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UDL HOLDINGS LIMITED
太元集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 620)

FINAL RESULTS FOR THE YEAR ENDED 31 JULY 2011

The board of directors (the "Board") of UDL Holdings Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 July 2011 together with the comparative figures for the year ended 31 July 2010 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 July 2011

	Note	**2011** *HK$'000*	2010 *HK$'000*
Turnover	2	**60,254**	114,252
Other revenue and net income	4	**1,507**	2,226
Staff costs	6(a)	**(24,177)**	(22,512)
Marine, construction and structural steel engineering costs	6(b)	**(42,901)**	(75,214)
Hotel operation costs	6(c)	**(525)**	–
Depreciation and amortisation	6(d)	**(14,234)**	(16,678)
Impairment loss on port work and structural steel licences	9	**–**	(30,912)
Impairment loss on amounts due from customers for contract work	13	**(23,511)**	–
Impairment loss on trade and other receivables	12(a) and (b)	**(18,060)**	(1,294)
Gain on bargain purchase of business combination	17(a)	**3,681**	–
Other operating expenses		**(13,298)**	(18,909)
Loss from operations		**(71,264)**	(49,041)
Finance costs	5	**(2,557)**	(1,721)
Share of profit of associates	10	**1,786**	3,834
Loss before taxation	6	**(72,035)**	(46,928)
Income tax	7	**–**	(1,385)
Loss for the year		**(72,035)**	(48,313)
Attributable to:			
Owners of the Company		**(72,073)**	(48,313)
Non-controlling interests		**38**	–
		(72,035)	(48,313)
Loss per share			
– Basic	8(a)	**(0.71) cent**	(0.48) cent
– Diluted	8(b)	**(0.71) cent**	(0.48) cent

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 July 2011

	Note	**2011** **HK$'000**	2010 *HK$'000*
Loss for the year		**(72,035)**	(48,313)
Other comprehensive income for the year			
Exchange differences on re-translation of financial statements of foreign operations		**8,982**	4,110
Reclassification adjustment for realised exchange reserve to gain on disposal of a subsidiary	*17(b)*	**134**	–
Total comprehensive loss for the year		**(62,919)**	(44,203)
Attributable to:			
Owners of the Company		**(62,957)**	(44,203)
Non-controlling interests		**38**	–
		(62,919)	(44,203)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2011

	Note	**2011** *HK$'000*	2010 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**247,184**	106,509
Lease prepayments		**176,929**	56,401
Intangible assets	9	**–**	–
Club membership		**200**	200
Interests in associates	10(a)	**7,125**	5,334
		431,438	168,444
Current assets			
Inventories	11	**95,731**	64,949
Lease prepayments		**2,087**	1,976
Trade and other receivables	12	**30,678**	29,648
Amount due from an associate	10(b)	**–**	2,991
Amounts due from customers for contract work	13	**–**	16,226
Amounts due from related parties		**5,836**	2,083
Cash and cash equivalents		**20,071**	37,569
		154,403	155,442
Current liabilities			
Secured bank loans		**15,497**	–
Obligations under finance leases		**–**	52
Trade and other payables	14	**37,083**	28,721
Amounts due to related parties		**4,757**	3,652
Amount due to an associate	10(c)	**1,718**	–
Amounts due to directors		**122**	180
Loan from a related company		**755**	–
Current taxation		**673**	1,860
		60,605	34,465
Net current assets		**93,798**	120,977
Total assets less current liabilities		**525,236**	289,421
Non-current liabilities			
Promissory note	15	**167,856**	–
Loan from a related company		**82,586**	35,658
Deferred tax liabilities		**49,236**	–
		299,678	35,658
NET ASSETS		**225,558**	253,763
CAPITAL AND RESERVES			
Share capital		**102,109**	100,900
Reserves		**92,583**	152,863
Total equity attributable to owners of the Company		**194,692**	253,763
Non-controlling interests		**30,866**	–
TOTAL EQUITY		**225,558**	253,763

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2011

1. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Application of new and revised HKFRSs

