

# 監事會報告書

## REPORT OF SUPERVISORY COMMITTEE

### 1. Work of the Supervisory Committee

- (1) During the reporting period, the Supervisory Committee executed their duties in strict compliance with the PRC Company Law and the Company's Articles of Associations on the inspection of the Company's legal operation, financial management, and the performance of their duties of directors, general manager and other senior managerial staff;
- (2) Members of the Supervisory Committee were present at the 12 meetings of the 2003 Board. The following were presented to the supervisors: the 2002 audited financial report of the Company; the proposed profit distribution plan of the Company for 2002; the 2003 interim financial report of the Company. Through attendance at these meetings, the supervisors are knowledgeable with the Company's operation, development situation and the formation of significant strategies.
- (3) In 2003, the supervisory committee held six meetings. The details are as follows: the first meeting of Supervisory Committee was held on 25 March 2003, at which the supervisors reviewed and formed their opinions on the Company's operation, financial situation and the performance of their duties of the directors and senior managerial staff of the Company. In addition, the Supervisory Committee approved the 2002 report of the Supervisory Committee, the reappointment of certain supervisors and the appointment of supervisors of the Company and decided to put forward these resolutions to 2002 annual general meeting for approval. The second meeting of the Supervisory Committee was held on 29 April 2003, at which the 2003 first quarterly report of the Company were reviewed and approved. The third meeting of the Supervisory committee was held on 10 June 2003, at

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### **REPORT OF SUPERVISORY COMMITTEE (Continued)**

which Mr. Kou Laiqi was elected as Chairman of the supervisory committee of the Company. The fourth meeting of the Supervisory committee was held on 12 August 2003, at which a resolution regarding the adjustment in the depreciation period for the Company's vessels was reviewed and approved. The fifth meeting of the Supervisory committee was held on 25 August 2003, at which the following resolutions were passed: (a) the 2003 interim financial report of the Company; (b) the 2003 interim report of the Company was reviewed and approved. The sixth meeting of the Supervisory committee was held on 21 October 2003, at which the third quarterly report for 2003 of the Company was reviewed and approved; and

- (4) Members of the Supervisory Committee of the Company were present at the 2002 AGM, at which the Supervisory Committee gave an account of the 2002 report of the Supervisory Committee, and expressed their independent opinion on the Company's operation, financial situations and performance of their duties of the directors and senior managerial staff.

2. Supervisory Committee's view of the Company's operation in 2003:
- (1) The Company followed legitimate decision-making process and established a comparatively complete internal controlling system. The operation of the Company was in strict compliance with the PRC laws and regulations, as well as the normalized process for listed companies. In performing their duties, the directors, managers and the senior management of the Company strictly executed the resolutions passed at the annual general meeting and board meetings. As far as the Supervisory Committee is aware, the directors, managers and the senior management of the Company have not contravened any laws and regulations and/or the Company's articles of associations or damaged the interests of the Company when performing their duties; and
  - (2) During the reporting period, the Company's stable financial condition, sound financial management, and strict internal controlling system enabled the smooth operation of the Company. The 2003 annual financial statements represented a true and fair view of the financial situation and the operating results of the Company in 2003. The audited financial reports prepared by Ernst & Young and Shanghai Zhonghua Huyin C.P.A. respectively are objective and fair.
  - (3) As far as the Supervisory Committee is aware, connected transactions entered into during the reporting period conformed to principles of fairness, openness and impartiality. The prices of these connected transactions were negotiated on an arm's length basis and were conducted on normal commercial terms. Such transactions were not detrimental to the interests of the shareholders, nor resulted in any loss of the Company's assets.