大唐西市

DA TANG XI SHI

ANNUAL REPORT
2015

大唐西市
DA TANG XI SHI

DTXS SILK ROAD INVESTMENT HOLDINGS COMPANY LIMITED
大唐西市絲路投資控股有限公司

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

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Lu Jianzhong *(Chairman)*
Mr. Wong Kwok Tung Gordon Allan
(Chief Executive Officer)
Mr. Yang Xingwen

Non-executive Directors
Mr. Wang Shi
Mr. Jean-Guy Carrier
Mr. Tse Yung Hoi

Independent Non-executive Directors
Mr. Cheng Yuk Wo
Mrs. Law Fan Chiu Fun, Fanny
Mr. Tsui Yiu Wa, Alec

AUDIT COMMITTEE

Mr. Cheng Yuk Wo *(Chairman)*
Mrs. Law Fan Chiu Fun, Fanny
Mr. Tsui Yiu Wa, Alec

NOMINATION COMMITTEE

Mr. Wong Kwok Tung Gordon Allan *(Chairman)*
Mr. Cheng Yuk Wo
Mr. Tsui Yiu Wa, Alec

REMUNERATION COMMITTEE

Mr. Tsui Yiu Wa, Alec *(Chairman)*
Mr. Wong Kwok Tung Gordon Allan
Mr. Cheng Yuk Wo

COMPANY SECRETARY

Ms. Yuen Wing Yan, Winnie

REGISTERED OFFICE

Crawford House
4th Floor
50 Cedar Avenue
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 811-817, 8/F
Bank of America Tower
12 Harcourt Road
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

Appleby Management (Bermuda) Limited
Canon's Court, 22 Victoria Street
Hamilton HM12
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

Crowe Horwath (HK) CPA Limited

LEGAL ADVISERS

As to Hong Kong laws:
DLA Piper Hong Kong

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

PRINCIPAL BANKERS

China Everbright Bank Hong Kong Branch
Bank of China (Hong Kong) Limited

WEBSITE

www.dtxs.com

STOCK CODE

620

Dear shareholders,

As the newly appointed Chairman of DTXS Silk Road Investment Holdings Company Limited (the "Company") on 8 December 2015, I am pleased to present my first Annual Report of the Company and its subsidiaries (the "Group") for the five-month ended 31 December 2015 and respectfully reflect on what the Group has accomplished on repositioning on corporate strategies during the period under review, since 大唐西市文化產業投資集團有限公司 ("DTXS Investment") becomes our new ultimate controlling shareholder in August 2015.

CHANGE OF COMPANY NAME

It was an important period under review to our Group. On 8 December 2015, the board of directors of the Company (the "Board") proposed to change the Company name from UDL Holdings Limited to DTXS Silk Road Investment Holdings Company Limited. This change not only provides the Company with a fresh corporate identity, but also better reflect the Company's business, strategy, corporate identity and the relationship between the Company and its new controlling shareholder. The change of Company name has been effective from 27 January 2016.

CHANGE OF FINANCIAL YEAR END DATE AND FINANCIAL RESULTS

In addition, in order to align with the financial year end date of a number of subsidiaries of the Company incorporated in the People's Republic of China and its controlling shareholder, thereby help facilitate the preparation of the audited consolidated financial statements and better planning in order to improve the overall operational efficiency of the Company and its subsidiaries, we changed the financial year end date of the Company from 31 July to 31 December. Accordingly, this annual report only covers the results of the Group for the five-month period from 1 August 2015 to 31 December 2015.

During the period under review, the Group recorded a total revenue of approximately HK$60.20 million (for the twelve months ended 31 July 2015: approximately HK$89.04 million). Net loss attributable to owners of the Company amounted to approximately HK$20.70 million (for the twelve months ended 31 July 2015: loss of approximately HK$38.14 million). The Board did not recommend a final dividend for the period under review.

Chairman's Statement

SHARE PLACEMENT AND OPEN OFFER

On 6 October 2015, the Company completed the placing of 55,023,081 new shares of the Company to independent third parties, at the price of HK$2.50 per new share pursuant to the terms and conditions of the placing agreement dated 15 September 2015. The net proceeds from the placing is approximately HK$137 million for general working capital and settlement of certain liabilities of the Group.

On 2 November 2015, the Company proposed to raise approximately HK$420.39 million before expenses by issuing 135,610,257 offer shares ("Offer Shares") at the price of HK$3.10 per Offer Share on the basis of 2 Offer Shares for every 5 existing issued shares of the Company held on 20 November 2015 (the "Open Offer") and payable in full on application. The Open Offer was completed on 9 December 2015 and net proceeds of the Open Offer is approximately HK$420 million.

The Company intends to apply the net proceeds from the Open Offer (i) approximately HK$48 million to repay loans; (ii) approximately HK$80 million for the development of online market for art and collections, including capital expenditure of core technology software and hardware acquisition and development, operational working capital and sales and marketing expenditure; (iii) approximately HK$108 million for acquisition of inventory for the online market platform, including old coins and Mao Tai wine; (iv) approximately HK$36 million for the expansion of the operation scale of the Group; and (v) the remaining for potential strategic partnership, vertical and horizontal acquisition opportunities which may create synergies for its art and cultural related businesses.

STRATEGIC AND BUSINESS REVIEW

Following the change of controlling shareholder, the Group will diversify its business with the objective of broadening its sources of income. It is the intention of the Group to invest in the art and collections related businesses to enrich its source of revenue. Leveraging from the strong cultural business background of our controlling shareholder, DTXS Investment, the Group plans to invest, develop and operate an online direct sales and online market place for art and collections including but not limited to wine, tea, coins and jewellery.

In line with this business strategy, the Group has announced certain transactions including an acquisition of the old coins and the Mao Tai wine for a consideration of HK$78.69 million and RMB24.32 million (approximately HK$29.84 million) respectively, and an acquisition of the jewellery for a consideration of HK$39.32 million which was completed on 17 December 2015.

INDUSTRY REVIEW AND OUTLOOK

In the year of 2015, China's economy faced relatively large downward pressure in the progress of structural reform and the shift of the driving force. The first half witnessed a downturn in investment and exportation. The Chinese government enforced a stable economic growth via proactive fiscal policies, sound monetary policies and stimulating policies in relative industries. Interest rate and required reserve ratio have been cut. Infrastructure investment has been increased, while tariff reduced. As a result, the national economy leveled out gradually in the fourth quarter. The third industries like finance and Internet developed rapidly, and the annual GDP reached a 6.9% growth rate.

Looking forward, the global economy is expected to improve, and the trend of growth for China's economy will remain. As the government prioritizes and supports the cultural industries, which offered larger space and better opportunities for development. Our Group will focus on on-line and off-line trade of cultural goods and cross-border e-commerce as our main business direction in future development of art and cultural related businesses. With the benefit from increasing in promoting the cultural industries by the Chinese government, we hold high expectations for the development of our Group. We will seize the opportunities, and repay the investors, clients and community with outstanding performance.

The Group, embracing with utmost determination and confidence, will face changes and challenges in the market and follow through the regulatory requirements of the cultural industries. We will strengthen the development from within and contribute even more to the Chinese cultural industries, thus expand our business in both domestic and foreign markets. Ultimately, the Group will put the Chinese cultural industries in the international arena.

DIRECTORS

During the period under review, certain changes were made to the Board. On 8 December 2015, while Dr. Lam Lee G. had resigned as a non-executive director, and Mr. Choi, Victor Wang Tao and Mr. Mak Ming Chuen had resigned as independent non-executive directors, we have seven members (including myself) joined our Board including Mr. Yang Xingwen as an executive director, Mr. Wang Shi, Mr. Jean-Guy Carrier and Mr. Tse Yung Hoi as non-executive directors, and Mrs. Law Fan Chiu Fun, Fanny and Mr. Tsui Yiu Wa, Alec as independent non-executive directors.

On behalf of the Board, I would like to extend my warm welcome to all the new members of the Board and I am confident that the new Board as a whole will continue to render significant contribution to the continuing growth of the Group.

APPRECIATION

Finally, on behalf of the Board, I would like to take this opportunity to express heartfelt appreciation to all our customers, business partners and shareholders for their enduring trust and support for the Group. I would also like to express my appreciation for my management team and all the staff of the Group for their continuing dedication and valuable contribution.

Lu Jianzhong
Chairman
30 March 2016

Management Discussion and Analysis

BUSINESS AND FINANCIAL REVIEW AND FUTURE PROSPECTS

In view of alignment with the financial year end date of a number of subsidiaries of the Company incorporated in the People's Republic of China ("PRC") and its controlling shareholder, which will facilitate the preparation of the audited consolidated financial statements and better planning in order to improve the overall operational efficiency of the Company and its subsidiaries, therefore the financial year end date of the Company was changed from 31 July to 31 December. It should be noted that the 2015 financial information presented herein which covered the five months from 1 August 2015 to 31 December 2015 are being compared with that for financial period which covered the twelve months ended 31 July 2015. The difference in duration of the two financial periods should be considered when making year-on-year comparisons.

The Group achieved revenue approximately HK$60.20 million for the five months ended 31 December 2015 (for the year ended 31 July 2015: HK$89.04 million) and recorded a loss of approximately HK$20.70 million for the five months ended 31 December 2015 (for the year ended 31 July 2015: loss of HK$38.14 million).

Sales of Jewellery

The sales of jewellery contributed a revenue of HK$38.53 million for the five months ended 31 December 2015 (for the year ended 31 July 2015: Nil) and a segment gain of HK$0.39 million (for the year ended 31 July 2015: Nil). It is a new business segment which generates a new source of income for the Group. As reference to the Company's announcement dated 7 December 2015 regarding a discloseable transaction for an acquisition of the jewellery, the Group plans to invest, develop and operate an online direct sales and online market place for high end art and collections including but not limited to wine, tea, coins and jewellery. During the five months ended 31 December 2015, the Group successfully completed its first jewellery transaction and considers that it will be one of the major business segments of the Group in the future.

Construction and Structural Steel Engineering

The Construction and Structural Steel Engineering sector recorded a revenue of HK$4.29 million (for the year ended 31 July 2015: HK$26.70 million) and a gain of HK$0.70 million (for the year ended 31 July 2015: loss of HK$8.52 million) for the five months ended 31 December 2015. After strong growth in the civil engineering construction industry in Hong Kong in previous years, such growth continues to slow down recently due to surging costs. The Group will keep on looking for new projects and means to mitigate the surging cost including improved design and construction method. Attention is drawn to the Company's announcement dated 16 October 2015 regarding a discloseable transaction related to this sector.

Marine Engineering

The Marine Engineering sector recorded a revenue of HK$17.37 million (for the year ended 31 July 2015: HK$62.34 million) and a loss of HK$21.71 million (for the year ended 31 July 2015: loss of HK$29.21 million) for the five months ended 31 December 2015. The Group continues to focus on the marine engineering sector in Hong Kong and will keep on looking for new projects in 2016.

Sales of Vessels

There was no revenue derived from the Sales of Vessels for the five months ended 31 December 2015 (for the year ended 31 July 2015: Nil). In the light of the forthcoming mega-infrastructure projects to be rolled out, the demand of specialized vessels and marine equipments will come and the management continues to explore opportunities in the vessel trade sector in the future.

LIQUIDITY AND FINANCIAL RESOURCES

The Group raised funds through placing and open offer of new shares during the five months ended 31 December 2015 and the details of net proceeds and usage are as below:

On 6 October 2015, the Company completed the placing of 55,023,081 new shares to independent third parties, at the price of HK$2.50 per new share pursuant to the terms and conditions of the placing agreement dated 15 September 2015. The net proceeds from the placing is approximately HK$137 million for general working capital and settlement of certain liabilities of the Group.

On 2 November 2015, the Company proposed to raise approximately HK$420.39 million before expenses by issuing 135,610,257 offer shares ("Offer Shares") at the price of HK$3.10 per Offer Share on the basis of 2 Offer Shares for every 5 existing shares of the Company in issue held on 20 November 2015 (the "Open Offer") and payable in full on application. The Open Offer was completed on 9 December 2015 and the net proceeds of the Open Offer is approximately HK$420.00 million. The Company intends to apply the net proceeds from the Open Offer (i) approximately HK$48 million to repay loans; (ii) approximately HK$80 million for the development of online market for art and collections, including capital expenditure of core technology software and hardware acquisition and development, operational working capital and sales and marketing expenditure; (iii) approximately HK$108 million for acquisition of inventory for the online market platform, including old coins and Mao Tai wine; (iv) approximately HK$36 million for the expansion of the operation scale of the Group; and (v) the remaining for potential strategic partnership, vertical and horizontal acquisition opportunities which may create synergies for its art and cultural related business.

As at 31 December 2015, total indebtedness balance of the Group was HK$76.20 million (31 July 2015: HK$141.78 million). The finance costs increased to HK$1.18 million (31 July 2015: HK$0.83 million). At the financial period end, bank and cash balances totalled HK$531.90 million, as compared with HK$81.96 million of the Group last year. The deposit in foreign currencies are mainly for the operation and projects in the PRC. The gearing ratio of the Group as a result, calculated by dividing total liabilities by total asset value, decreased to 10.86% (31 July 2015: 60.77%).

FOREIGN EXCHANGE EXPOSURE

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, other than outsourcing vendors but including contract workers, the Group has approximately 80 technical and working staff in Hong Kong and the PRC. Total staff costs of the Group, excluding contract workers, amounted to HK$12.00 million for the five months ended 31 December 2015, as compared with HK$26.20 million for the year ended 31 July 2015. There was no material change to the staff policy during the five months ended 31 December 2015. The Group encourages high productivity and remunerates its employees based on their qualification, work experiences, prevailing market prices and contribution to the Group. Incentives in the form of bonuses and share options may also be offered to eligible employees based on individual performance. The emoluments of the Directors and senior management of the Company are determined by the Remuneration Committee and approved by the Board, having regard to their individual duties and responsibility with the Company, remuneration benchmark in the industry and prevailing market condition.

EVENTS AFTER THE REPORTING PERIOD

(a) On 8 December 2015, the Company announced that, among others, in order to provide the Company with greater flexibility for future fund raising activities and investment opportunities as well as other corporate purposes, it proposed to increase the existing authorised share capital of the Company from HK$240,000,000 divided into 480,000,000 Shares to HK$2,500,000,000 divided into 5,000,000,000 Shares by creation of an additional 4,520,000,000 Shares (the "Proposal"), which shall rank pari passu in all respects with the existing shares. An ordinary resolution for the Proposal was duly passed in a special general meeting of the Company held on 25 January 2016.