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

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

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

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

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

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

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

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

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

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

(c) Basis of preparation of the financial statements

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

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

2. TURNOVER AND REVENUE

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

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

3. SEGMENT INFORMATION

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

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

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

(a) Segment results, assets and liabilities

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

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

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

	Marine engineering		Construction and structural steel engineering		Sale of vessels		Hotel operation		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$000*	***HK$'000***	*HK$000*	***HK$'000***	*HK$000*
Reportable segment revenue:										
Revenue from external customers	**42,250**	94,849	**15,242**	14,383	**1,350**	5,020	**1,412**	–	**60,254**	114,252
Reportable segment results	**(51,017)**	9,179	**(6,293)**	(37,126)	**(1,150)**	717	**4,567**	–	**(53,893)**	(27,230)
Unallocated head office and corporate other revenue and income									**1,507**	2,226
Unallocated head office and corporate expenses									**(17,092)**	(20,203)
Finance costs									**(2,557)**	(1,721)
Loss before taxation									**(72,035)**	(46,928)
Income tax									**–**	(1,385)
Loss attributable to owners of the Company									**(72,035)**	(48,313)
ASSETS										
Reportable segment assets	**68,904**	108,400	**139,832**	134,970	**101,281**	73,643	**273,238**	–	**583,255**	317,013
Unallocated head office and corporate assets	**–**	–	**–**	–	**–**	–	**–**	–	**2,586**	6,873
Total consolidated assets									**585,841**	323,886
LIABILITIES										
Reportable segment liabilities	**109,267**	60,527	**10,762**	7,322	**1,333**	2,248	**238,895**	–	**360,257**	70,097
Unallocated head office and corporate liabilities	**–**	–	**–**	–	**–**	–	**–**	–	**26**	26
Total consolidated liabilities									**360,283**	70,123
OTHER INFORMATION										
Capital expenditure incurred during the year	**14,287**	638	**–**	4,554	**357**	1,845	**262,182**	–	**276,826**	7,037
Depreciation and amortisation	**4,277**	9,276	**8,650**	6,374	**1,307**	1,028	**–**	–	**14,234**	16,678
Gain on bargain purchase of business combination	**–**	–	**–**	–	**–**	–	**(3,681)**	–	**(3,681)**	–
Impairment on port work and structural steel licences	**–**	–	**–**	30,912	**–**	–	**–**	–	**–**	30,912
Write-down of inventories	**–**	–	**–**	–	**–**	2,154	**–**	–	**–**	2,154
Impairment loss on trade and other receivables	**8,246**	1,108	**7,909**	186	**1,905**	–	**–**	–	**18,060**	1,294
Impairment loss on amounts due from customers for contract work	**22,403**	–	**1,108**	–	**–**	–	**–**	–	**23,511**	–

(b) Geographical information

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

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

(c) Information about major customers

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

	2011	2010
	HK$'000	*HK$'000*
Revenue from marine engineering:		
– Customer A	**6,938**	26,917
– Customer B	**6,512**	19,550
– Customer C	**6,466**	17,479
	19,916	63,946

4. OTHER REVENUE AND NET INCOME

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

5. FINANCE COSTS

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

6. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

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

7. INCOME TAX

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

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

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

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

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

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

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

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

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

8. LOSS PER SHARE

(a) Basic loss per share

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

Weighted average number of ordinary shares

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

(b) Diluted loss per share

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

9. INTANGIBLE ASSETS

Port work and structural steel licenses

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

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

Impairment testing on intangible assets

For the purpose of impairment test, the recoverable amount of the Licences was determined based on value in use calculation. That calculation uses cash flow projections covering a 10-year period based on financial forecasts approved by management, and discount rate of 10.85%. Key assumptions for the value in use calculations related to estimate cash inflows/outflows, based on the unit's past performance and management's expectations for the market development. Management believed that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the Licences to exceed their aggregate recoverable amount of the Licences. The Licenses of HK$30,912,000 was fully impaired during the year ended 31 July 2010.

10. ASSOCIATES

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

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

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

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

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

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

11. INVENTORIES

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

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

	2011 *HK$'000*	2010 *HK$'000*
Cost of inventories sold	**2,500**	4,303
Write-down of inventories	**–**	2,154
	2,500	6,457

12. TRADE AND OTHER RECEIVABLES

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

(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:

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

Credit terms granted by the Group to customers generally range from 120 to 150 days.

