

REPORT OF PRC AUDITORS

For the year ended 31st December 2003

Guangzhou, China

Shareholders of Guangzhou Shipyard International Company Limited:

We have conducted an audit of the balance sheet and the consolidated balance sheet as at 31st December 2003, the profit and consolidated profit statement and the profit distribution for the year 2003 and the statement and the consolidated statement of cash flow for the year 2003 of Guangzhou Shipyard International Company Limited (hereinafter "the Company"). 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 planned and conducted our audit in accordance with the provisions of the "Independent Auditing Standard for Certified Public Accountants in the People's Republic of China" to be sure that there does or not exist no significant error in the above-mentioned financial statements. Our audit includes examination on test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes judgments on the accounting policies adopted by the directors in the preparation of the financial statements and an assessment of the significant accounting estimates, and the judgment on the general disclosure of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the above-mentioned financial statements attached to this report, which have been prepared in accordance with the "Accounting Standards for Enterprises", give a true and fair view of the state of all significant affairs, the financial situation as at 31st December 2003, the operating results and the cash flow of the Company for the year 2003.

Yangcheng Certified Public Accountants Company Limited
China Certified Public Accountants
Huang Weicheng, Xie Min
Guangzhou, China

16th April 2004