

Certified Public Accountants
Hong Kong Member of
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To the members of UDL Holdings Limited

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 17 to 55 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

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Fundamental uncertainties relating to the going concern basis

In forming our opinion we have considered the adequacy of the disclosures in the financial statements made by the directors concerning the basis of their preparation. As further explained in note 3, the financial statements, which report net current liabilities of HK\$128,458,000 and a deficiency of assets of HK\$51,966,000 for the Group at 31 July 2002, have been prepared on a going concern basis, the validity of which is dependent upon (i) the successful completion of the Company's rights issue to raise net proceeds of approximately HK\$6,600,000 proposed in November 2002 (the "Rights Issue"); (ii) the successful disposal of certain of the Group's vessels to reduce its debt servicing obligations (the "Vessel Disposal"); and (iii) the continued support of the Group's secured lenders and the successful outcome of the Group's negotiations and discussions with the secured lenders to restructure the outstanding secured loans ("Debt Restructuring Negotiations"). The financial statements do not include any adjustments that would result from the failure to complete the Rights Issue and the Vessel Disposal and to secure a favourable outcome to the Debt Restructuring Negotiations. We consider that appropriate disclosures have been made, but the fundamental uncertainties relating to the appropriateness of using the going concern basis to prepare the financial statements are so extreme that we have disclaimed our opinion.

DISCLAIMER OF OPINION

Because of the fundamental uncertainties relating to the going concern basis, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2002 or of the loss of the Group for the year then ended. In our opinion the financial statements give a true and fair view of the cash flows of the Group for the year ended 31 July 2002. In all other respects, in our opinion the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton

Certified Public Accountants

Hong Kong

29 November 2002