subject to the outstanding options applicable.

5. The continuous service contract dated 1 October 2006 and entered into between Mr. Jerry Leung and the Company with entitlement of discretionary bonus as determined by the Company was amended by a letter of revision of remuneration package dated 25 February 2015, pursuant to which the annual remuneration of Mr. Jerry Leung was revised from HK$252,000 (fixed monthly salary of HK$21,000), which was subsequently revised to HK$600,000 (fixed monthly salary of HK$50,000) effective from 1 August 2009, to HK$60,000 (fixed monthly salary of HK$5,000) effective from 25 February 2015; and

6. The continuous service contract dated 25 February 2015 and entered into between Mr. Jerry Leung and UDL Ventures Limited with entitlement of discretionary bonus as determined by UDL Ventures Limited was amended by a letter of revision of remuneration package dated 1 April 2015, pursuant to which (i) the annual remuneration of Mr. Jerry Leung was revised from HK$540,000 (fixed monthly salary of HK$45,000) to HK$1,140,000 (fixed monthly salary of HK$95,000) effective from 1 April 2015; and (ii) an additional clause was added as to a share option would be granted to Mr. Jerry Leung up to 1% of the total issued share capital subject to approval by UDL Ventures Limited and replenished on annual basis subject to the outstanding options applicable.

Save as disclosed, as at the Latest Practicable Date, none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies (a) which (including continuous or fixed term contracts) were entered into or amended within six months before the commencement of the Offer Period; (b) which were continuous contracts with a notice period of 12 months or more; or (c) which were fixed term contracts with more than 12 months to run irrespective of the notice period.

As at the Latest Practicable Date, none of the Directors had entered into any service contract or had an unexpired service contract with any member of the Group which is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date, save and except the following transactions:

(a) provision of the revolving loan from Harbour Front Assets Investments Limited ("**HFAI**"), a wholly-owned subsidiary of Harbour Front, to the Company and/or UDL Ventures Limited to finance the working capital of the Company and its subsidiaries pursuant to the revolving finance agreement ("**Agreement**") dated 30 May 2009 and entered into between the Company, UDL Ventures Limited and HFAI, and as amended by (i) the supplemental agreement no. 1 to the Agreement dated 30 April 2011 and entered into between the Company, UDL Ventures Limited and HFAI; (ii) the supplemental agreement no. 2 to the Agreement dated 27 September 2011 and entered into between the Company, UDL Ventures Limited and HFAI; (iii) the supplemental agreement no. 3 to the Agreement dated 21 September 2012 and entered into between the Company, UDL Ventures Limited and HFAI; (iv) the supplemental agreement no. 4 to the Agreement dated 30 January 2013 and entered into between the Company, UDL Ventures Limited and HFAI; and (v) the supplemental agreement no. 5 to the Agreement dated 30 September 2014 and entered into between the Company, UDL Ventures Limited and HFAI; and

(b) provision of a loan of HK$1,500,000 from HFAI to UDL Ship Management Limited pursuant to the agreement dated 29 December 2014 and entered into between HFAI and UDL Ship Management Limited.

No benefit (other than statutory compensation) has been or will be given to any Director as compensation for loss of office or otherwise in connection with the Offer.

Save and except the Share Purchase Agreement, there was no material contract to which the Offeror is a party in which any Director has a material personal interest.

9. LITIGATION

As at the Latest Practicable Date, save as disclosed below, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries:

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$162,000,000 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. No substantial action has been taken by the second defendant. UDL Contracting is considering further actions on the case.

10. MATERIAL CONTRACTS

The Company or any of its subsidiaries had not, within the two years preceding the date of the Rule 3.7 Announcement, being 21 May 2015, and up to and including the Latest Practicable Date, entered into any contracts which was or might be material, other than contracts in the ordinary course of business carried on or intended to be carried on by the Group.