(ii) Impairment of trade receivables

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

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

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

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

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

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

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

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

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

Included in other receivables at 31 July 2011 is the aggregate amount of recovery costs of HK$14,264,000 (2010: HK$10,618,000) incurred by the Group to pursue arbitration and/or legal proceedings to recover the assets under a Scheme of Arrangement approved by the court on 18 April 2000 (the "Scheme"). The modifications of the Scheme were sanctioned by the High Court of Hong Kong in June and July 2006, respectively, under which the Scheme Assets were transferred to Harbour Front in September 2006. Pursuant to the Scheme and an undertaking letter dated 23 October 2008 issued by Harbour Front 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 actions of the Scheme Assets are still ongoing and the Group would only be reimbursed for all these recovery costs by Harbour Front out of the proceeds of successful recovery of all these Scheme Assets. The directors of the Company considered that these recovery costs have been long outstanding and the outcome of the recovery actions taken by the Group is uncertain, it is appropriate to make full provision for impairment loss on these recovery costs incurred totalling HK$14,264,000.

13. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

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

Note:

The impairment loss represents balances due by two contractors for sub contracting work done by the Group but not yet certified and settled by these contractors due to disputes. The Group has commenced legal proceedings against one of the two contractors in 2010 as referred to in note 16(d). However, in view of the uncertainty of the outcome of the legal case and the balances have been long outstanding, the directors of the Company considered the probability of recovery for these balances as low and therefore, provision for impairment loss of HK$23,511,000 was made in the income statement.

14. TRADE AND OTHER PAYABLES

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

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

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

15. PROMISSORY NOTE

As set out in note 17(a), Sunfill Limited, a wholly-owned subsidiary issued, as settlement for the acquisition of subsidiaries, a zero coupon promissory note with the principal amount of HK$188,271,000 to the vendor, with maturity date due on 15 August 2012. The fair value of promissory note was determined at HK$167,856,000 as at issue date, based on professional valuation performed by and independent valuer, BMI Appraisals Limited. The effective interest rate of the promissory note is 11.137% per annum. The promissory note is carried at amortised cost, using the effective interest method and at the rate of 11.137% per annum.

16. CONTINGENCIES AND LITIGATIONS

(a) On 31 July 2002, Charterbase Management Limited, one of the two petitioners (the other being United People Assets Limited) (the "Petitioners") who lodged a petition on 16 May 2002 under section 111 of the Companies Act 1981 of Bermuda (as amended) with the Supreme Court of Bermuda against the Company as the first respondent and the Scheme Administrator (as defined in the circular of the Company dated 1 August 2003 (the "2003 Circular")) as the second respondent (the "Petition"), issued a writ in the Supreme Court of Bermuda (the "Bermuda Writ") against the Company and against Mrs. Leung, Mr. Chan Kim Leung, Ms. Gillian Leung, Mr. Pao Ping Wing, *JP* and Mr. Wong Pui Fai who were directors of the Company in April 2001, at the time of the special general meeting of the Company dated 17 May 2001 in relation to the subscription of new shares by Harbour Front pursuant to the subscription agreement dated 30 March 2001 (the "Subscription") as detailed in the Company's circular dated 23 April 2001 (the "2001 Circular"). Mr. Wong Pui Fai and Mr. Chan Kim Leung resigned as the directors of the Company on 28 April 2002 and on 27 September 2002, respectively. The Bermuda Writ recited the basis of the the complaint lodged by the Petitioners with the Securities and Futures Commission of Hong Kong ("Petitioners Complaint") with respect of Charterbase Management Limited, namely, that the 2001 Circular misdescribed the Scheme Administrator's voting capacity in respect of the Shares held by the Scheme Administrator under the scheme of arrangement of the Company and scheme participating subsidiaries of the Company as stated in the 2003 Circular effective on 28 April 2000 (the "Scheme"). The Bermuda Writ alleged that the Company was negligent and its directors were negligent and/or in breach of their fiduciary duty in mis-describing the Scheme Administrator's voting capacity in the circular regarding the Subscription. The Bermuda Writ claimed HK$3,000,000 being Charterbase Management Limited's estimated costs of the Petitioners' Complaint. On 15 August 2002 the Company entered an appearance to the Bermuda Writ, and the Company filed its defence on 12 September 2002. The Company has been advised by its Bermuda lawyers that it has good grounds to resist the Bermuda Writ. Charterbase Management Limited has taken no further steps in the proceedings since the defence was filed.

