

Report of the Supervisory Committee

The Third Supervisory Committee of the Company has the pleasure to present the 2001 Report of the Supervisory Committee and would like to extend our best wishes to every shareholder.

The Supervisory Committee faithfully carried out its duties, protected the interests of the Company and shareholders in a fiduciary, serious, just and prudent manner and strengthened its role in supervising financial affairs, Directors, managers and other senior management of the Company in accordance with the Company law of the People's Republic of China and the articles of association of the Company. During the year under review, members of the Supervisory Committee were able to attend working meetings of the Board of Directors and the General Manager and other relevant important meetings. They received and studied the relevant data and reports supplied by administrative departments including finance, auditing, sales, and enterprises management and obtained information from different sources so as to gain an understanding on areas including financial position, fund flows and operational management. These have provided a sound basis for the Committee to carry out its duties.

During the year under review, the Supervisory Committee held two meetings.

1. The Seventh Meeting of the third term Supervisory Committee was held on 20th April 2001 in the Company with attendance by all 5 Supervisors. The main agenda of the meeting was: (1) To consider and approve the 2000 report of the Supervisory Committee. (2) To consider and approve the 2000 annual report of the Company. The following resolutions were passed in the meeting: (1) The 2000 report of the Supervisory Committee was approved and shall be presented to the Shareholders Meeting for consideration and approval; (2) The 2000 Annual Report of the Company was approved.
2. The Eighth Meeting of the third term Supervisory Committee was held on 10th August 2001 with attendance by three Supervisors (two absent) out of a total of 5 supervisors. The main agenda of the meeting was to consider and approve the 2001 Interim Report of the Company. The 2001 Interim Report of the Company was approved.

During the year under review, according to the "Supervisors' daily work schedule of Guangzhou Shipyard International Company Limited", the Supervisory Committee held five "Supervisors' daily work schedule" meetings.

1. The First "Supervisors' daily work schedule" meeting was held on 5th March 2001 at the Company. The main agenda of the meeting was: 1. Briefing by the manager of the Company's Development Planning Department on the Company's "Tenth Five" development plan; 2. Briefing by the Secretary of the Supervisory Committee on financial statements for 2000, work status of the auditors and the financial statements of January 2001; 3. Discussion on certain affairs of the Company.
2. The Second "Supervisors' daily work schedule" meeting was held on 20th April together with the Seventh Meeting of the third term Supervisory Committee.
3. The Third "Supervisors' daily work schedule" meeting was held on 10th August together with the Eighth Meeting of the third term Supervisory Committee.
4. The Fourth "Supervisors' daily work schedule" meeting was held on 17th October at the Company. The main agenda was: 1. Briefing by the Deputy General Manager, Mr. Zhong Jian, on the operating status of the Company; 2. Briefing by the Supervisor of Risk Management Department on the progress of recovering the trust deposit.
5. The Fourth "Supervisors' daily work schedule" meeting was held on 24 December at the Company. The main agenda was: 1. Briefing by the Deputy Chief Accountant of the Company on the progress of finalisation of 2001 financial statements.

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In addition, the Supervisor, Mr. Han Zineng, and the Secretary of the Supervisory Committee both enquired and exchanged opinions with the Deputy General Manager as to who is responsible for recovering the trust deposits and who is responsible for the relocation related to environmental protection of the Container factory.

The Committee has executed its powers in accordance with the Company Law of the People's Republic of China and the articles of association of the Company and has duly reviewed the Report of the Directors, the Financial Statements of the Company, and the profit distribution proposal. We consider that the financial records and the financial statements are prepared in accordance with PRC accounting standards and accounting principles generally accepted in Hong Kong and accurately reflect the financial position and business results of the Company, and no questionable matters were identified. We also consent to the Report of the Board of Directors, Financial Statements and the profit distribution proposal.

During the year under review, the Company had not raised any funds.

During the year under review, the transactions involving the purchase and sale of assets were conducted under fair and reasonable terms, no insider trading was noted and accordingly the interests of the shareholders and the assets of the Company were not adversely affected.

During the year under review, the connected transactions were fair and reasonable, and accordingly the interests of the Company were not adversely affected.

We believe the Directors, general manager and other senior management have carried out their duties rigorously, scrupulously and diligently in accordance with the fiduciary, clean and prudent principles which abide to the regulations of Shanghai Securities Exchange and the Listing Rules. There were no violations of laws, regulations or articles of association of the Company, nor was there abuse of power to the detriment of the Company, the shareholders or staff welfare.

In dealing with further provision made for the trust deposits, loss provision for two types of shipbuilding under construction, and difficulties in production and trading, the Board of Directors and the executive team remained united and well coordinated, maintained confidence, and increased their workload and responsibility. In actively striving for development in the face of the strong market competition, the principle of "maximising benefits, development by reform, and cost reduction" was strictly adhered to.

Yengcheng Certified Public Accountants Company Limited and PricewaterhouseCoopers, which were appointed to audit the financial statements of the Company for this year have presented their audit reports of the Company with unqualified opinion.

We would like to extend our sincere gratitude to the Board of the Directors, the top management, all the staffs and shareholders of the Company for their trust, support and co-ordination during the year.

For and on behalf of the Supervisory Committee

Ji Anqin

Chairman

19th April, 2002 Guangzhou