(b) On 27 January 2016, the Company announced that a wholly-owned subsidiary of the Company entered into a memorandum of understanding in respect to a possible acquisition of 100% of the equity interests in a to-be set up subsidiary (the "Target Company") wholly-owned by 西安大唐西市置業有限公司 ("DTXS Property"), a subsidiary of the Company's ultimate controlling shareholder, DTXS Investment (the "Proposed Acquisition"). The Target Company will be established to hold a property (the "Property") which refers to the property interests located and rebuilt at the original site of the West Market, now the Tang West Market, and is at the middle section of the Silk Road Cultural Street, a unique cultural pedestrian street developed by the DTXS Property, with a total gross floor area of approximately 3,862.95 square meters. With the strategic location of the Property which possesses cultural value, the Group will be in the best position to develop and capitalized on the strong cultural business background of our controlling shareholder. The consideration for the Proposed Acquisition will be determined based on the valuation report of the Property which will be prepared and issued by an independent valuer to be agreed between the Group and the DTXS Investment. The consideration will be paid in Hong Kong dollars. Along with the Proposed Acquisition, the DTXS Investment will procure its wholly-owned subsidiary, Da Tang Xi Shi International Holdings Limited, to subscribe for new shares of the Company at the issue price of HK$3.2 per share (the "Subscription"). The total subscription price for the Subscription shall be equal to the amount of the consideration as set out above. The completion of the Proposed Acquisition and Subscription are subject to certain conditions precedent which, among others, are (a) the independent shareholders of the Company to approve (i) the allotment and issue of the Subscription Shares; (ii) the formal agreement and the transaction thereunder; (b) approval having been obtained from the Listing Committee of the Stock Exchange of Hong Kong Limited for the listing of, and permission to deal in, the Subscription Shares; and (c) the completion of the Subscription is conditional upon the completion of the Acquisition. Details of the Proposed Acquisition can be referred to the Company's announcement dated 27 January 2016.

(c) On 28 January 2016, the Company granted share options to certain eligible participants to subscribe for a total of 15,500,000 ordinary shares of HK$0.5 each in the capital of the Company, under the share option scheme adopted by the Company on 6 December 2012. Details of the grant of share options can be referred to the Company's announcement made on 28 January 2016.

(d) Reference is made to the announcements of the Company dated 2 November and 30 December 2015 in relation to the Old Coin Acquisition. On 31 March 2016, the Company announced that the Group has entered into a supplemental agreement with the Old Coin seller to extend the Long Stop Date to 30 June 2016 and to change the Old Coin Acquisition Completion to take place on or before 10:00 a.m. 4 July 2016, as further time is required by the Company for fulfillment of the condition precedent relating to the independent valuation report. Details of the extension of long stop date can be referred to the Company's announcement made on 31 March 2016.

(e) Reference is made to the announcements of the Company dated 2 November and 30 December 2015 in relation to Mao Tai Acquisition. On 31 March 2016, the Company announced the completion of first stage of Mao Tai Acquisition for 1,000 bottles of the Mao Tai Wine for the amount of RMB4.77 million (equivalent to approximately HK$5.72 million). It was further announced that the Group has entered into a supplemental agreement with the Wine Vendor to extend the Long Stop Date to 30 June 2016 as the Company requires further time for fulfilment of the condition precedent relating to the independent valuation report for the remaining 2,700 bottles of the Mao Tai Acquisition.

DIRECTORS

Executive Directors

Mr. Lu Jianzhong ("Mr. Lu"), aged 52, was appointed as the Chairman and an Executive Director of the Company on 8 December 2015. Mr. Lu graduated from Northwestern Polytechnical University (西北工業大學) with a Master in Industrial Engineering. He is the founding chairman and director of 大唐西市文化產業投資集團有限公司 ("DTXS Investment"), the ultimate controlling shareholder of the Company.

Mr. Lu has received many awards and honors including Special Government Allowances of the State Council as a National Expert (國務院特殊津貼專家); member of the Economic Committee of the Chinese Peoples' Political Consultative Conference (全國政協經濟委員會); chairman of the Silk Road Chamber of International Commerce (絲綢之路國際總商會), vice president of the China Chamber of International Commerce (CCOIC) (中國國際商會); chairman of the Cultural Industry Committee of CCOIC (中國國際商會文化產業委員會); vice president of China Private Cultural Industry Chamber of Commerce (中國民營文化產業商會); president of China Alliance of Private Museums (全國民辦博物館協作體); and consultant to the Association of Chinese Intangible Cultural Heritage Protection (中國非物質文化遺產保護協會).

Mr. Lu has also been awarded "The Third Session of National Outstanding Builders of the Socialism with Chinese Characteristic" (全國第三屆優秀中國特色社會主義事業建設者); "Annual Outstanding Individual of China Cultural Heritage Protection" (薪火相傳 – 中國文化遺產保護年度傑出人物); "Chinese Culture Leading Figure" (中華文化人物); "Annual Leading Figure of Chinese People" (中華兒女年度人物); "Top Ten Leading Figure of China Private Enterprises" (中國民營企業十大人物); "The Outstanding Shaanxi Businessman" (全球秦商風雲人物); and "Annual Leading Figure of Culture Industry in 2013" (2013中國文化產業年度人物).

Mr. Wong Kwok Tung Gordon Allan ("Mr. Wong"), aged 41, was appointed as an Executive Director of the Company on 29 July 2015 and as Chief Executive Officer on 2 November 2015. He was also appointed as chairman of nomination committee and member of remuneration committee of the Company with effect from 9 September 2015 and 2 November 2015 respectively. Mr. Wong has extensive financial and accounting experience in various industries, and has previously worked in an accounting firm and an investment bank. He holds a Bachelor of Commerce from the University of Sydney and is a member of the Institute of Chartered Accountants in Australia. He is also a director of Da Tang Xi Shi International Holdings Limited, the immediate controlling shareholder of the Company.

Mr. Yang Xingwen ("Mr. Yang"), aged 53, was appointed as an Executive Director of the Company on 8 December 2015. Mr. Yang graduated from Beijing Language and Literature Self-Study University (北京語言文學自修大學), with an associate degree in literature. He also studied at the Central Party School Correspondence College (中央黨校函授學院), majoring in economics, and obtained the professional title of economist. He is currently serving as the vice chairman of DTXS Investment and is in charge of all financial matters of the DTXS Investment and its subsidiaries. He is also a shareholder of DTXS Investment. Mr. Yang has extensive financial and accounting experience, and currently holds offices at Shaanxi Jia Xin Industry Group (陝西佳鑫實業集團), and Xi'an Wang Yuan Real Estate Development Co., Ltd (西安旺園房地產開發有限公司). He began his career in Shaanxi province and has previously worked for the People's Armed Forces Departments (人民武裝部), People's Court at Sanyuan County (三原縣人民法院), the People's Government at Dacheng town (大程鎮人民政府) and Xi'an Jia Xin Real Estate Co., Ltd. (西安佳鑫房地產有限公司).

Biographical Details of Directors and Senior Management

Non-executive Directors

Mr. Wang Shi ("Mr. Wang"), aged 67, was appointed as a Non-executive Director of the Company on 8 December 2015. Mr. Wang is a famous social worker and a cultural critic. He was enlisted in the year of 1968, and has taught at People's Liberation Army Academy of Art (中國人民解放軍藝術學院) and Peking University (北京大學), lectured on the Form Theory of Art, as well as the Introduction to Art. He started presided over the daily work of the Chinese Culture Promotion Society (中華文化促進會) from 1992, served as deputy secretary general and the secretary general. He is currently the president of Chinese Culture Promotion Society, and a part-time professor at National School of Administration (國家行政學院), as well as the honorary chairman of the Silk Road Chamber of International Commerce (絲綢之路國際總商會). Mr. Wang planned the "20th Century Classical Chinese Music" (20世紀華人音樂經典) activities and the compilation of "Twenty-Four Histories" (今注本二十四史). He also organised "Chinese Culture Summit" (中華文化論壇), "Chinese Culture's Person of the Year Award" (中華文化年度人物), "Cross-Strait Culture Dialogue" (兩岸人文對話) and a number of other major cultural projects. His main works include: Brief Analysis of Literature and Art (文藝簡論), Lu Xun and His Novels (魯迅與他的小説), Wreaths at the Foot of the Mountain (adaptation) (高山下的花環), In That Place Wholly Faraway (在那遙遠的地方) and Dunhuang Tales of the Night (敦煌夜譚).

Mr. Jean-Guy Carrier ("Mr. Carrier"), aged 70, was appointed as a Non-executive Director of the Company on 8 December 2015. He is the president of the consulting firm Carrier Walker International. He is the senior international advisor to the leadership of the Tang West Market Group, China (中國大唐西市集團). His work in China includes a position as senior fellow of the Chongyang Institute for Financial Studies at Beijing's Renmin University (北京中國人民大學重陽金融研究院). Mr. Carrier led the International Chamber of Commerce ("ICC") as Secretary General from 2010 to June 2014. He was also the director of ICC's Research Foundation from 2009 to 2014. His accomplishments as Secretary General of ICC include enhancing its role as the voice of international business through active participation in the policy process of the G20 group of governments. Mr. Carrier has occupied senior leadership positions with various international organisations, most notably with the World Trade Organisation, from 1996 to 2008. Mr. Carrier is the author of six books ranging from literature to studies of various sectors of public policy. He has edited several collections of works on aspects of international trade. Mr. Carrier obtained a Bachelor of Science from University of Ottawa. Mr. Carrier was born in Canada and has lived and worked in many regions of the world in the course of his international career.

Mr. Tse Yung Hoi ("Mr. Tse"), aged 63, was appointed as a Non-executive Director of the Company on 8 December 2015. Mr. Tse graduated from English studies from the department of foreign language of Fudan University in July 1975. He is currently the chairman and non-executive director of BOCI-Prudential Asset Management Limited. Mr. Tse serves as Non-official Member of HKSAR Financial Services Development Council (FSDC), Standing Committee Member of the Chinese General Chamber of Commerce and Permanent Honorary President of Hong Kong Chinese Securities Association. Mr. Tse is also the independent non-executive director of Hong Kong listed Global Tech (Holdings) Limited (stock code: 143), Huarong International Financial Holdings Limited (stock code: 993), iOne Holdings Limited (stock code: 982). He also serves as independent non-executive director of BOCOM International Holdings Company Limited and Shenzhen Qianhai Financial Holdings Company Ltd. He was independent non-executive director of China Life Insurance (Overseas) Company Limited for the period from 1 January 2010 to 31 March 2016. Mr. Tse was awarded the Bronze Bauhinia Star (BBS) by the government of HKSAR in 2013.

Independent Non-executive Directors

Mr. Cheng Yuk Wo ("Mr. Cheng"), aged 55, was appointed as an Independent Non-executive Director, chairman of audit committee and member of remuneration committee and nomination committee of the Company on 2 November 2015, respectively. He is a fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants, and a member of the Institute of Chartered Accountants of Ontario, Canada and the Chartered Professional Accountants of Canada. He is a co-founder of a Hong Kong merchant banking firm and is the proprietor of a certified public accountant practice in Hong Kong. Mr. Cheng obtained a Master of Science (Economics) in Accounting and Finance from the London School of Economics, England and a Bachelor of Arts (Honours) in Accounting from the University of Kent, England. Mr. Cheng had worked at Coopers and Lybrand (now known as PricewaterhouseCoopers) in London and with Swiss Bank Corporation (now known as UBS AG) in Toronto.

Mr. Cheng is also an independent non-executive director of Hong Kong listed CSI Properties Limited (stock code: 497), C.P. Lotus Corporation (stock code: 121), Chong Hing Bank Limited (stock code: 1111), Goldbond Group Holdings Limited (stock code: 172), HKC (Holdings) Limited (stock code: 190), CPMC Holdings Limited (stock code: 906), Top Spring International Holdings Limited (stock code: 3688), Liu Chong Hing Investment Limited (stock code: 194) and Chia Tai Enterprises International Limited (stock code: 3839). In the last three years preceding the date of his appointment, he was an independent non-executive director of Imagi International Holdings Limited (stock code: 585), South China Land Limited (stock code: 8155) and an executive director of Huanxi Media Group Limited (formerly known as 21 Holdings Limited) (stock code: 1003).

Mrs. Law Fan Chiu Fun, Fanny ("Mrs. Law"), aged 62, was appointed as an Independent Non-executive Director and member of audit committee of the Company on 8 December 2015. Mrs. Law graduated from the University of Hong Kong with an Honours degree in Science. She received a Master in Public Administration from Harvard University and was named a Littauer Fellow. She also has a Master in Education from The Chinese University of Hong Kong. Prior to her retirement from civil service in 2007, Mrs. Law was the Commissioner of the Hong Kong Independent Commission Against Corruption. During her 30 years in civil service, Mrs. Law worked in many fields, including medical and health, economic services, housing, land and planning, home affairs, social welfare, civil service, transport and education. Mrs. Law is currently a Hong Kong SAR Deputy to the 12th National People's Congress of the People's Republic of China, a member of the Executive Council of the Government of Hong Kong SAR, a director of the Fan Family Trust Fund, the special advisor to the China-US Exchange Foundation and the honorary principal of Ningbo Huizhen Academy (寧波惠貞書院). She is also an independent non-executive director of Hong Kong listed China Unicom (Hong Kong) Limited (stock code: 762) and CLP Holdings Limited (stock code: 002), and the chairperson of the Hong Kong Science and Technology Parks Corporation.

Mr. Tsui Yiu Wa, Alec ("Mr. Tsui"), aged 66, was appointed as an Independent Non-executive Director, chairman of remuneration committee and member of audit committee and nomination committee of the Company on 8 December 2015. Mr. Tsui graduated from the University of Tennessee with a Bachelor of Science and holds a Master of Engineering in Industrial Engineering. He completed the Program for Senior Managers in Government at the John F. Kennedy School of Government at Harvard University. Mr. Tsui has extensive experience in finance and administration, corporate and strategic planning, information technology and human resources management, having served at various international companies. He held key positions at the Securities and Futures Commission prior to joining The Hong Kong Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 1994 as an executive director of the Finance and Operations Services Division and became the chief executive in 1997. He was the chairman of the Hong Kong Securities Institute from 2001 to 2004. He was an advisor and a council member of the Shenzhen Stock Exchange from July 2001 to June 2002.

Mr. Tsui previously served as an independent non-executive director of certain Hong Kong listed companies, namely China Chengtong Development Group Limited (stock code: 217), Melco Crown Entertainment Limited (stock code: 6883) and China Oilfield Services Limited (stock code: 2883), a company also listed on The Shanghai Stock Exchange (stock code: 601808) in the last three years preceding the date of appointment.

Mr. Tsui is currently the chairman of WAG Worldsec Corporate Finance Limited, an independent non-executive director of a number of listed public companies including COSCO International Holdings Limited (stock code: 517), China Power International Development Limited (stock code: 2380), Pacific Online Limited (stock code: 543), Summit Ascent Holdings Limited (stock code: 102) and Kangda International Environmental Company Limited (stock code: 6136), all of which are listed on the Hong Kong Stock Exchange, Melco Crown Entertainment Limited (stock code: MPEL), a company listed on NASDAQ and Melco Crown (Philippines) Resorts Corporation (stock code: MCP), a company listed on the Philippine Stock Exchange and an independent director of ATA Inc. (stock code: ATAI), a company listed on NASDAQ. He is also an independent non-executive director of Industrial & Commercial Bank of China (Asia) Limited ("ICBC (Asia)") starting from 2000. ICBC (Asia) was listed on the Stock Exchange until December 2010 when it was privatized.

SENIOR MANAGEMENT

The businesses of the Group are under the direct responsibilities of the executive Directors of the Company who are regarded as senior management of the Group.

The board of directors of the Company (the "Board") has committed to maintain high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has applied the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The Board is of the view that throughout the five-month period from 1 August 2015 to 31 December 2015 (the "Period"), the Company has complied with all the code provisions as set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors of the Company (the "Directors") and the Directors have confirmed that they have complied with the Model Code throughout the Period.

Senior management who, because of their office in the Company, are likely to be in possession of unpublished inside information, have also been requested to comply with the provisions of the Model Code.

