

# FINANCIAL REPORT

## REPORT OF PRC AUDITORS

天健华证中洲审(2007) GF字第020008号

### Shareholders of Guangzhou Shipyard International Company Limited:

We have conducted an audit of the financial statements of Guangzhou Shipyard International Company Limited ("the Company"), including the balance sheet and the consolidated balance sheet as at December 31, 2006 and the profit and profit distribution statement, the consolidated profit and distribution statement, the cash flow statement and the consolidated statement of cash flow of 2006 and the notes to the financial statements.

#### I. Responsibility of the management to the financial statements

In accordance with the "Accounting Standards for Enterprises", it is the management's responsibility to prepare the financial statements, including: (i) to design, execute and maintain the internal management related to financial statements so that there does not exist significant error in the above-mentioned financial statements; (ii) to choose and use proper accounting policies and (iii) to conclude reasonable accounting estimate.

#### II. Responsibility of the auditors

We are responsible to form an opinion on these financial statements based on our audit. We conducted our audit in accordance with the provisions of the "Auditing Standard for Certified Public Accountants in the People's Republic of China". We are required by the provisions to plan and conduct the audit complying with the vocational criteria and to obtain efficient evidence to be ensure there does not exist significant error in the above-mentioned financial statements.

The audit includes the execution of auditing procedure to obtain evidence relevant to the amount and disclosures in the financial statements. The certified public accountant adjusted to choose auditing procedure and assess of the significant accounting estimates. In the assessment of the risk, we considered the internal management related to the financial statements to design proper auditing procedure. Our aim is not to give opinion to internal management. The audit also includes evaluating the suitability of the auditing policies chosen by the management and the rationality of the assessment by the accountant and the general statement of the financial statements.

We believe that the evidence we obtained is sufficient and appropriate and provides a reasonable basis for our opinion.

#### III. Auditors' 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 December 31, 2006, the operating results and the cash flow of the Company for the year of 2006.

**Ascenda Certified Public Accountants, Ltd. (Beijing)**  
**China Certified Public Accountants:**  
**Xiong Jianyi, Tu Zhenlian**  
**Beijing, China**

March 29, 2007

Guangzhou Shipyard International Company Limited