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

Two new parties joined as petitioners, namely Hung Ngai Holdings Limited and Value Partners Investment Limited (together with the Petitioners, the "Joint Petitioners"). In addition to the matters pleaded in the original Petition, the Amended Petition complained about the Company's non-acceptance of a conditional credit facility from Hung Ngai Holdings Limited and about the Rights Issue in November 2002 (the "2002 Rights Issue"), in particular the allocation of 2002 Rights Shares to Harbour Front, and other allegedly prejudicial conduct of the Company. As an alternative, the Joint Petitioners sought an order that a provisional liquidator be appointed pending the effective hearing of the Amended Petition and an order that the Company be wound up. The Company applied for security for costs, in relation to the Amended Petition. A court hearing was held on 28 August 2003 and the Court reserved its judgment. Subsequently, in the judgment dated 14 April 2004, the Court held that the Joint Petitioners' prayers to wind up the Company and/or to appoint a liquidator was an abuse of the Court's process. The Court therefore considered it unreasonable to permit the Petitioners to pursue such prayers which should not be entertained. In May 2004, the joint petitioners applied to the Court for re-amending the petition (the "Re-amended Petition"). In the event, the Bermuda Court made an order granting the Re-amended Petition leaving out the prayer for winding-up at the request of the Petitioners' attorney during the court hearing. Moreover, in the Re-amended Petition, the Petitioners no longer sought an order that a provisional liquidator be appointed pending the effective hearing of the Re-amended Petition.

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

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

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

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

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

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

17. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Business combination -2011

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

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

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

Notes:

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

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

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

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

(b) Disposal of a subsidiary

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

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

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

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

18. EVENTS AFTER THE REPORTING PERIOD END

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Future Prospects

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

Marine Engineering, Construction and Structural Steel Engineering

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

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

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

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

Sale of Vessels

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

Hotel Operation

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

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 July 2011, total indebtedness balance of the Group was HK$266.7 million (2010: HK$35.6 million) an increase from previous financial year. Hence, the finance costs have increased to HK$2.56 million (2010: HK$1.72 million). At the year end, bank and cash balances of the Group totalled to HK$20.1 million (2010: HK$37.6 million). The deposit in foreign currencies are mainly for the operation and projects in Singapore and PRC.

The gearing ratio of the Group as a result, calculated by dividing total liabilities by total asset value, increased to 61.5% (2010: 21.7%).

EXPOSURE OF FOREIGN EXCHANGE

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 July 2011, other than outsourcing vendors but including contract workers, the Group has approximately 250 technical and working staff in Hong Kong, Singapore and PRC. Total staff costs, excluding contract workers, amounted to HK$24.2 million this year, as compared with HK$22.5 million last year.

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

DIVIDEND

The Board does not recommend any dividend for the year ended 31 July 2011 (2010: Nil).

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

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

CORPORATE GOVERNANCE

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

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

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

The Company has established an Audit Committee in accordance with the requirements of the CG Code. The Audit Committee consists of three Independent Non-Executive Directors, namely Mr. Pao Ping Wing, *JP*, Prof. Yuen Ming Fai, Matthew and Ms. Tse Mei Ha, in which Ms. Tse Mei Ha is the chairman of the Audit Committee. The Audit Committee and the management have reviewed the accounting policies and practices adopted by the Group and discussed the internal control procedures.

The annual results of the group for the year ended 31 July 2011 have been reviewed by the Audit Committee of the Company. The Group's consolidated financial statements have been audited by the Company's auditors, CCIF CPA Limited, and they have issued an unqualified opinion.

PUBLICATION OF ANNUAL RESULTS ON WEBSITES

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

ANNUAL GENERAL MEETING

The 2011 annual general meeting of the Company will be held on 13 December, 2011. The notice of the annual general meeting will be published and dispatched to the Shareholders of the Company in due course.

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

Hong Kong, 29 October 2011

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

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

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