CHAIRMAN'S STATEMENT

For the overall benefit of the shareholders, employees and the creditors of the Group, the management has taken decisive and focused measures in the past to conceptualize and implement a viable scheme of arrangement (the "Scheme") under section 166 of the Companies Ordinance (Chapter 32) with the creditors of the Group. These efforts aimed to preserve the underlying value and the business access of the Group and they turned out successfully. I am glad to report that the Group has survived the aftermath of the Asian Financial Turmoil.

The Scheme was sanctioned by the Court of First Instance of Hong Kong and became effective on 28 April 2000. Pursuant to the Scheme, all liabilities incurred on or before the effective date would be dealt with under the terms of the Scheme. The Scheme Administrator, Mr. Matthew O'Driscoll, partner of Ernst & Young, appointed under the Scheme, supervises the implementation of the Scheme.

In the meantime, the Group also proceeded to streamline its once cumbersome corporate structure, according to the underlying arrangement of the Scheme, and discarded a number of subsidiaries carrying huge negative values. The Company is now effectively rid of any liability, with a neat and tidy corporate structure and is now in a new leaf to conduct business, which is a clear advantage.

The restructuring exercise also involved the acquisition of two private marine engineering companies specifically set up by Mr. Y T LEUNG and his associates, namely UDL Marine Assets (Hong Kong) Limited and UDL Marine Assets (Singapore) Pte Limited. Both companies possessed a fleet of operational marine engineering vessels. While the Group was perturbed by the difficulties at the time, this arrangement by design served to preserve the valuable market access opportunity and enable the Group to recoup the market presence immediately once the restructuring exercise is completed.

After this major corporate maneuver, it is prudent that the Group should adopt a cautious strategy so as to put its feet firmly on the ground first. The primary objective is to reap steady and secured cash income and to avoid unnecessary financing risks. It is envisaged that the Group should, for the time being, participate in the marine engineering business mainly with extensive application of marine engineering plants first and where appropriate as a specialist marine engineering subcontractor. This will maximize the critical mass of the fleet and minimize cash outlay and business risks.

The two newly acquired companies will continue to complete their outstanding works on hand and plant hire agreements engaged prior to the acquisition. The Group has also kept a close eye on the changing market demands for marine engineering plants. It has been reviewing constantly its portfolio of marine plants and if appropriate, dispose of some of the non-core vessels. This will on the one hand reduce the debt servicing of the Group required and at the same time, maintain a core and flexible fleet of vessels for its own use for projects. As the position of the Group is becoming more robust, it would start to look for expansion opportunities by acquiring other suitable engineering enterprises in the market so as to further strengthen its position to take advantage of the revival of the market.

CHAIRMAN'S STATEMENT

After the market shake up in the past three years, there were quite a number of marine engineering contractors being struck out. The Company is one of the few who could weather the storm and survived. The market is now in general more capable in accommodating these limited number of contractors. Those players remained in the field should now have realized and adopted a more sensible manner in doing business. The focus is once again turned on to the profitability and liquidity of contracts instead of blindly chasing turnover.

In fact, the marine engineering market in the region has showed strong signs of recovery and there is an optimistic market sentiment overall. This can be echoed by reference to the other trade indices and consumer spending indices. The Government, both in Hong Kong and in Asian countries, is letting out mega size infrastructure projects in a timelier manner and at a reasonable contract sum. This is evidenced by the Container Terminal 9 project and the Theme Park at Penny Bay. In Hong Kong, projects like the North Lantau Reclamation, Southeast Kowloon Reclamation and Western Reclamation are coming on board in 2001. The Singapore government has already awarded the Phase IV Jurong Island Reclamation project and Pulau Ubin and Pulau Tekong Reclamation project and work will soon be commenced.

It is still too early for the management to assess the business potential of these projects. Given the revived corporate structure and a fleet of operational vessels at a reduced financial burden, I am therefore confident that the Group could be able to participate and get a meaningful share of the contract in these projects. Against this note of cautious optimism, the Group is well placed in the market as compared to the others to reap the upcoming business opportunities in Hong Kong as well in the neighboring South East Asian countries.

Lastly I would like to take this opportunity to express my sincere thanks to all the supportive shareholders, staff and comployees, business associates, customers and creditors for their continuous affirmative votes for the Restructuring, the Scheme of Arrangement, to re-vitalize the Group and path way to open the new page of the development for the new UDL group.

Leung Yat Tung
Chairman

Hong Kong
29 November 2000