

Report of the PRC Auditors

For the year ended 31st December 2002

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 2002, the profit and consolidated profit statement and the profit distribution for 2002 and the statement and the consolidated statement of cash flow (the "financial statements") for the year then ended. 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 Standard for Certified Public Accountants in the People's Republic of China". 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 the "Accounting Systems for Enterprises", 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 presentations 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
22nd April 2003