11. CONSENTS AND QUALIFICATIONS

The followings are the names and the qualifications of the professional advisers whose letters, opinions or advice are contained or referred to in this Composite Document:

Name	Qualifications
Kim Eng	a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and which is one of the joint financial advisers to the Offeror in respect of the Offer
China Galaxy	a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and which is one of the joint financial advisers to the Offeror in respect of the Offer

Hercules	a licensed corporation under the SFO permitted to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and which is the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the terms of the Offer

Kim Eng, China Galaxy and Hercules have given and have not withdrawn their respective written consents to the issue of this Composite Document with the inclusion herein of their respective letters, opinions or advice (as the case may be) and references to their names in the form and context in which they respectively appear.

As at the Latest Practicable Date, save as the Share Charge of China Galaxy, neither Kim Eng, China Galaxy nor Hercules had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

12. GENERAL

As at the Latest Practicable Date:

(a) The registered office of the Offeror was situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The directors of the Offeror were Mr. Lu Jianzhong and Mr. Wong Kwok Tung Gordon Allan, and the sole shareholder of the Offeror was Da Tang Xi Shi International Group Limited, and both of their correspondence address was Room 2506A, 25/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

(b) The registered office of the Company was situated at Crawford House, 4th Floor, 50 Cedar Avenue, Hamilton HM11, Bermuda. The Company's head office and principal place of business in Hong Kong was situated at Room 702, 7th Floor, Aitken Vanson Centre, 61 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong. The Board comprised Mr. Leung Yat Tung, Mrs. Leung Yu Oi Ling, Irene, Ms. Leung Chi Yin, Gillian and Mr. Leung Chi Hong, Jerry as executive Directors, and Mr. Pao Ping Wing, *JP*, Professor Yuen Ming Fai, Matthew, *Ph.D.* and Ms. Tse Mai Ha as independent non-executive Directors.

(c) The company secretary of the Company was Yuen Wing Yan, Winnie.

(d) The registered office of Kim Eng was situated at Level 30, Three Pacific Place, 1 Queen's Road East, Hong Kong.

(e) The registered office of China Galaxy was situated at Units 3501-07 & 3513-14, 35/F, Cosco Tower, Grand Millennium Plaza, 183 Queen's Road Central, Sheung Wan, Hong Kong.

(f) The registered office of the Independent Financial Adviser was situated at 1503 Ruttonjee House, 11 Duddell Street, Central, Hong Kong.

(g) In the event of inconsistency, the English texts of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese texts.

(h) The emoluments of the offeror's directors will not be affected by the Offer or by other associated transactions.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection, during the period from 27 July 2015, being the date of this Composite Document, for so long as the Offer remains open for acceptance, at (i) the website of the SFC at http://www.sfc.hk; (ii) the website of the Company at http://www.udl.com.hk/, and (iii) (during normal business hours from 9:00 a.m. to 5:00 p.m., except for Saturdays, Sundays and public holidays) at the head office and principal place of business in Hong Kong of the Company at Room 702, 7th Floor, Aitken Vanson Centre, 61 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong:

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

(b) the memorandum and articles of association of the Offeror;

(c) the annual report of the Group for each of the two financial years ended 31 July 2013 and 31 July 2014;

(d) the interim report of the Group for the six months ended 31 January 2015;

(e) a copy of this Composite Document;

(f) the letter dated 27 July 2015 from the Board as set out on pages 6 to 11 of this Composite Document;

(g) the letter dated 27 July 2015 from Kim Eng and China Galaxy as set out on pages 12 to 19 of this Composite Document;

(h) the letter dated 27 July 2015 from the Independent Board Committee to the Independent Shareholders as set out on pages 20 to 21 of this Composite Document;

(i) the letter dated 27 July 2015 from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders as set out on pages 22 to 38 of this Composite Document;

(j) the letters of consent referred to under the paragraph headed "Consents and qualifications" in this Appendix;

(k) the service agreements referred to under paragraph headed "Directors' service contracts and other interests" in this Appendix;

(l) the CGI Facility; and

(m) the Share Charge.