BOARD OF DIRECTORS

The Board currently comprises 9 members, consisting of 3 Executive Directors, 3 Non-executive Directors and 3 Independent Non-executive Directors, as follows:

Executive Directors:
Mr. Lu Jianzhong *(Chairman) (appointed on 8 December 2015)*
Mr. Wong Kwok Tung Gordon Allan *(Chief Executive Officer) (appointed as Chief Executive Officer on 2 November 2015)*
Mr. Yang Xingwen *(appointed on 8 December 2015)*

Non-executive Directors:
Mr. Wang Shi *(appointed on 8 December 2015)*
Mr. Jean-Guy Carrier *(appointed on 8 December 2015)*
Mr. Tse Yung Hoi *(appointed on 8 December 2015)*

Independent Non-executive Directors:
Mr. Cheng Yuk Wo *(appointed on 2 November 2015)*
Mrs. Law Fan Chiu Fun, Fanny *(appointed on 8 December 2015)*
Mr. Tsui Yiu Wa, Alec *(appointed on 8 December 2015)*

During the Period, the following changes of Board members had occurred:
Mr. Leung Yat Tung *(resigned on 2 November 2015)*
Mrs. Leung Yu Oi Ling, Irene *(resigned on 2 November 2015)*
Ms. Leung Chi Yin, Gillian *(resigned on 2 November 2015)*
Mr. Leung Chi Hong, Jerry *(resigned on 2 November 2015)*
Dr. Lam Lee G. *(appointed on 9 October 2015 and resigned on 8 December 2015)*
Mr. Pao Ping Wing, *JP (resigned on 2 November 2015)*
Professor Yuen Ming Fai, Matthew, *Ph.D. (resigned on 2 November 2015)*
Ms. Tse Mei Ha *(resigned on 2 November 2015)*
Mr. Choi, Victor Wang Tao *(appointed on 2 November 2015 and resigned on 8 December 2015)*
Mr. Mak Ming Chuen *(appointed on 2 November 2015 and resigned on 8 December 2015)*

The biographical information of the current Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 9 to 12 of this annual report.

None of the members of the Board is related to one another.

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Mr. Lu Jianzhong and Mr. Wong Kwok Tung Gordon Allan respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally.

Independent Non-executive Directors

During the Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the Independent Non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors are independent.

Non-executive Directors and Directors' Re-election

Code provision A.4.1 of the CG Code stipulates that Non-executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the Non-executive Directors of the Company is appointed for a specific term of three years and is subject to retirement by rotation once every three years.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Company's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All Directors, including Non-executive Directors and Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive necessary induction and information to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate. All Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills.

During the Period, the Directors, namely Mr. Lu Jianzhong, Mr. Wong Kwok Tung Gordon Allan, Mr. Yang Xingwen, Mr. Wang Shi, Mr. Jean-Guy Carrier, Mr. Tse Yung Hoi, Mr. Cheng Yuk Wo, Mrs. Law Fan Chiu Fun, Fanny and Mr. Tsui Yiu Wa, Alec had participated in appropriate continuous professional training and/or reading materials relevant to the Company's businesses or to the Directors' duties and responsibilities.

BOARD COMMITTEES

The Board has established 3 committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which deal clearly with the respective committee's authority and duties. The terms of reference of each of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of each Board committee are Independent Non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

Audit Committee

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditor, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held one meeting during the Period. In the meeting, the Audit Committee had reviewed the audit fee for the five months ended 31 December 2015, the internal control review findings, the annual report of the Group for the year ended 31 July 2015 as well as the report prepared by the external auditor covering major findings in the course of its audit.

Remuneration Committee

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

No meeting of Remuneration Committee had been held during the Period. The Remuneration Committee signed a written resolutions on 9 October 2015.

Rule 3.25 of the Listing Rules requires an issuer to establish a Remuneration Committee chaired by Independent Non-executive Director and comprising a majority of Independent Non-executive Directors.

During the Period, Professor Yuen Ming Fai, Matthew, *Ph.D.*, the chairman of the Remuneration Committee, resigned as an Independent Non-executive Director and the chairman of the Remuneration Committee on 2 November 2015. Following the aforesaid resignation, Dr. Lam Lee G., the Non-executive Director of the Company, was appointed as the chairman of the Remuneration Committee on 2 November 2015, which was a deviation from Rule 3.25 of the Listing Rules by the Company. On 8 December 2015, Dr. Lam Lee G. resigned as the Non-executive Director and chairman of the Remuneration Committee and Mr. Tsui Yiu Wa, Alec was appointed as an Independent Non-executive Director and chairman of Remuneration Committee to comply with Rule 3.25 of the Listing Rules.

Nomination Committee

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of Independent Non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee met once to review the structure, size and composition of the Board and the independence of the Independent Non-executive Directors, and to consider the qualifications of the retiring Directors standing for election at the Annual General Meeting held on 30 November 2015. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective implementing the Board diversity policy.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each director at the Board and Board Committee meetings and the general meeting of the Company held during the Period set out in the table below:

	Attendance/Number of Meetings				
Name of Directors	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**	**Annual General Meeting**
Executive Directors					
Mr. Lu Jianzhong *(Chairman)*#	–	–	–	–	–
Mr. Wong Kwok Tung Gordon Allan *(also appointed as Chief Executive Officer^)*	6/6	1/1	–	–	1/1
Mr. Yang Xingwen#	–	–	–	–	–
Mr. Leung Yat Tung *(Chief Executive Officer)**	1/2	–	–	–	–
Mrs. Leung Yu Oi Ling, Irene *(Chairman)**	0/2	–	–	–	–
Ms. Leung Chi Yin, Gillian*	2/2	–	–	–	–
Mr. Leung Chi Hong, Jerry*	1/2	–	–	–	–
Non-executive Directors					
Mr. Wang Shi#	–	–	–	–	–
Mr. Jean-Guy Carrier#	–	–	–	–	–
Mr. Tse Yung Hoi#	–	–	–	–	–
Dr. Lam Lee G.**	4/6	–	–	–	0/1
Independent Non-executive Directors					
Mr. Cheng Yuk Wo^	4/4	–	–	–	1/1
Mrs. Law Fan Chiu Fun, Fanny#	–	–	–	–	–
Mr. Tsui Yiu Wa, Alec#	–	–	–	–	–
Mr. Pao Ping Wing, *JP**	1/2	1/1	–	1/1	–
Professor Yuen Ming Fai, Matthew, *Ph.D.**	1/2	1/1	–	1/1	–
Ms. Tse Mei Ha*	1/2	–	–	1/1	–
Mr. Choi, Victor Wang Tao@	4/4	–	–	–	0/1
Mr. Mak Ming Chuen@	4/4	–	–	–	0/1

* Resigned on 2 November 2015

^ Appointed on 2 November 2015

\# Appointed on 8 December 2015

@ Appointed on 2 November 2015 and resigned on 8 December 2015

** Appointed on 9 October 2015 and resigned on 8 December 2015

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the five months ended 31 December 2015.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 28 to 29.

AUDITOR'S REMUNERATION

The remuneration paid/payable to the external auditor of the Company, Crowe Horwath (HK) CPA Limited, in respect of audit services and non-audit services for the five months ended 31 December 2015 amounted to HK$1,000,000 and HK$287,000, respectively.

INTERNAL CONTROLS

During the Period under review, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Company and its subsidairies, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The assessment was made by discussions with the management of the Company, its external auditor and the review performed by the Audit Committee.

COMPANY SECRETARY

Ms. Yuen Wing Yan, Winnie of Tricor Services Limited, external service provider, has been engaged by the Company as its company secretary. Its primary contact person at the Company is Mr. Wong Kwok Tung Gordon Allan, Executive Director of the Company.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Putting Forward Proposals at General Meetings

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

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

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

The written requisition must:

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

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

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

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

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

Convening a Special General Meeting

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

The written requisition must:

– state the purpose of the special general meeting;

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

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

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

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Unit 811-817, 8/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong
(For the attention of the Board of Directors)
Fax: +852 2852 8521
Email: info@dtxs.com

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

During the Period, save for the change of the Company name, the Company has not made any changes to its Bye-Laws. An up-to-date version of the Company's Bye-Laws is also available on the Company's website and the Stock Exchange's website.

The board of directors (the "Board") of DTXS Silk Road Investment Holdings Company Limited (the "Company") is pleased to present the annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the five-month period from 1 August 2015 to 31 December 2015 (the "Period").

PRINCIPAL ACTIVITIES

The Group is principally engaged in (i) sales of jewellery; (ii) sales of vessels; (iii) marine engineering; and (iv) construction and structural steel engineering and related services. The principal activities and other particulars of the subsidiaries are set out in note 20 to the financial statements.

BUSINESS REVIEW

A review of the business of the Group and a discussion and analysis of the Group's performance during the Period and a discussion on the Group's future business development and outlook of the Company's business, possible risks and uncertainties that the Group may be facing and important events affecting the Company occurred during the Period are provided in the section headed "Chairman's Statement" on pages 3 to 5 and the section headed "Management Discussion and Analysis" on pages 6 to 8 of this annual report. This discussion forms part of this Directors' Report.

RESULTS AND DIVIDENDS

The results of the Group for the Period are set out in the Consolidated Statement of Profit or Loss on page 30 and the accompanying Notes to the Financial Statements.

The directors of the Company (the "Directors") do not recommend the payment of any dividend in respect of the Period (year ended 31 July 2015: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the Period, the Group's five largest customers in aggregate was about 75% (year ended 31 July 2015: 80%) of the total revenue of the Group and the largest customer included therein amount to approximately 22% (year ended 31 July 2015: 31%).

The percentage of purchases attributable to the Group's five largest suppliers in aggregate was about 76% (year ended 31 July 2015: 40%) of the total purchases of the Group and the largest suppliers include therein amount to approximately 69% (year ended 31 July 2015: 23%).

At any time during the Period, neither the Directors, their associates nor those shareholders which to the knowledge of the Directors own more than 5% of the Company's share capital, held any interest in the Group's five largest customers or suppliers.

SEGMENT INFORMATION

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

FIVE-YEAR FINANCIAL SUMMARY

A financial summary of the published results of the Group and of its assets and liabilities for the last five financial years is set out on page 114. The summary does not form part of the audited financial statements.

SHARE CAPITAL

Details of the Company's share capital during the Period are set out in note 28 to the financial statements.

RESERVES

Details of movements in reserves of the Company and the Group during the Period are set out in the Consolidated Statement of Changes in Equity on page 34 and note 29 to the financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Period are set out in note 15 to the financial statements.

DIRECTORS

The Directors as at the date of this report are:

Executive Directors:
Mr. Lu Jianzhong *(Chairman) (appointed on 8 December 2015)*
Mr. Wong Kwok Tung Gordon Allan *(also appointed as Chief Executive Officer on 2 November 2015)*
Mr. Yang Xingwen *(appointed on 8 December 2015)*

Non-executive Directors:
Mr. Wang Shi *(appointed on 8 December 2015)*
Mr. Jean-Guy Carrier *(appointed on 8 December 2015)*
Mr. Tse Yung Hoi *(appointed on 8 December 2015)*

Independent Non-executive Directors:
Mr. Cheng Yuk Wo *(appointed on 2 November 2015)*
Mrs. Law Fan Chiu Fun, Fanny *(appointed on 8 December 2015)*
Mr. Tsui Yiu Wa, Alec *(appointed on 8 December 2015)*

During the Period, the following changes of Board members had occurred:

- Mr. Leung Yat Tung *(resigned on 2 November 2015)*
- Mrs. Leung Yu Oi Ling, Irene *(resigned on 2 November 2015)*
- Ms. Leung Chi Yin, Gillian *(resigned on 2 November 2015)*
- Mr. Leung Chi Hong, Jerry *(resigned on 2 November 2015)*
- Dr. Lam Lee G. *(appointed on 9 October 2015 and resigned on 8 December 2015)*
- Mr. Pao Ping Wing, *JP (resigned on 2 November 2015)*
- Professor Yuen Ming Fai, Matthew, *Ph.D. (resigned on 2 November 2015)*
- Ms. Tse Mei Ha *(resigned on 2 November 2015)*
- Mr. Choi, Victor Wang Tao *(appointed on 2 November 2015 and resigned on 8 December 2015)*
- Mr. Mak Ming Chuen *(appointed on 2 November 2015 and resigned on 8 December 2015)*

Details of the profile of each current Director are set out in the Biographical Details of Directors and Senior Management section on pages 9 to 12.

In accordance with bye-law 182(vi) of the Company's bye-laws ("Bye-Laws") and the code provisions in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Mr. Yang Xingwen, Mr. Wong Kwok Tung Gordon Allan and Mr. Cheng Yuk Wo shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the Independent Non-executive Directors are independent.

During the Period, the changes in the information of the Directors of the Company as required to be disclosed pursuant to the Rule 13.51B of the Listing Rules were as follows, in chronological order:

On 9 September 2015:
Mr. Wong Kwok Tung Gordon Allan was appointed as chairman of Nomination Committee of the Company.

On 9 October 2015:
Dr. Lam Lee G. was appointed as Non-executive Director of the Company.

On 2 November 2015:
- Mr. Leung Yat Tung resigned as Executive Director and chief executive officer of the Company.
- Mrs. Leung Yu Oi Ling, Irene resigned as Executive Director and chairman of the Board of the Company.
- Ms. Leung Chi Yin, Gillian resigned as Executive Director and member of Remuneration Committee of the Company.
- Mr. Leung Chi Hong, Jerry resigned as Executive Director on 2 November 2015.
- Mr. Pao Ping Wing, *JP* resigned as Independent Non-executive Director and member of Audit Committee, Remuneration Committee and Nomination Committee of the Company.
- Professor Yuen Ming Fai, Matthew, *Ph.D.* resigned as Independent Non-executive Director, chairman of Remuneration Committee and member of Audit Committee and Nomination Committee of the Company.
- Ms. Tse Mei Ha resigned as Independent Non-executive Director, chairman of Audit Committee and member of Remuneration Committee of the Company.
- Mr. Wong Kwok Tung Gordon Allan was appointed as chief executive officer and member of Remuneration Committee of the Company.
- Dr. Lam Lee G. was appointed as chairman of Remuneration Committee of the Company.
- Mr. Cheng Yuk Wo was appointed as Independent Non-executive Director, chairman of Audit Committee and member of Nomination Committee and Remuneration Committee of the Company.
- Mr. Choi, Victor Wang Tao was appointed as Independent Non-executive Director and member of Audit Committee of the Company.
- Mr. Mak Ming Chuen was appointed as Independent Non-executive Director and member of Audit Committee and Nomination Committee of the Company.

On 8 December 2015:
- Dr. Lam Lee G. resigned as Non-executive Director and chairman of Remuneration Committee of the Company.
- Mr. Choi, Victor Wang Tao resigned as Independent Non-executive Director and member of Audit Committee of the Company.
- Mr. Mak Ming Chuen resigned as Independent Non-executive Director and member of Audit Committee and Nomination Committee of the Company.
- Mr. Lu Jianzhong was appointed as Executive Director and chairman of the Company.
- Mr. Yang Xingwen was appointed as Executive Director of the Company.
- Mr. Jean-Guy Carrier was appointed as Non-executive Director of the Company.

- Mr. Tse Yung Hoi was appointed as Non-executive Director of the Company.
- Mr. Wang Shi was appointed as Non-executive Director of the Company.
- Mrs. Law Fan Chiu Fun, Fanny was appointed as Independent Non-executive Director and member of Audit Committee of the Company.
- Mr. Tsui Yiu Wa, Alec was appointed as Independent Non-executive Director, chairman of Remuneration Committee and member of Audit Committee and Nomination Committee of the Company.

