

Financial Report PRC

For the year ended 31st December, 2001

I. Report of PRC Auditors

Guangzhou, China

Shareholders of Guangzhou Shipyard International Company Limited:

We have been appointed by the Company to conduct an audit of the balance sheet and the consolidated balance sheet as at 31st December 2001 and the profit and consolidated profit statement and the profit distribution for 2001 statement and the statement of cash flow for the year then ended (Details are set out in note 1 to 3). The Company shall be responsible for the truthfulness of the above-mentioned financial statements and our responsibility is to form an opinion on these financial statements based on our audit. We conducted our audit in accordance with the provisions of the "Independent Auditing Standards for Certified Public Accountants in the People's Republic of China", and based on the specific circumstances of the Company. We have reviewed the authenticity of the accounting records and carried out other auditing procedures considered necessary.

In our opinion, the financial statements attached to this report, which have been prepared in accordance with the "Accounting Standards for Enterprises" and other relevant financial and accounting regulations of the "Accounting Rules for Company Limited", give a fair view of the state of all significant affairs, the operating results and the cash flow of the Company for the year. The accounting policies as well as the classification and presentation of items in the financial statements are consistent with those adopted in the previous years.

Yangcheng Certified Public Accountants Company Limited

China Certified Public Accountants

Huang Weicheng, Xie Min

Guangzhou, China

19th, April, 2002