Save as disclosed above, there is no change in information of the Directors of the Company since the date of the 2015 annual report for the year ended 31 July 2015 of the Company which is required to be disclosed pursuant to the Rule 13.51B of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

Mr. Wong Kwok Tung Gordon Allan has entered into an appointment letter with the Company commencing from 29 July 2015 under which he agreed to act as Executive Director for two years and is renewable automatically for successive terms of three years commencing from the day immediately after expiry of the current term. He will receive an annual Director's fee of HK$180,000 under the appointment letter.

Mr. Cheng Yuk Wo has entered into an appointment letter with the Company commencing from 2 November 2015 under which he agreed to act as Independent Non-executive Director for three years. The appointment may be terminated before such expiry by not less than one month written notice. He will receive an annual Director's fee of HK$360,000 under the appointment letter.

Mr. Lu Jianzhong and Mr. Yang Xingwen have each entered into an appointment letter with the Company commencing from 8 December 2015 respectively under which they have agreed to act as Executive Directors for three years. The appointment may be terminated before such expiry by not less than one month written notice. Each of them will receive an annual Director's fee of HK$360,000 under the appointment letter.

Mr. Jean-Guy Carrier, Mr. Tse Yung Hoi and Mr. Wang Shi, have each entered into an appointment letter with the Company commencing from 8 December 2015 respectively under which they have agreed to act as Non-executive Directors for three years. The appointment may be terminated before such expiry by not less than one month written notice. Each of them will receive an annual Director's fee of HK$360,000 under the appointment letter.

Mrs. Law Fan Chiu Fun, Fanny and Mr. Tsui Yiu Wa, Alec have each entered into an appointment letter with the Company commencing from 8 December 2015 respectively under which they have agreed to act as Independent Non-executive Directors for three years. The appointment may be terminated before such expiry by not less than one month written notice. Each of them will receive an annual Director's fee of HK$360,000 under the appointment letter.

Save as disclosed above, none of the Directors has, nor is it proposed that any of them will have, a service contract with the Company or any of its subsidiaries.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

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

COMPETING BUSINESS INTERESTS OF DIRECTORS

None of the Directors is interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the Period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, the interests and short positions of the Directors and chief executives of the Company or any of their associates in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required to be entered into the register required to be kept by the Company under section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were set out below:

Interests in shares of the Company

		Number of ordinary shares of HK$0.50 each and nature of interest		Approximate percentage of the Company's issued share capital
Name of Director	*Note*	**Personal**	**Other**	
Mr. Lu Jianzhong	1	–	325,680,424 (Long position)	68.62%

Note:

1. 325,680,424 shares are held by Da Tang Xi Shi International Holdings Limited ("Da Tang"). Da Tang is wholly owned by Da Tang Xi Shi International Group Limited, which is 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*) ("DTXS Investment"). Mr. Lu Jianzhong, being the controlling shareholder of DTXS Investment, was interested in 50.60% of the issued shares of DTXS Investment. As such, Mr. Lu Jianzhong is deemed to be interested in 325,680,424 shares of the Company.

* For identification purpose only

Interests in shares of an associated corporation

Directors' interests in the equity of DTXS Investment as an associated corporation are as follows:

Name of Directors	Number of shares	Approximate percentage of DTXS Investment's issued registered capital
Mr. Lu Jianzhong	110,000,000 (Long position)	50.60%
Mr. Yang Xingwen	30,000,000 (Long position)	13.80%

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executives of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, the interests and short positions of the substantial shareholders (other than the Directors of the Company) in the shares of the Company as recorded in the register as required to be kept by the Company under Section 336 of the SFO were as follows:

Interests in shares of the Company

Name of shareholders	*Note*	Number of ordinary shares of HK$0.50 each	Approximate percentage of the Company's issued share capital
Da Tang	1	325,680,424	68.62%
Da Tang Xi Shi International Group Limited	1	325,680,424	68.62%
DTXS Investment	1	325,680,424	68.62%
Ms. Zhu Ronghua	2	325,680,424	68.62%

Notes:

1. Da Tang, acquired a controlling interest in the Company on 29 June 2015, is wholly-owned by Da Tang Xi Shi International Group Limited. Da Tang Xi Shi International Group Limited is wholly-owned by DTXS Investment, which is owned as to approximately 50.6% by Mr. Lu Jianzhong and approximately 13.8% by Mr. Yang Xingwen.

2. Ms. Zhu Ronghua is deemed to be interested in 325,680,424 shares through the interest of her spouse, Mr. Lu Jianzhong.

Save as disclosed above, the Company has not been notified of any other interests or short positions in any shares, underlying shares or debt securities of the Company as required to be recorded in the register required to be kept by the Company under Section 336 of the SFO as at 31 December 2015.

SHARE OPTION SCHEME

Details of the Company's share option scheme during the Period are set out in note 30 to the financial statements.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group are set out in note 35 to the financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the Period.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

CONTINGENCIES AND LITIGATIONS

Details of the contingencies and litigations are set out in note 34 to the financial statements.

AUDITOR

The consolidated financial statements of the Company for the five-month period from 1 August 2015 to 31 December 2015 have been audited by Crowe Horwath (HK) CPA Limited, who has been appointed as the auditor of the Company since the last annual general meeting of the Company on 30 November 2015. A resolution will be tabled to the forthcoming annual general meeting of the Company to re-appoint Crowe Horwath (HK) CPA Limited as the auditor of the Company.

On behalf of the Board

Lu Jianzhong
Chairman

Hong Kong, 30 March 2016

國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
DTXS SILK ROAD INVESTMENT HOLDINGS COMPANY LIMITED
(FORMERLY KNOWN AS UDL HOLDINGS LIMITED)
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of DTXS Silk Road Investment Holdings Company Limited (formerly known as UDL Holdings Limited) (the "Company") and its subsidiaries set out on pages 30 to 113, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period from 1 August 2015 to 31 December 2015, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the period from 1 August 2015 to 31 December 2015 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 30 March 2016

Alvin Yeung Sik Hung
Practising Certificate Number: P05206

Consolidated Statement of Profit or Loss

For the five months ended 31 December 2015

	Note	Five months ended 31 December 2015 HK$'000	Year ended 31 July 2015 HK$'000
Revenue	*5*	**60,197**	89,042
Other revenue	*7*	**7,408**	8,889
Changes in inventories		**(39,320)**	–
Staff costs	*9(a)*	**(12,000)**	(26,167)
Marine, construction and structural steel engineering costs	*9(b)*	**(17,985)**	(77,528)
Depreciation and amortisation	*9(c)*	**(3,456)**	(8,132)
Loss on disposal of subsidiaries		**(1,473)**	(10,902)
Other operating expenses		**(11,294)**	(9,583)
Loss from operations		**(17,923)**	(34,381)
Finance costs	*8*	**(1,183)**	(831)
Share of losses of joint ventures	*19*	**(1,563)**	(2,930)
Loss before taxation	*9*	**(20,669)**	(38,142)
Income tax	*10*	**–**	–
Loss for the period/year attributable to owners of the Company		**(20,669)**	(38,142)
Loss per share			(Restated)
– Basic	*13*	**(6.23) cents**	(13.79) cents
– Diluted		**(6.23) cents**	(13.79) cents

The notes on pages 37 to 113 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the five months ended 31 December 2015

	Five months ended 31 December 2015 HK$'000	Year ended 31 July 2015 HK$'000
Loss for the period/year	**(20,669)**	(38,142)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**(590)**	(174)
Reclassification of exchange reserve upon disposal of subsidiaries	**(2,656)**	(6,081)
Other comprehensive loss for the period/year	**(3,246)**	(6,255)
Total comprehensive loss for the period/year attributable to owners of the Company	**(23,915)**	(44,397)

The notes on pages 37 to 113 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2015

	Note	At 31 December 2015 HK$'000	At 31 July 2015 HK$'000
Non-current assets			
Property, plant and equipment	15	**46,538**	47,910
Lease prepayments	16	**412**	462
Club membership	17	**–**	200
Interests in joint ventures	19(a)	**42,904**	46,824
Other receivables		**120**	320
Loan receivables	22(c)	**948**	948
		90,922	96,664
Current assets			
Inventories	21	**5,967**	5,975
Lease prepayments	16	**72**	75
Trade and other receivables	22	**58,766**	20,478
Amount due from an associate	18(a)	**–**	1,893
Amount due from a joint venture	19(b)	**2,275**	6,017
Amounts due from customers for contract work	23	**11,847**	8,967
Amounts due from related parties	35(b)	**–**	11,269
Cash and cash equivalents	24	**531,896**	81,956
		610,823	136,630
Current liabilities			
Trade and other payables	25	**19,067**	17,336
Obligations under finance leases	26	**70**	68
Loan from a related company	35(f)	**41,044**	634
Amounts due to related parties	35(c)	**5,790**	7,051
Amount due to a joint venture	19(c)	**6,656**	8,104
Amounts due to customers for contract work	23	**1,710**	3,000
Amounts due to directors	35(d)	**–**	1,639
Amounts due to directors of subsidiaries	35(e)	**1,792**	–
		76,129	37,832
Net current assets		**534,694**	98,798
Total assets less current liabilities		**625,616**	195,462
Non-current liabilities			
Obligations under finance leases	26	**67**	97
Loan from a related company	35(f)	**–**	103,851
		67	103,948
NET ASSETS		**625,549**	91,514

Consolidated Statement of Financial Position

As at 31 December 2015

	Note	At 31 December 2015 HK$'000	At 31 July 2015 HK$'000
CAPITAL AND RESERVES			
Share capital	28	**237,318**	142,001
Reserves		**388,231**	(50,487)
TOTAL EQUITY		**625,549**	91,514

Approved and authorised for issue by the Board of Directors on 30 March 2016.

Lu Jianzhong
Director

Wong Kwok Tung Gordon Allan
Director

The notes on pages 37 to 113 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the five months ended 31 December 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	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 28	*Note 29(b)(i)*	*Note 29(b)(v)*	*Note 29(b)(i)*	*Note 29(b)(iv)*	*Note 29(b)(iii)*	*Note 29(b)(vi)*	*Note 29(b)(vii)*				
At 1 August 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
Changes in equity:												
Loss for the year	–	–	–	–	–	–	–	–	(38,142)	(38,142)	–	(38,142)
Reclassification of exchange reserve upon disposal of subsidiaries	–	–	–	–	(6,081)	–	–	–	–	(6,081)	–	(6,081)
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	(174)	–	–	–	–	(174)	–	(174)
Total comprehensive loss for the year	–	–	–	–	(6,255)	–	–	–	(38,142)	(44,397)	–	(44,397)
Issuance of shares upon exercise of share options	4,443	5,902	(3,791)	–	–	–	–	–	–	6,554	–	6,554
Transfer upon disposal of subsidiaries	–	–	–	–	–	–	(36)	–	36	–	–	–
Lapse of share options	–	–	(7)	–	–	–	–	–	7	–	–	–
At 31 July 2015 and 1 August 2015	142,001	332,726	–	1,264	6,933	1,054,095	5,574	5,223	(1,456,302)	91,514	–	91,514
Changes in equity:												
Loss for the period	–	–	–	–	–	–	–	–	(20,669)	(20,669)	–	(20,669)
Reclassification of exchange reserve upon disposal of subsidiaries	–	–	–	–	(2,656)	–	–	–	–	(2,656)	–	(2,656)
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	(590)	–	–	–	–	(590)	–	(590)
Total comprehensive loss for the period	–	–	–	–	(3,246)	–	–	–	(20,669)	(23,915)	–	(23,915)
Share issued by placing of share	27,512	110,046	–	–	–	–	–	–	–	137,558	–	137,558
Share issued on open offer	67,805	352,587	–	–	–	–	–	–	–	420,392	–	420,392
At 31 December 2015	237,318	795,359	–	1,264	3,687	1,054,095	5,574	5,223	(1,476,971)	625,549	–	625,549

The notes on pages 37 to 113 form part of these financial statements.

Consolidated Statement of Cash Flows

For the five months ended 31 December 2015

	Five months ended 31 December 2015 HK$'000	Year ended 31 July 2015 HK$'000
Operating activities		
Loss before taxation	**(20,669)**	(38,142)
Adjustments for:		
Depreciation and amortisation	**3,483**	8,198
Impairment loss on trade and other receivables	**–**	1,231
Loss on disposal of subsidiaries	**1,473**	10,902
Interest expenses	**1,183**	831
Interest income	**(117)**	(326)
Share of losses of joint ventures	**1,563**	2,930
Changes in working capital:		
Increase in trade and other receivables	**(40,190)**	(1,284)
Increase in amounts due from customers for contract work	**(2,911)**	(1,147)
Decrease/(increase) in amounts due from related parties	**11,269**	(11,269)
Decrease in balances with associates	**1,893**	1,246
Decrease/(increase) in balances with joint ventures	**107**	(4,949)
Increase in trade and other payables	**1,730**	1,482
Increase in amounts due to related parties	**1,134**	179
(Decrease)/Increase in amounts due to customers for contract works	**(793)**	3,000
Decrease in amounts due to directors	**(1,612)**	(1,163)
Increase in amounts due to directors of subsidiaries	**1,792**	–
Cash used in operations	**(40,665)**	(28,281)
Interest received	**117**	326
Net cash used in operating activities	**(40,548)**	(27,955)
Investing activities		
Payment for purchase of property, plant and equipment	**(3,002)**	(164)
Net cash inflow on disposal of subsidiaries	**–**	1,097
Net cash (used in)/generated from investing activities	**(3,002)**	933

Consolidated Statement of Cash Flows

For the five months ended 31 December 2015

	Five months ended 31 December 2015 HK$'000	Year ended 31 July 2015 HK$'000
Financing activities		
Proceeds from shares issued upon exercise of share options	–	6,554
Proceeds from shares issued on open offer	420,392	–
Proceeds from shares issued by placing shares	137,558	–
Proceeds from loan from a related company	–	109,400
Receipt of other loan	200	9,880
Interest paid	(1,183)	(831)
Repayment of loan from a related company	(63,441)	(20,078)
Payment for capital element of finance lease obligations	(28)	(65)
Net cash generated from financing activities	493,498	104,860
Net increase in cash and cash equivalents	449,948	77,838
Cash and cash equivalents at 1 August	81,956	4,038
Effect of foreign exchange rate changes	(8)	80
Cash and cash equivalents at end of the period/year	531,896	81,956

The notes on pages 37 to 113 form part of these financial statements.

1. GENERAL INFORMATION

DTXS Silk Road Investment Holdings Company Limited (formerly known as UDL Holdings Limited) (the "Company") was incorporated in Bermuda as an exempted company with limited liability on 31 May 1991 under the Companies Act 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 Unit 811-817, 8/F., Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are sales of jewellery, sales 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 大唐西市文化產業投資集團有限公司 ("DTXS Investment"), a private limited liability company incorporated in the People's Republic of China (the "PRC"). This entity does not produce financial statements available for public use.

Change of company name and stock short name

Pursuant to a special resolution passed by the shareholders of the Company at the special general meeting held on 25 January 2016 and the approval by the Registrar of the Companies in Bermuda on 27 January 2016, the name of the Company has been changed from "UDL Holdings Limited太元集團有限公司" to "DTXS Silk Road Investment Holdings Company Limited大唐西市絲路投資控股有限公司". The stock short name for the trading of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been changed from "UDL HOLDINGS" to "DTXS SILK ROAD" in English and "大唐西市" in Chinese both with effect from 18 February 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Statement of compliance *(Continued)*

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(d) 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) Change of financial year end date

Pursuant to a resolution passed by the Board of Company on 8 December 2015, the Company's financial year end date has been changed from 31 July to 31 December in order to align with the financial year end date of its subsidiaries and its controlling shareholder incorporated in the PRC. Accordingly, the current financial period covers a five-month period from 1 August 2015 to 31 December 2015. The comparative figures cover a twelve-month period from 1 August 2014 to 31 July 2015, which may not be comparable with amounts shown for the current period.

(c) Basis of preparation of the financial statements

The consolidated financial statements for the period from 1 August 2015 to 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and joint ventures.

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 the historical cost basis except for floating craft and vessels which 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 amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of preparation of the financial statements *(Continued)*

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.

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

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

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

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 Cycle

Except as described below, the application of these amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current period and prior years and on the disclosures set out in these consolidated financial statements.

Annual Improvement to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, Related party disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

The HKICPA has issued a few amendments and new standards which are not yet effective for the period ended 31 December 2015 and which have not been adopted in these financial statements.

These include the following which may be relevant to the Group.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2016
[3] Effective for annual periods beginning on or after a date to be determined

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) 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 statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period 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(j)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) 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 period are recognised in the consolidated statement of profit or loss, 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 profit or loss and other 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 or made payments on behalf of the investee. 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Associates and joint ventures *(Continued)*

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(j)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(g) 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 revaluation 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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	$33\frac{1}{3}$% or over the remaining term of the lease, if shorter
Floating craft and vessels	10%
Furniture, fixtures and office equipment	10 – $33\frac{1}{3}$%
Plant, machinery and workshop equipment	10 – 25%
Motor vehicles	10 – $33\frac{1}{3}$%

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 reasonable 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 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 proceeds on disposal 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 accumulated losses and is not reclassified to profit or loss.

(h) Club memberships

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Lease 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 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 are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(j). 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Lease assets *(Continued)*

(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 as expenses 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.

(j) Impairment of assets

(i) Impairment of investments in equity securities 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 with its carrying amount in accordance with note 2(j)(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(j)(ii).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

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

– For trade receivables 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 (that is, 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 periods.

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 and other receivables 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 an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;
– lease prepayments; and
– investments in subsidiaries in the Company's statement of financial position

If any such indication exists, the asset's recoverable amount is estimated.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs 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 (that is, a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever 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 to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use, (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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 periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) 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. Cost is determined on the first-in, first-out, weighted average or specific identification methods as appropriate. 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.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are carried at cost less allowance for impairment of doubtful debts.

(m) 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(t)(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 work" (as an asset), or the "Amounts due to customers for contract work" (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".

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) 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.

(o) 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.

(p) 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.

(q) 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 period 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Employee benefits *(Continued)*

(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 using the Binomial Option Pricing Model, 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 share options, the total estimated fair value of the share 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 periods is charged/credited to the profit or loss for the period 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 share 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.

(r) Income tax

Income tax for the period 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 period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax *(Continued)*

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax *(Continued)*

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.

(s) Provisions and contingent liabilities

(i) Contingent liabilities assumed in business combinations

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

(ii) Other provision and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Provisions and contingent liabilities *(Continued)*

(ii) Other provision and contingent liabilities (Continued)

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.

(t) 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) When the outcome of a construction contract can be estimated reliably: 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 sales of vessels and sales of jewellery is recognised when the vessel and jewellery is delivered and title has passed.

(iii) Contract management fee, 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.

(u) Translation of foreign currencies

Foreign currency transactions during the period 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Translation of foreign currencies *(Continued)*

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 measured.

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 fluctuation 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.

(v) 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) 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).

(viii) The entity or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) 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 Chief Operating Decision Maker ("CODM"), being the Executive Directors of the Company, 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 and other 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. Credit terms of one to three years may be granted to customers for retention receivables. For the sales of jewellery transactions, the Group generally requires customers to settle billings within 90 days from the date of billing. Normally, the Group does not obtain collateral from customers. Management closely monitors the credit quality of other receivables and considers other receivables are of good credit quality.

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(a) Credit risk *(Continued)*

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 90% (31 July 2015: 99%) 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 22 to the financial statements.

(b) Liquidity risk

The Group's policy 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 set out the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities 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 can be required to pay.

	At 31 December 2015				
	Carrying amount *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Within 1 year or on demand *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*
Non-derivative financial liabilities					
Trade and other payables	19,067	19,067	19,067	–	–
Obligations under finance leases	137	143	75	68	–
Amount due to a joint venture	6,656	6,656	6,656	–	–
Amount due to related parties	5,790	5,790	5,790	–	–
Amount due to directors of subsidiaries	1,792	1,792	1,792	–	–
Loans from related companies	41,044	43,096	43,096	–	–
	74,486	76,544	76,476	68	–

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Liquidity risk *(Continued)*

	At 31 July 2015				
	Carrying amount *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Within 1 year or on demand *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*
Non-derivative financial liabilities					
Trade and other payables	17,336	17,336	17,336	–	–
Obligations under finance leases	165	174	75	75	24
Amounts due to related parties	7,051	7,051	7,051	–	–
Amount due to a joint venture	8,104	8,104	8,104	–	–
Amounts due to directors	1,639	1,639	1,639	–	–
Loans from related companies	104,485	111,855	5,840	106,015	–
	138,780	146,159	40,045	106,090	24

(c) Interest rate risk

The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. At 31 December 2015, it is estimated that a general increase/decrease of 100 basis points in interest rate, with all other variables being held constant, would increase/decrease the Group's loss after tax by approximately HK$344,000 (31 July 2015: HK$874,000).

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 for all non-derivative financial instruments in existence at that date. The analysis is performed on the same basis for year ended 31 July 2015.

(d) Currency risk

The Group has foreign currency assets and liabilities that are denominated in a currency other than the functional currency of the Group. 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 are recognised in profit or loss.

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Currency risk *(Continued)*

The Group is exposed to currency risk which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Renminbi. Management of the Group continuously monitors the Group's exposure to such foreign currency risks to ensure that they are at manageable levels.

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 of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date.

	At 31 December 2015 ***Renminbi*** ***'000***	At 31 July 2015 *Renminbi* *'000*
Trade and other receivables	**122**	152
Cash at banks	**68**	160
Trade and other payables	**(62)**	(915)
	128	(603)

(e) Reliance on major customers

For the period ended 31 December 2015, the largest and the five largest customers of the Group accounted for in aggregate approximately 22% (year ended 31 July 2015: 31%) and 75% (year ended 31 July 2015: 80%) respectively of the Group's total revenue, evidencing a significant reliance on the Group's largest customer for the period ended 31 December 2015. During the period ended 31 December 2015 and year ended 31 July 2015, the Group had not encountered any material disruption of sales.

(f) Fair values

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially from their fair values as at 31 December 2015 and 31 July 2015.

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 the current price in an active market for similar assets 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 fair value less cost of disposal. 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 fair value less cost of disposal, 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.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(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(k). 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 periods and affect the Group's net asset value.

(f) Impairment of interests in subsidiaries and joint ventures

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

(g) Depreciation and amortisation

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. 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(m), the Group uses the percentage of completion method to determine the appropriate revenue to be recognised in a given period.

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) Outstanding litigations

As detailed in note 34 to the financial statements, the Group had contingent liabilities in respect of legal proceedings in Hong Kong. The directors are of the opinion, after having sought the legal advice from the Company's legal counsel, that the claim can be successfully defended. As a result, no provision has been made in the financial statements.

5. REVENUE

The principal activity of the Company is investment holding. The principal activities of the subsidiaries which materially affected the results or assets of the Group during the period/year include sales of jewellery, marine engineering and construction and structural steel engineering work.

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

	Five months ended 31 December 2015 HK$'000	Year ended 31 July 2015 HK$'000
Revenue from:		
Sales of jewellery	**38,534**	–
Marine engineering	**17,369**	62,338
Construction and structural steel engineering	**4,294**	26,704
	60,197	89,042

The revenue of the Group for the year ended 31 December 2015 amounted to HK$117,077,000, comprising revenue from sales of jewellery, marine engineering and construction and structural steel engineering of HK$38,534,000, HK$56,367,000 and HK$22,176,000 respectively.

6. SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by business lines. 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 resources allocation and performance assessment, the Group has four reportable segments as below. No operating segments have been aggregated to form the following reportable segments.

- Sales of jewellery
- Marine engineering
- Construction and structural steel engineering
- Sales of vessels

During the period, the Group has entered into a new segment of sales of jewellery.

6. SEGMENT INFORMATION *(Continued)*

(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. Segment results represents the profit/(loss) earned by each segment without allocation of interest income from bank deposits/bank balances, certain unallocated corporate other revenue and income, corporate expenses and finance costs. No inter-segment sales have occurred for the five months ended 31 December 2015 and the year ended 31 July 2015.

Segment assets include all tangible, intangible assets and current assets with exception of other corporate assets. Segment liabilities include trade and other payables, amounts due to customers for contracts works, obligations under finance leases and amount due to a joint venture and related parties attributable to the individual segment.

	Sales of jewllery		Marine engineering		Construction and structural steel engineering		Sales of vessels		Consolidated	
	31 December 2015 HK$'000	31 July 2015 HK$'000	**31 December 2015 HK$'000**	31 July 2015 HK$'000	**31 December 2015 HK$'000**	31 July 2015 HK$'000	**31 December 2015 HK$'000**	31 July 2015 HK$'000	**31 December 2015 HK$'000**	31 July 2015 HK$'000
Reportable segment revenue:										
Revenue from external customers	**38,534**	–	**17,369**	62,338	**4,294**	26,704	**–**	–	**60,197**	89,042
Reportable segment results	**394**	–	**(21,705)**	(29,207)	**703**	(8,518)	**–**	(596)	**(20,608)**	(38,321)
Unallocated head office and corporate other revenue and income									**4,755**	8,888
Unallocated head office and corporate expenses									**(3,633)**	(7,878)
Unallocated finance costs									**(1,183)**	(831)
Loss before taxation									**(20,669)**	(38,142)

6. SEGMENT INFORMATION *(Continued)*

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

	Sales of jewellery		Marine engineering		Construction and structural steel engineering		Sales of vessels		Consolidated	
	31 December 2015 HK$'000	31 July 2015 HK$'000	31 December 2015 HK$'000	31 July 2015 HK$'000	31 December 2015 HK$'000	31 July 2015 HK$'000	31 December 2015 HK$'000	31 July 2015 HK$'000	31 December 2015 HK$'000	31 July 2015 HK$'000
ASSETS										
Reportable segment assets	35,742	–	622,436	46,108	43,004	124,451	–	61,369	701,182	231,928
Unallocated head office and corporate assets	–	–	–	–	–	–	–	–	563	1,366
Total consolidated assets									701,745	233,294
LIABILITIES										
Reportable segment liabilities	–	–	76,142	122,276	13	10,286	–	9,160	76,155	141,722
Unallocated head office and corporate liabilities	–	–	–	–	–	–	–	–	41	58
Total consolidated liabilities									76,196	141,780
OTHER INFORMATION										
Interest in joint ventures	–	–	–	–	42,904	46,824	–	–	42,904	46,824
Capital expenditure incurred during the period/year	–	–	3,002	128	–	–	–	36	3,002	164
Share of loss of joint ventures	–	–	–	–	1,563	2,930	–	–	1,563	2,930
Interest income	–	–	92	318	25	8	–	–	117	326
Depreciation and amortisation	–	–	3,361	8,132	95	–	–	–	3,456	8,132
Impairment loss on other receivables	–	–	–	635	–	–	–	596	–	1,231

6. SEGMENT INFORMATION *(Continued)*

(b) Geographical information

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

	Hong Kong		PRC		Consolidated	
	31 December 2015	31 July 2015	**31 December 2015**	31 July 2015	**31 December 2015**	31 July 2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**60,197**	89,042	**–**	–	**60,197**	89,042
Specified non-current assets	**46,406**	47,755	**544**	617	**46,950**	48,372

(c) Information about major customers

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

	Five months ended 31 December 2015	Year ended 31 July 2015
	HK$'000	*HK$'000*
Revenue from sales of jewllery		
– Customer A	**13,455**	–
– Customer B	**8,408**	–
– Customer C	**7,996**	–
Revenue from marine engineering:		
– Customer D	**9,498**	27,651
– Customer E	**–**	15,912
Revenue from construction and structural steel engineering:		
– Customer F	**–**	12,517
	39,357	56,080

7. OTHER REVENUE

	Five months ended 31 December 2015 ***HK$'000***	Year ended 31 July 2015 *HK$'000*
Total interest income on financial assets not at fair value through profit or loss	**117**	326
Others		
– Sundry income	**2**	402
– Handling charges	**1,180**	–
– Contract management fee income	**6,109**	8,161
	7,408	8,889

8. FINANCE COSTS

	Five months ended 31 December 2015 ***HK$'000***	Year ended 31 July 2015 *HK$'000*
Interest on loans from related companies	**1,182**	825
Finance charges on obligations under finance leases	**1**	6
Total interest expense on financial liabilities not at fair value through profit or loss	**1,183**	831

9. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	Five months ended 31 December 2015 HK$'000	Year ended 31 July 2015 HK$'000
(a) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**11,901**	25,962
Contributions to defined contribution retirement plans	**99**	205
	12,000	26,167
(b) Marine, construction and structural steel engineering costs		
Subcontracting, direct engineering and material costs	**8,425**	51,944
Direct overheads	**793**	1,924
Repairs, maintenance and vessel security	**3,940**	11,982
Transportation cost	**4,827**	11,678
	17,985	77,528
(c) Depreciation and amortisation		
Depreciation of property, plant and equipment	**3,425**	8,057
Amortisation of lease prepayments	**31**	75
	3,456	8,132
(d) Other items		
Auditor's remuneration		
– Audit services	**1,000**	1,200
– Non-audit services	**287**	80
Operating lease charges in respect of land and buildings	**1,800**	2,108
Impairment loss on other receivables	**–**	1,231
Net foreign exchange loss	**207**	29

10. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Income tax in the consolidated statement of profit or loss represents:

	Five months ended 31 December 2015 *HK$'000*	Year ended 31 July 2015 *HK$'000*
Current tax		
– Income tax	**–**	–
– Under-provision in respect of prior periods	**–**	–
	–	–

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% of the estimated assessable profit for both current period and prior 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 current period and prior year.

The PRC subsidiaries of the Group are subject to PRC Corporate Income Tax rate of 25% for both current period and prior 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 current period and prior year.

10. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*

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

	At 31 December 2015 ***HK$'000***	At 31 July 2015 *HK$'000*
Loss before taxation	**(20,669)**	(38,142)
Notional tax on loss before income tax, calculated at the rates applicable in the tax jurisdiction concerned	**(3,410)**	(6,448)
Tax effect of non-deductible expenses	**994**	2,962
Tax effect of non-taxable income	**(27)**	(225)
Tax effect of temporary differences	**795**	1,568
Tax effect of tax losses utilised	**–**	(3,226)
Tax effect of unused tax losses not recognised	**1,648**	5,369
Tax expense	**–**	–

For the period ended 31 December 2015, the share of tax credit attributable to joint venture amounting to HK$Nil (year ended 31 July 2015: the share of tax loss of HK$60,000) was included in "share of losses of joint ventures" in the consolidated statement of profit or loss and no share of tax expense was attributable to an associate.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and the chief executive's emoluments are as follows:

	Five months ended 31 December 2015					
	Fees *HK$'000*	Salaries allowances and benefits in kind *HK$'000*	Discretionary Bonuses *HK$'000*	Share-based payments *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total *HK$'000*
Executive Directors						
Lu Jianzhong *(Chairman)*	–	23	–	–	–	23#
Wong Kwok Tung Gordon Allan *(Chief Executive Officer^)*	–	77	–	–	4	81
Yang Xingwen#	–	23	–	–	–	23
Leung Yat Tung*	–	1,990	–	–	8	1,998
Leung Yu Oi Ling, Irene*	–	348	–	–	5	353
Leung Chi Yin, Gillian*	–	490	–	–	8	498
Leung Chi Hong, Jerry*	–	15	–	–	1	16
Non-executive Directors						
Wang Shi#	23	–	–	–	–	23
Jean-Guy Carrier#	23	–	–	–	–	23
Tse Yung Hoi#	23	–	–	–	–	23
Dr. Lam Lee G.**	101	–	–	–	–	101
Independent Non-executive Directors						
Cheng Yuk Wo^	59	–	–	–	–	59
Law Fan Chiu Fun, Fanny#	23	–	–	–	–	23
Tsui Yiu Wa, Alec#	23	–	–	–	–	23
Pao Ping Wing*	31	–	–	–	–	31
Yuen Ming Fai, Matthew*	31	–	–	–	–	31
Tse Mei Ha*	31	–	–	–	–	31
Choi, Victor Wang Tao@	37	–	–	–	–	37
Mak Ming Chuen@	37	–	–	–	–	37
	442	2,966	–	–	26	3,434

* Resigned on 2 November 2015

^ Appointed on 2 November 2015

\# Appointed on 8 December 2015

@ Appointed on 2 November 2015 and resigned on 8 December 2015

** Appointed on 9 October 2015 and resigned on 8 December 2015

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

	Year ended 31 July 2015					
	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Discretionary Bonuses *HK$'000*	Share-based payments *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total *HK$'000*
Executive Directors						
Leung Yat Tung						
(Chief Executive Officer)	–	4,874	–	–	19	4,893
Leung Yu Oi Ling, Irene	–	472	–	–	18	490
Leung Chi Yin, Gillian	–	795	–	–	19	814
Leung Chi Hong, Jerry	–	359	–	–	12	371
Wong Kwok Tung Gordon Allan						
(appointed on 29 July 2015)	–	–	–	–	–	–
Independent Non-executive Directors						
Pao Ping Wing	122	–	–	–	–	122
Yuen Ming Fai, Matthew	122	–	–	–	–	122
Tse Mei Ha	122	–	–	–	–	122
	366	6,500	–	–	68	6,934

During the period ended 31 December 2015 and year ended 31 July 2015, 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 the current period and prior year.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three individuals (year ended 31 July 2015: four) were directors whose emoluments are disclosed in note 11 above. The emoluments in respect of the remaining two (year ended 31 July 2015: one) individuals are as follows:

	Five months ended 31 December 2015 *HK$'000*	Year ended 31 July 2015 *HK$'000*
Salaries and other emoluments	**1,375**	2,142
Retirement scheme contributions	**15**	18
	1,390	2,160

The emoluments of these highest paid individuals were within the following bands:

	Number of individual	
	Five months ended 31 December 2015	Year ended 31 July 2015
Nil – HK$1,000,000	**2**	–
HK$2,000,001 – HK$ 2,500,000	**–**	1

13. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK$20,669,000 (for the year ended 31 July 2015: loss of HK$38,142,000) and the weighted average number of 331,822,856 (for the year ended 31 July 2015: 276,558,331) ordinary shares in issue during the period, calculated as follows:

Weighted average number of ordinary shares

	Five months ended 31 December 2015 ***HK$'000***	Year ended 31 July 2015 *HK$'000* (restated)
Weighted average number of ordinary shares	**331,822,856**	276,558,331

The weighted average number of ordinary shares for the purpose of basic loss per share have been adjusted for the bonus element of the open offer completed in December 2015.

(b) Diluted loss per share

The Company had no dilutive potential ordinary shares in existence during the year ended 31 July 2015, since the exercise of the Company's share options is anti-dilutive and would result in a reduction in loss per share. The Company had no dilutive potential ordinary shares in existence during the five months ended 31 December 2015. Therefore, the diluted loss per share is same as the basic loss per share for the period and prior year.

14. DIVIDENDS

No dividend has been paid or declared by the Company for the period and prior year.

15. PROPERTY, PLANT AND EQUIPMENT

(a) Carrying amount

	Leasehold improvements HK$'000	Floating craft and vessels HK$'000	Furniture, fixtures and office equipment HK$'000	Plant, machinery and workshop equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation						
At 1 August 2014	523	57,759	1,240	5,667	1,652	66,841
Additions	36	–	3	–	125	164
Disposals of subsidiaries	–	(3,012)	–	–	–	(3,012)
Elimination of depreciation	–	(7,802)	–	–	–	(7,802)
Exchange realignments	–	–	–	(20)	–	(20)
At 31 July 2015	559	46,945	1,243	5,647	1,777	56,171
Representing:						
Cost	559	–	1,243	5,647	1,777	9,226
Valuation-31 July 2015	–	46,945	–	–	–	46,945
	559	46,945	1,243	5,647	1,777	56,171
At 1 August 2015	559	46,945	1,243	5,647	1,777	56,171
Additions	24	–	2,291	–	687	3,002
Elimination of depreciation	–	(3,262)	–	–	–	(3,262)
Disposal of subsidiaries	–	–	–	(609)	(1,434)	(2,043)
Exchange realignments	–	–	–	(168)	–	(168)
At 31 December 2015	583	43,683	3,534	4,870	1,030	53,700
Representing:						
Cost	583	–	3,534	4,870	1,030	10,017
Valuation-31 December 2015	–	43,683	–	–	–	43,683
	583	43,683	3,534	4,870	1,030	53,700
Accumulated depreciation and impairment						
At 1 August 2014	230	–	1,119	5,472	1,138	7,959
Charge for the period	56	7,802	36	39	190	8,123
Elimination on revaluation	–	(7,802)	–	–	–	(7,802)
Exchange realignments	–	–	–	(19)	–	(19)
At 31 July 2015	286	–	1,155	5,492	1,328	8,261
At 1 August 2015	286	–	1,155	5,492	1,328	8,261
Charge for the period	24	3,262	75	16	48	3,425
Transferred to direct cost	–	–	–	–	27	27
Written back on disposal of subsidiaries	–	–	–	(609)	(520)	(1,129)
Elimination on revaluation	–	(3,262)	–	–	–	(3,262)
Exchange realignments	–	–	–	(160)	–	(160)
At 31 December 2015	310	–	1,230	4,739	883	7,162
Carrying amount						
At 31 December 2015	273	43,683	2,304	131	147	46,538
At 31 July 2015	273	46,945	88	155	449	47,910

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

(a) Carrying amount *(Continued)*

Notes:

(i) Had the floating craft and vessels been carried at cost less accumulated depreciation, the carrying amount would have been HK$41,882,000 (31 July 2015: HK$45,144,000).

(ii) The carrying amount of the motor vehicle held under a finance lease as at 31 December 2015 was HK$147,000 (31 July 2015: HK$174,000).

(b) Fair value measurement of vessels

(i) Fair value hierarchy

The following table presents the fair value of the Group's floating craft and vessels 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, that is, unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs, that is, 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 measurements as at 31 December 2015 can be categorised		
The Group	**Fair value at 31 December 2015** *HK$'000*	**Level 1** *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*
Recurring fair value measurement				
Floating craft and vessels held for own use – Hong Kong	43,683	–	–	43,683

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

(b) Fair value measurement of vessels *(Continued)*

(i) Fair value hierarchy (Continued)

The Group	Fair value at 31 July 2015 HK$'000	Fair value measurements as at 31 July 2015 can be categorised Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement				
Floating craft and vessels held for own use – Hong Kong	46,945	–	–	46,945

During the period ended 31 December 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (31 July 2015: Nil). 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 December 2015. 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

Assets	Valuation technique	Unobservable inputs	Range
Floating craft and vessels	Market comparison approach	Premium/(discount) on quality of the vessels	10% to 40% (31 July 2015: 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. As at 31 December 2015, it is estimated that with all other variables held constant, a decrease/increase in premium on quality of the vessels by 5% would have decreased/increased the Group's other comprehensive income by HK$2,000 (As at 31 July 2015: HK$2,000).

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

(b) Fair value measurement of vessels *(Continued)*

(ii) Information about Level 3 fair value measurements (Continued)

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

	Five months ended 31 December 2015	Year ended 31 July 2015
	HK$'000	*HK$'000*
Floating craft and vessels held for own use – Hong Kong		
At 1 August	**46,945**	57,759
Disposal of subsidiaries *(note 33)*	**–**	(3,012)
Depreciation charge for the period	**(3,262)**	(7,802)
At 31 December/July	**43,683**	46,945

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.

16. LEASE PREPAYMENTS

	At 31 December 2015 HK$'000	At 31 July 2015 HK$'000
Leasehold land in the PRC		
Medium-term lease	**484**	537
Analysed for reporting purposes as:		
Current portion	**72**	75
Non-current portion	**412**	462
	484	537

The movements in lease prepayments during the period and year are:

	Five months ended 31 December 2015 HK$'000	Year ended 31 July 2015 HK$'000
At beginning of the period/year	**537**	615
Amortisation	**(31)**	(75)
Exchange realignment	**(22)**	(3)
At end of the period/year	**484**	537

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

17. CLUB MEMBERSHIP

	At 31 December 2015 HK$'000	At 31 July 2015 HK$'000
Carrying amount	–	200

At 31 July 2015, 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 31 July 2015.

For the period ended 31 December 2015, the club membership was derecognized following the disposed of subsidiaries details as disclosed in note 33.

18. INTEREST IN AN ASSOCIATE

		At 31 December 2015 HK$'000	At 31 July 2015 HK$'000
(a)	Amount due from an associate *(note (d))*	–	1,893

(b) The following list contains only the material associate, which is an unlisted corporate entity whose quoted market price is not available. The associate was disposed of on 2 November 2015.

Name of associate	Form of business structure	Place of operation	Class of shares held	Particulars of issued share capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by a subsidiary	Principal activities
Penta-Ocean – Gitanes Joint Venture	Unincorporated	Hong Kong	Ordinary	–	49%	49%	Contract works

18. INTEREST IN AN ASSOCIATE *(Continued)*

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

	At 31 December 2015 *HK$'000*	At 31 July 2015 *HK$'000*
Assets	**–**	12,165
Liabilities	**–**	(12,248)
Net liabilities	**–**	(83)
Group's share of net liabilities of associate	**–**	(42)
Revenue	**4,535**	29,050
Profit after tax	**–**	–
Group's share of profit of associate for the period/year	**–**	–

(d) The amount due from an associate was unsecured, interest-free and repayable on demand.

(e) On 2 November 2015, the Group completed the disposal of all of its equity interests in Penta – Ocean – Gitanes Joint Venture together with Net Excel Management Limited and its subsidiaries for an aggregate consideration of US$1. A loss on disposal of interests in subsidiaries of HK$1,473,000 was recorded in profit or loss for the period ended 31 December 2015.

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

19. INTERESTS IN JOINT VENTURES

		At 31 December 2015 HK$'000	At 31 July 2015 HK$'000
(a)	Unlisted shares, at cost	**64,687**	65,245
	Share of net assets	**(21,783)**	(18,421)
		42,904	46,824
(b)	Amount due from a joint venture	**2,275**	6,017
(c)	Amount due to a joint venture	**(6,656)**	(8,104)

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

19. INTERESTS IN JOINT VENTURES *(Continued)*

(d) Details of the joint ventures as at 31 December 2015, which is accounted for using the equity method in the consolidated financial statements, 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

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.

On 2 November 2015, the Group disposed of its entire equity interests in HKPFH Joint Venture through the disposal of a subsidiary (note 33(a)) to an independent third party.

19. INTERESTS IN JOINT VENTURES *(Continued)*

(e) Summarised financial information of the joint venture that is material to the Group, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, is disclosed below:

For the period ended 31 December 2015

	Universal Harbour Group ***Note (i)*** ***HK$'000***
Current assets	**19,632**
Non-current assets	**85,049**
Current liabilities	**(18,873)**
Equity	**85,808**
Included in the above assets and liabilities:	
Cash and cash equivalents	**329**
Reconciled to the Group's interest:	
Gross amounts of net assets	**85,808**
Group's effective interest	**50%**
Group's share of net assets	**42,904**
Carrying amount in the consolidated financial statements	**42,904**
Revenue	**8,647**
Loss from operations	**(3,099)**
Total comprehensive loss	**(3,099)**
Included in the above (loss)/profit:	
Depreciation and amortisation	**(3,456)**
Interest income	**117**

19. INTERESTS IN JOINT VENTURES *(Continued)*

(e) Summarised financial information of the joint ventures that is material to the Group, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, is disclosed below: *(Continued)*

For the year ended 31 July 2015

	Universal Harbour Group *Note (i)* *HK$'000*
Current assets	6,106
Non-current assets	93,689
Current liabilities	(6,146)
Equity	93,649
Included in the above assets and liabilities:	
Cash and cash equivalents	226
Reconciled to the Group's interest:	
Gross amounts of net assets	93,649
Group's effective interest	50%
Group's share of net assets	46,824
Carrying amount in the consolidated financial statements	46,824
Revenue	2,052
Loss from continuing operations	(5,574)
Total comprehensive loss	(5,574)
Included in the above (loss)/profit:	
Depreciation and amortisation	(5,820)
Interest income	29

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.

(f) 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.

20. SUBSIDIARIES

The following is a list of principal subsidiaries at 31 December 2015:

Name of company	Place of incorporation and business	Class of shares held	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
UDL Ventures Limited	Hong Kong	Ordinary	2,000 shares	100%	100%	–	Investment holding
China Famous Limited	Hong Kong	Ordinary	1 share	100%	–	100%	Trading of vessels
East Coast Towing Limited	Hong Kong	Ordinary	2 shares	100%	–	100%	Investment holding
Econo Plant Hire Company Limited	Hong Kong	Ordinary	2,000,000 shares	100%	–	100%	Management services
UDL Argos Engineering & Heavy Industries Company Limited	Hong Kong	Ordinary	124,000,000 shares	100%	–	100%	Structural steel engineering work and ship management services
UDL Contracting Limited	Hong Kong	Ordinary	50,700,000 shares	100%	–	100%	Engineering work
UDL Dredging Limited	Hong Kong	Ordinary	2 shares	100%	–	100%	Engineering work
UDL Employment Services Limited	Hong Kong	Ordinary	2 shares	100%	–	100%	Provision of human resources and management services
UDL Marine Operation Limited	Hong Kong	Ordinary	2 shares	100%	–	100%	Investment holding
UDL Ship Management Limited	Hong Kong	Ordinary	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	Registered	HK$10,700,000	100%	–	100%	Dormant
Press United Logistics Limited	Hong Kong	Ordinary	2,500,000 shares	100%	–	100%	Investment holding
UDL Marine Equipments Limited	Hong Kong	Ordinary	10,000 shares	100%	–	100%	Plant hire services
Hong Kong Marine Industrial Park Limited	Hong Kong	Ordinary	1 share	100%	–	100%	Plant hire services
Masstop International Limited	Hong Kong	Ordinary	1 share	100%	–	100%	Plant hire services
China Hong Kong Cultural Asset and Equity Exchange Co., Limited	Hong Kong	Ordinary	1 share	100%	–	100%	Online market place

Note:

(i) The subsidiary is a wholly-foreign-owned enterprise established in the PRC.

21. INVENTORIES

	At 31 December 2015 HK$'000	At 31 July 2015 HK$'000
Vessels held for sale	5,800	5,800
Raw materials	167	175
	5,967	5,975

22. TRADE AND OTHER RECEIVABLES

	At 31 December 2015 HK$'000	At 31 July 2015 HK$'000
Trade receivables *(note (a))*	40,465	5,283
Less: Impairment loss	(2,122)	(2,122)
	38,343	3,161
Other receivables *(note (b))*	46,082	40,227
Less: Impairment loss	(31,585)	(31,631)
	14,497	8,596
Retention money receivables	2,024	3,884
Loan receivables *(note (c))*	3,902	4,837
	58,766	20,478

22. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables

(i) Ageing analysis

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

	At 31 December 2015 **HK$'000**	At 31 July 2015 HK$'000
0 – 30 days	**37,846**	2,333
31 – 90 days	**–**	609
91 – 180 days	**1**	171
181 – 360 days	**490**	48
Over 360 days	**2,128**	2,122
	40,465	5,283
Less: Allowance for doubtful debts	**(2,122)**	(2,122)
	38,343	3,161

Except for retention receivables, credit terms granted by the Group to customers generally range from 120 to 150 days and 90 days for jewellery customers. Further details on the Group's credit policy are set out in note 3(a).

22. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables *(Continued)*

(ii) Impairment of trade receivables

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

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

	Five months ended 31 December 2015 *HK$'000*	Year ended 31 July 2015 *HK$'000*
At 1 August	**2,122**	5,417
Amounts written off as uncollectible	**–**	(3,295)
At 31 December/31 July	**2,122**	2,122

As at 31 December 2015, the Group's trade receivables of HK$2,122,000 (as at 31 July 2015: HK$2,122,000) 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 recoverability of these receivables are in doubt.

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

	At 31 December 2015 *HK$'000*	At 31 July 2015 *HK$'000*
Neither past due nor impaired	**37,846**	2,333
Past due but not impaired		
31 – 90 days	**–**	609
91 – 180 days	**1**	171
181 – 360 days	**490**	48
Over 360 days	**6**	–
	38,343	3,161

22. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables *(Continued)*

(ii) Impairment of trade receivables (Continued)

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

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

(b) Other receivables

(i) Impairment of other receivables

	Five months ended 31 December 2015 HK$'000	Year ended 31 July 2015 HK$'000
At 1 August	**31,631**	6,518
Impairment loss recognised	**–**	1,231
Disposal of subsidiaries *(note 33(b))*	**–**	23,909
Exchange difference	**(46)**	(27)
At 31 December/31 July	**31,585**	31,631

Note:

Included in other receivables at 31 December 2015 is the aggregate amount of recovery costs of HK$6,635,000 (for the year ended 31 July 2015: HK$6,635,000) 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 until successful recovery of all these Scheme Assets, the directors of the Company consider that as the outcome of the recovery actions taken by the Group is uncertain, it is appropriate to make further impairment loss on these recovery costs incurred totaling HK$6,635,000 (for the year ended 31 July 2015: HK$6,635,000). The remaining balances were individually determined to be impaired. The individually impaired receivables related to receivables that were past due and slow-paying or in financial difficulties and management assessed that recoverability of these receivables are in doubt.

22. TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Other receivables *(Continued)*

(i) Impairment of other receivables (Continued)

Impairment loss of HK$1,114,000 for the year ended 31 July 2015 was related to irrecoverable temporary payments made on behalf of Sunfill Limited which was wound up on 11 December 2013.

(c) Loan receivables

Loan receivables amounted to HK$4,850,000 (at 31 July 2015: HK$ 5,785,000), of which non-current portion was HK$948,000 (at 31 July 2015: HK$948,000), were made to a former associate, Crown Asia Engineering Limited ("Crown Asia"). The loans are repayable by 36 instalments, bearing interest rates ranging from 1% – 3.5% per annum and are secured by the marine plant of Crown Asia and entire issued share capital of its subsidiary, Crown Asia Logistics Limited.

23. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	At 31 December 2015	At 31 July 2015
	HK$'000	*HK$'000*
Contract costs incurred plus recognised profits less recognised losses to date	**206,909**	204,316
Less: Progress billings	**(196,772)**	(198,349)
	10,137	5,967
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**11,847**	8,967
Amounts due to customers for contract work	**(1,710)**	(3,000)
	10,137	5,967

24. CASH AND CASH EQUIVALENTS

	At 31 December 2015 HK$'000	At 31 July 2015 HK$'000
Cash at bank and in hand	**531,896**	81,956
Cash and cash equivalents in the consolidated statement of cash flows	**531,896**	81,956

Bank balances carry interest at market rate of 0.01% (31 July 2015: 0.01%) per annum.

25. TRADE AND OTHER PAYABLES

	At 31 December 2015 HK$'000	At 31 July 2015 HK$'000
Trade creditors	**4,747**	2,269
Advances received from customers for contract work	**661**	721
Accruals	**5,539**	4,174
Other payables	**8,120**	10,172
Financial liabilities measured at amortised cost	**19,067**	17,336

The following is an analysis of trade payables by age presented based on the invoice date.

	At 31 December 2015 HK$'000	At 31 July 2015 HK$'000
0 – 30 days	**3,979**	1,158
31 – 90 days	**623**	795
91 – 180 days	**8**	183
181 – 360 days	**6**	6
Over 360 days	**131**	127
	4,747	2,269

26. OBLIGATIONS UNDER FINANCE LEASES

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

	At 31 December 2015		At 31 July 2015	
	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	**70**	**75**	68	75
After 1 year but within 2 years	**67**	**68**	73	75
After 2 year but within 5 years	**–**	**–**	24	24
	67	**68**	97	99
	137	**143**	165	174
Less: Total future interest expenses		**(6)**		(9)
Present value of lease obligations		**137**		165

At 31 December 2015, certain of the Group's motor vehicle 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 (15)(a)(ii)).

27. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	At 31 December 2015 HK$'000	At 31 July 2015 HK$'000
Provision for income tax	–	–

(b) Deferred tax liabilities/(assets)

	Accelerated depreciation allowance HK$'000	Revaluation of floating craft and vessels HK$'000	Tax losses HK$'000	Total HK$'000
At 1 August 2014	5,835	679	(6,514)	–
(Credited)/charged to consolidated statement of profit or losss	(350)	–	350	–
At 31 July 2015 and 1 August 2015	5,485	679	(6,164)	–
(Credited)/charged to consolidated statement of profit or losss	557	–	(557)	–
At 31 December 2015	6,042	679	(6,721)	–

(c) Deferred tax assets not recognised

At 31 December 2015, no deferred tax asset has been recognised in respect of tax losses of HK$218,628,000 (31 July 2015: HK$228,553,000) 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.

28. SHARE CAPITAL

(a) Authorised and issued share capital

	At 31 December 2015		At 31 July 2015	
	Number of ordinary shares		Number of ordinary shares	
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.5 each *(note (a)(i))*	**480,000**	**240,000**	480,000	240,000
Issued and fully paid:				
Ordinary shares of HK$0.50 each	**284,002**	**142,001**	275,115	137,558
Shares issued upon exercise of share options *(note (a)(ii))*	**–**	**–**	8,887	4,443
Shares issued by placing of shares *(note (a)(iii))*	**55,024**	**27,512**	–	–
Shares issued on open offer *(note (a)(iv))*	**135,610**	**67,805**	–	–
Ordinary shares of HK$0.50 each At 31 December and 31 July	**474,636**	**237,318**	284,002	142,001

Notes:

(i) Authorised share capital

On 8 December 2015, the Company announced that, among others, in order to provide the Company with greater flexibility for future fund raising activities and investment opportunities as well as other corporate purposes, it proposed to increase the existing authorised share capital of the Company from HK$240,000,000 divided into 480,000,000 shares to HK$2,500,000,000 divided into 5,000,000,000 shares by creation of an additional 4,520,000,000 shares (the "Proposal"), which shall rank pari passu in all respects with the existing shares. An ordinary resolution for the Proposal were duly passed in a special general meeting of the Company held on 25 January 2016.

(ii) Shares issued upon exercise of share options

For the year ended 31 July 2015, options to subscribe for 8,887,154 shares were exercised, for which HK$4,443,000 was credited to share capital and HK$5,902,000 was credited to the share premium account.

(iii) Placing shares

On 6 October 2015, the Company completed the placing of 55,023,081 placing shares to not less than six placees, who are independent third parties, at the price of HK$2.50 per placing share pursuant to the terms and conditions of the placing agreement dated 15 September 2015. The net proceeds from the placing is approximately HK$137,000,000.

(iv) Open offer of new shares

On 9 December 2015, the Company completed the open offer of 135,610,257 offer shares at the subscription price of HK$3.1 each on the basis of two offer shares for every five existing share held on the record date. The net proceeds from the placing is approximately HK$420,000,000.

28. SHARE CAPITAL *(Continued)*

(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 shareholders' 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. During the period ended 31 December 2015 and year ended 31 July 2015, 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 other related parties. Shareholders' equity comprises all components of equity attributable to the owners of the Company. The net debt-to-capital ratio at 31 December 2015 and 31 July 2015 were as follows:

	At 31 December 2015 *HK$'000*	At 31 July 2015 *HK$'000*
Loans from related companies	**41,044**	104,485
Trade and other payables	**19,067**	17,336
Obligations under finance leases	**137**	165
Amounts due to related parties	**5,790**	7,051
Amount due to a joint venture	**6,656**	8,104
Amounts due to directors	**–**	1,639
Amounts due to customers for contract work	**1,710**	3,000
Amounts due to directors of subsidiaries	**1,792**	–
Total debt	**76,196**	141,780
Less: Cash and cash equivalents	**(531,896)**	(81,956)
Net (cash)/debt	**(455,700)**	59,824
Total equity	**625,549**	91,514
Net debt-to-equity ratio	**N/A**	65%

29. RESERVES

(a) Movements of components of equity

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 period/year are set out below:

The Company

	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 29(b)(i)	*Note 29(b)(i)*	*Note 29(b)(ii)*	*Note 29(b)(v)*	*Note 29(b)(iii)*		
At 1 August 2014	326,824	1,264	21,689	3,798	287,524	(655,503)	(14,404)
Loss for the year	–	–	–	–	–	(38,836)	(38,836)
Issuance of shares upon exercise of share options	5,902	–	–	(3,791)	–	–	2,111
Lapse of share options	–	–	–	(7)	–	7	–
At 31 July 2015 and 1 August 2015	332,726	1,264	21,689	–	287,524	(694,332)	(51,129)
Loss for the period	–	–	–	–	–	(9,846)	(9,846)
Shares issued by placing of shares	110,046	–	–	–	–	–	110,046
Shares issued on open offer	352,587	–	–	–	–	–	352,587
At 31 December 2015	795,359	1,264	21,689	–	287,524	(704,178)	401,658

29. RESERVES *(Continued)*

(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$30,000,000 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.

29. RESERVES *(Continued)*

(b) Nature and purpose of reserves *(Continued)*

(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(u). Upon the disposal of certain subsidiaries to a joint venture equally controlled and owned by the Group and the ultimate holding company, 50% of the related exchange fluctuation reserve representing 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 employees of the Group recognised in accordance with the accounting policy adopted for share-based payments in note 2 (q)(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(g). Upon the disposal of certain subsidiaries to a joint venture equally controlled and owned by the Group and the ultimate holding company, 50% of the related revaluation reserve representing 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 and equally owned by the Group and the ultimate holding company in prior period, which comprised deemed contribution of HK$610,000 by that joint venture and transfers of exchange fluctuation reserve and revaluation reserve attributable to these de-recognised subsidiaries to the extent of 50% equity interest of these subsidiaries transferred to the ultimate holding company.

(viii) Distributable reserves

At 31 December 2015, in the opinion of the directors, the Company did not have any reserve available for distribution to shareholders (31 July 2015: Nil).

30. EQUITY SETTLED SHARE-BASED TRANSACTIONS

A share option scheme (the "2002 Scheme") was adopted by the Company on 31 December 2002. No option under the 2002 Scheme was outstanding as at 31 December 2015.

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 be not 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 27,229,248 shares, representing 10% of the issued share capital of the Company as at the date of adoption of the 2012 Scheme. The total number of Shares available for issue under the 2012 Scheme was 15,519,170 Shares which represented 3.27% of the issued Share capital of the Company as at the date of this annual report, out of which 15,500,000 share options were granted to certain eligible participants on 28 January 2016.

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

30. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

There were no movements of the share options granted under the 2012 Scheme for the five-month period from 1 August 2015 to 31 December 2015.

Movements of the share options granted under the 2012 Scheme for the year ended 31 July 2015 was as follows:

				Number of shares subject to share options				
Eligible persons	**Date of grant**	**Exercisable period**	**Exercise price** *HK$*	**As at 1 August 2014**	**Granted**	**Exercised**	**Lapsed**	**As at 31 July 2015**
Directors								
Mr. Leung Yat Tung *(Chief Executive Officer)**	15.04.2014	15.04.2014 to 14.04.2024	0.798	2,751,154	–	2,751,154	–	–
Mrs. Leung Yu Oi Ling, Irene *(Chairman)**	23.01.2013	23.01.2013 to 22.01.2023	0.620	1,000,000	–	1,000,000	–	–
Ms. Leung Chi Yin, Gillian*	23.01.2013	23.01.2013 to 22.01.2023	0.620	1,000,000	–	1,000,000	–	–
Mr. Leung Chi Hong, Jerry*	23.01.2013	23.01.2013 to 22.01.2023	0.620	1,000,000	–	1,000,000	–	–
Employees (in aggregate)	22.03.2011	22.03.2011 to 21.03.2021	2.020	396,000	–	396,000	–	–
	23.01.2013	23.01.2013 to 22.01.2023	0.620	2,760,000	–	2,740,000	20,000	–
Total				8,907,154	–	8,887,154	20,000	–

* Resigned on 2 November 2015

The weighted average exercise price at the date of exercise of share options exercised during the year ended 31 July 2015 was HK$0.737.

31. EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme ("the MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. 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 (HK$25,000 prior to June 2014). 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.

32. 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:

	At 31 December 2015 *HK$'000*	At 31 July 2015 *HK$'000*
Land and buildings:		
Within one year	**6,955**	1,172
In the second to fifth years inclusive	**12,747**	2,351
More than five years	**1,293**	1,353
	20,995	4,876

33. DISPOSAL OF SUBSIDIARIES

(a) On 2 November 2015, UDL Ventures Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party (the "Purchaser"), to dispose of its entire equity interests in Net Excel Management Limited and its subsidiaries and joint ventures (the "Net Excel Group") at a total cash consideration equivalent to approximately US$1. The Purchaser accepted to undertake the settlement of all liabilities due from the UDL Group to the Net Excel Group and transfer all cash and bank balance of the Net Excel Group as at the completion date to UDL Ventures Limited. The Net Excel Group was principally engaged in construction and structural steel engineering and rental of motor vehicle in Hong Kong until the completion of disposal on 2 November 2015. The Net Excel Group ceased to be subsidiaries of the Company.

Analysis of assets and liabilities of the Net Excel Group at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	915
Club membership	200
Trade and other receivables	1,902
Amounts due from customers for contract work	31
Amount due from related companies	53,773
Amounts due from jointly controlled entities	36,141
Bank balances and cash	10,673
Trade and other payables	(2,141)
Amounts due to customers for contract work	(497)
Amounts due to related companies	(2,395)
Amounts due to directors	(27)
Loan from related parties	(30,000)
Net assets disposed of	68,575
Transfer all cash and bank balance	(10,673)
Waiver of the amount due from related companies	(53,773)
Exchange reserve reclassified from equity to profit or loss upon disposal of subsidiaries	(2,656)
Loss on disposal	1,473

33. DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) (Continued)

	HK$'000
Net cash arising on disposal:	
Bank balances and cash disposed of	(10,673)
Cash inflow for transfer all cash and bank balance	10,673
Net cash arising on disposal	–

(b) On 16 March 2015, UDL Ventures Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party, to dispose of its entire interests in Wealthy King Holdings Limited and its subsidiaries (the "Wealthy King Group") and the assignment of a shareholders' loan at a total cash consideration equivalent to approximately HK$9. The Wealthy King Group was principally engaged in marine engineering in Singapore and its subsidiary, UDL Marine (Singapore) Pte Ltd was winding up on 12 September 2014. The disposal was completed on 16 March 2015. The Wealthy King Group ceased to be subsidiaries of the Company.

Analysis of assets and liabilities of the Wealthy King Group at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	3,012
Inventories	24,043
Trade and other receivables	2,561
Amounts due from fellow subsidiaries	556
Bank balances and cash	3
Trade and other payables	(10,673)
Amounts due to related companies	(1,182)
Amounts due to directors	(6)
Loan from immediate holding company	(1,566)
Amount due to intermediate holding company	(695)
Amounts due to fellow subsidiaries	(21,648)
Net liabilities disposed of	5,595
Impairment loss of loan and amounts due from group companies	(23,909)
Exchange reserve reclassified from equity to profit or loss upon disposal of subsidiaries	6,081
Loss on disposal	(12,233)
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	(3)
Consideration received	1,100
Net cash inflow on disposal of subsidiaries	1,097

33. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) (Continued)

During the period from 1 August 2014 to 16 March 2015, the Wealthy King Group had no contribution to the Group's cash flows.

(c) On 9 June 2015, the Group entered into an agreement to sell the entire issued share capital of Sino Converge Limited, at a cash consideration of HK$1,100,000 to an independent third party. The principal assets held by Sino Converge Limited are the 50% equity interests in three joint venture, HKPFH Limited, HKPFH Operation Limited and Regal Rich Limited. The transaction was completed on 9 June 2015 and a gain of HK$1,331,000 was recognised for the year ended 31 July 2015.

	HK$'000
Consideration received	1,100
Interests in joint ventures	235
Amount due to immediate holding company	(4)
Gain on disposal of a subsidiary	1,331

34. CONTINGENCIES AND LITIGATIONS

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

35. RELATED PARTY TRANSACTIONS

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

(i) 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) HKPFH Joint Venture is a joint venture of the Group, and disposed during the period.

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

(vi) HKPFH Operation Limited is a company in which Mr. Leung Chi Hong, Jerry is a director.

(vii) Stam (Hong Kong) Limited is a company in which Mr. Leung Yat Tung and Ms. Leung Chi Yin, Gillian are directors.

(viii) Mrs. Leung Yu Oi Ling, Irene, Ms. Leung Chi Yin, Gillian and Mr. Leung Chi Hong, Jerry are former directors and shareholders of the Company, and they are the directors of the major subsidiaries.

(ix) Gitanes Engineering Company Limited in which Mrs. Leung Yu Oi Ling, Irene, Mr. Leung Yat Tung and Mr. Leung Chi Hong, Jerry are directors.

35. RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with related parties

	At 31 December 2015 *HK$'000*	At 31 July 2015 *HK$'000*
Interest expenses paid to Multi-Ventures Limited	**–**	(7)
Interest expenses paid to Harbour Front Assets Investments Limited	**(1,136)**	(798)
Management and accounting services fee paid to Vital Strategic Corporate Consultancy Limited	**(110)**	(190)
Service income received from Harbour Front Assets Investments Limited	**7**	3
Plant hire cost paid to Harbour Front Assets Investments Limited	**–**	(22)
Management and transportation services income received from HKPFH Operation Limited	**11,141**	11,674
Service income received from HKPFH Joint Venture	**1,545**	6,918
Plant hire income received from Gitanes Engineering Company Limited	**2,660**	1,178

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.

35. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Amounts due from related parties

Non-trade

	At 31 December 2015		At 31 July 2015	
	Maximum amounts	**Balance**	Maximum amounts	Balance
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Stam (Hong Kong) Limited *(note i)*	76	–	76	76
HKPFH Operation Limited *(note i)*	11,193	–	11,193	11,193
	11,269	–	11,269	11,269

Note:

(i) Amounts due from the above related parties are unsecured, interest-free and repayable on demand.

(c) Amounts due to related parties

Non-trade

	At 31 December 2015	At 31 July 2015
	HK$'000	*HK$'000*
Best Year (Asia) Limited *(note i and ii)*	**–**	2,008
Brilliant Guide Limited *(note i and ii)*	**–**	2
Harbour Front Assets Investments Limited *(note i and ii)*	**1,599**	1,742
Harbour Front Limited *(note i and ii)*	**326**	326
Loyal Fit Investment Limited *(note i and ii)*	**50**	51
HF Marine Assets (Singapore) Pte Ltd *(note i and ii)*	**381**	590
UDL Engineering Pte Ltd *(note i and ii)*	**9**	9
HF Marine Assets (Hong Kong) Limited *(note i and ii)*	**2,313**	2,313
Vital Strategic Corporate Consultancy Ltd *(note i)*	**–**	10
Chui Hing Construction Company Limited *(note i and ii)*	**17**	–
Gitanes Engineering Company Limited *(note i and ii)*	**1,095**	–
	5,790	7,051

35. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Amounts due to related parties *(Continued)*

Notes:

(i) Amounts due to the above related parties are unsecured, interest-free and repayable on demand.

(ii) 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 a former executive director of the Company and each holds one-third of the issued share capital of Harbour Front Limited.

(d) Amounts due to directors

	At 31 December 2015 HK$'000	At 31 July 2015 HK$'000
Leung Yat Tung	–	181
Leung Yu Oi Ling, Irene	–	339
Leung Chi Yin, Gillian	–	281
Leung Chi Hong, Jerry	–	832
Yuen Ming Fai, Mathew	–	2
Tse Mei Ha	–	2
Pao Ping Wing	–	2
	–	1,639

Amounts due to directors at 31 July 2015 were interest-free, unsecured and had no fixed terms of repayment. As all of the above directors resigned during the five months ended 31 December 2015, the amounts were classified and included in trade and other payable (note 25).

(e) Amounts due to directors of subsidiaries

	At 31 December 2015 HK$'000	At 31 July 2015 HK$'000
Leung Yat Tung	114	–
Leung Yu Oi Ling, Irene	401	–
Leung Chi Yin, Gillian	188	–
Leung Chi Hong, Jerry	1,089	–
	1,792	–

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

35. RELATED PARTY TRANSACTIONS *(Continued)*

(f) Loans from related companies

	At 31 December 2015 HK$'000	At 31 July 2015 HK$'000
Non-Current Liabilities:		
Harbour Front Assets Investment Limited *(note(i))*	–	103,851
Current liabilities:		
Harbour Front Assets Investments Limited *(note (ii))*	**41,044**	634
	41,044	104,485

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 granted to the companies. The revolving credit facility shall expire on 31 December 2016.

The facilities are unsecured, bearing interest at prevailing prime rate offered by Hongkong and Shanghai Banking Corporation. The actual weighted average interest rate charged for the period is 5% (31 July 2015: 5%) per annum. Interest paid and payable to the related company amounted to HK$1,171 (31 July 2015: HK$818,000) for the period ended 31 December 2015.

(ii) On 29 December 2014, a wholly-owned subsidiary of the Company, UDL Ship Management Limited and HFAI entered into a loan agreement pursuant to which HFAI has agreed to provide UDL Ship Management Limited a loan with principal amount of HK$1,500,000. The loan is unsecured, bearing interest at 5% per annum and repayable on 28 December 2015.

35. RELATED PARTY TRANSACTIONS *(Continued)*

(g) Recovery of Scheme Assets for Harbour Front

Included in the other receivables at 31 December 2015 as referred to in note 22(b) to the financial statements is an aggregate amount of HK$6,635,000 (31 July 2015: HK$6,635,000) 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 29(b)(iii) to the financial statements. The modifications of the Scheme were sanctioned by the High Court of Hong Kong in June and December 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 until successful recovery of all these Scheme Assets, the directors of the Company considered that the outcome of the recovery actions taken by the Group is uncertain and as such, impairment loss on these recovery costs incurred totalling HK$6,635,000 (as at 31 July 2015: HK$6,635,000) was recognised.

(h) Key management personnel remuneration

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

	At 31 December 2015 ***HK$'000***	At 31 July 2015 *HK$'000*
Salaries, wages and other benefits	**4,783**	9,009
Retirement benefit scheme contributions	**41**	86
	4,824	9,095

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	At 31 December 2015 HK$'000	At 31 July 2015 HK$'000
Non-current assets		
Property, plant and equipment	**2,227**	–
Investments in subsidiaries	**82,553**	82,452
	84,780	82,452
Current assets		
Amounts due from subsidiaries	**48,494**	12,765
Other receivables	**2,075**	11
Amount due from a joint venture	**100**	100
Cash and cash equivalents	**510,586**	33
	561,255	12,909
Current liabilities		
Other payables	**3,709**	4,469
Loan from Harbour Front Assets Investment Limited	**3,250**	–
Amounts due to subsidiaries	**100**	–
Amounts due to directors	**–**	20
	7,059	4,489
Net current assets	**554,196**	8,420
Total assets less current liabilities	**638,976**	90,872
Capital and reserves		
Share capital	**237,318**	142,001
Reserves *(note 29(a))*	**401,658**	(51,129)
Total equity	**638,976**	90,872

Approved and authorised for issue by the Board of Directors on 30 March 2016.

Lu Jianzhong
Director

Wong Kwok Tung Gordon Allan
Director

37. EVENTS AFTER THE REPORTING PERIOD

(a) On 8 December 2015, the Company announced that, among others, in order to provide the Company with greater flexibility for future fund raising activities and investment opportunities as well as other corporate purposes, it proposed to increase the existing authorised share capital of the Company from HK$240,000,000 divided into 480,000,000 Shares to HK$2,500,000,000 divided into 5,000,000,000 Shares by creation of an additional 4,520,000,000 Shares (the " Proposal"), which shall rank pari passu in all respects with the existing shares. An ordinary resolution for the Proposal were duly passed in a special general meeting of the Company held on 25 January 2016.

(b) On 27 January 2016, the Company announced that a wholly-owned subsidiary of the Company entered into a memorandum of understanding in respect to a possible acquisition of 100% of the equity interests in a to-be set up subsidiary (the "Target Company") wholly-owned by 西安大唐西市置業有限公司 ("DTXS Property"), a subsidiary of the Company's ultimate controlling shareholder, DTXS Investment (the "Proposed Acquisition"). The Target Company will be established to hold a property (the "Property") which refers to the property interests located and rebuilt at the original site of the West Market, now the Tang West Market, and is at the middle section of the Silk Road Cultural Street, a unique cultural pedestrian street developed by the DTXS Property, with a total gross floor area of approximately 3,862.95 square meters. With the strategic location of the Property which possesses cultural value, the Group will be in the best position to develop and capitalized on the strong cultural business background of our controlling shareholder. The consideration for the Proposed Acquisition will be determined based on the valuation report of the Property which will be prepared and issued by an independent valuer to be agreed between the Group and the DTXS Investment. The consideration will be paid in Hong Kong dollars. Along with the Proposed Acquisition, the DTXS Investment will procure its wholly owned subsidiary, Da Tang Xi Shi International Holdings Limited, to subscribe for new shares of the Company at the issue price of HK$3.2 per share (the "Subscription"). The total subscription price for the Subscription shall be equal to the amount of the consideration as set out above. The completion of the Proposed Acquisition and Subscription are subject to certain conditions precedent which, among others, are (a) the independent shareholders of the Company to approve (i) the allotment and issue of the Subscription Shares; (ii) the formal agreement and the transaction thereunder; (b) approval having been obtained from the Listing Committee of the Stock Exchange of Hong Kong Limited for the listing of, and permission to deal in, the Subscription Shares; and (c) the completion of the Subscription is conditional upon the completion of the Acquisition. Details of the Proposed Acquisition can be referred to the Company's announcement dated 27 January 2016.

(c) On 28 January 2016, the Company granted share options to certain eligible participants to subscribe for a total of 15,500,000 ordinary shares of HK$0.5 each in the capital of the Company, under the share option scheme adopted by the Company on 6 December 2012. Details of the grant of share options can be referred to the Company's announcement made on 28 January 2016.

(d) Reference is made to the announcements of the Company dated 2 November and 30 December 2015 in relation to the Old Coin Acquisition. On 31 March 2016, the Company announced that the Group has entered into a supplemental agreement with the Old Coin seller to extend the Long Stop Date to 30 June 2016 and to change the Old Coin Acquisition Completion to take place on or before 10:00a.m. 4 July 2016, as further time is required by the Company for fulfillment of the condition precedent relating to the independent valuation report. Details of the extension of long stop date can be referred to the Company's announcement made on 31 March 2016.

(e) Reference is made to the announcements of the Company dated 2 November and 30 December 2015 in relation to Mao Tai Acquisition. On 31 March 2016, the Company announced the completion of first stage of Mao Tai Acquisition for 1,000 bottles of the Mao Tai Wine for the amount of RMB4.77 million (equivalent to approximately HK$5.72 million). It was further announced that the Group has entered into a supplemental agreement with the Wine Vendor to extend the Long Stop Date to 30 June 2016 as the Company requires further time for fulfilment of the condition precedent relating to the independent valuation report for the remaining 2,700 bottles of the Mao Tai Acquisition.

Five-Year Financial Summary

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

	Five months ended 31 December	Year ended 31 July			
	2015	**2015**	**2014**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Restated)
Results					
Revenue	**60,197**	89,042	119,722	68,197	24,355
Loss before taxation	**(20,669)**	(38,142)	(40,854)	(37,595)	(33,597)
Income tax	**–**	–	–	(24)	–
Loss for the period/year from continuing operations	**(20,669)**	(38,142)	(40,854)	(37,619)	(33,597)
Gain/(loss) for the period/year from discontinued operation	**–**	–	29,169	(42,491)	(7,254)
Loss for the period/year	**(20,669)**	(38,142)	(11,685)	(80,110)	(40,851)
(Loss)/profit for the period/year attributable to:					
Owner of the Company	**(20,669)**	(38,142)	(11,714)	(76,050)	(40,516)
Non-controlling interests	**–**	–	29	(4,060)	(335)
	(20,669)	(38,142)	(11,685)	(80,110)	(40,851)

	At 31 December	At 31 July			
	2015	**2015**	**2014**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities					
Total assets	**701,745**	233,294	189,753	491,890	530,095
Total liabilities	**(76,196)**	(141,780)	(60,396)	(314,686)	(334,740)
Net assets	**625,549**	91,514	129,357	177,204	195,355