

REPORT OF THE SUPERVISORY COMMITTEE

The Fourth Supervisory Committee of the Company has the pleasure to present the 2004 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, president and other senior management of the Company in accordance with the Company law of the People's Republic of China (hereinafter referred to the "Company Law") 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 president and other relevant important meetings. They reviewed 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 five meetings.

1. The seventh meeting of the fourth term Supervisory Committee was held on 6th February 2004 in the Company with attendance by 5 supervisors. The main agenda of the meeting were: (1) To consider the amendment of Rule 27(8) of Rules of Procedures for the Supervisory Committee. (2) To consider the change of two supervisors. (3) To consider election of two new independent supervisors and submit that to general meeting for consideration. The following resolutions were passed in the meeting: (1) Approved the proposal of revising certain item of Rules of Procedure for the Supervisory Committee, revise the description of "the minutes of Supervisory Committee meetings will be kept by the secretary of the Supervisory Committee as the Company's records" in Rule 27(8), Chapter 6 of Rules of Procedure for the Supervisory Committee to " the minutes of Supervisory Committee meetings will be kept by both of the company secretary and the secretary of the Supervisory Committee as the Company's records", and submit it to general meeting for approval. (2) Approved the resignation of Ms. Zhang Zhenya and Mr. Chen Xionggyi from their positions as independent supervisors of the Company, and submit it to general meeting for approval. (3) Approved to recommend Mr. Wang Shiming and Mr. Ye Weiming to be the new independent supervisor candidates of the Company, and submit it to general meeting for approval and their emolument determining.
2. The eighth meeting of the fourth term Supervisory Committee was held on 16th April 2004 in the Company with attendance by 5 supervisors. The main agenda of the meeting were: (1) To consider the 2003 report of the Supervisory Committee. (2) To consider the 2003 annual report of the Company. (3) To consider the first quarterly report of 2004. (4) To consider the resignation of Mr. Fu Dexiang and Mr. Han Zineng from their positions as supervisors of the Company. (5) To consider the new supervisor candidates of Mr. Wang Shusen and Mr. Liang Mianhong and submit that to general meeting for approval. (6) To consider making provision of the two vessels of No.15 and 16 of 35000dwt product oil tankers and writing

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off after verification provision for diminution in value of fixed assets of the container factory. The following resolutions were passed in the meeting: (1) Approved the 2003 report of the Supervisory Committee. (2) Approved the 2003 annual report of the Company. (3) Approved the first quarterly report of 2004. (4) Approved the resignation of Mr. Fu Dexiang and Mr. Han Zineng from their positions as supervisors of the Company and submit that to general meeting for approval. (5) Elected the new supervisor candidates of Mr. Wang Shusen and Mr. Liang Mianhong and submit that to general meeting for approval and their emoluments determining. (6) Approval of loss provision in the amount of RMB5.91 million and RMB7.65 million for the No.15 and No.16 vessel of 35000dwt product tankers respectively. (7) Approved to write off after verification provision for diminution in value of fixed assets of the container factory in the aggregate amount of RMB18,539,764.31.

3. The ninth meeting of the fourth term Supervisory Committee was held on 25th June 2004 in the Company with attendance by 5 supervisors. The agenda of the meeting was to elect the chairman of the supervisory committee, and the meeting passed the resolution that elect Mr. Wang Shusen as the chairman of the fourth term supervisory committee.
4. The tenth meeting of the fourth term Supervisory Committee was held on 13th August 2004 in the Company with attendance by 5 supervisors. The agenda of the meeting was to consider the interim report of 2004, and the meeting passed the resolution that approved the interim report of 2004.
5. The eleventh meeting of the fourth term Supervisory Committee was held on 21st October 2004 in the Company with attendance by 5 supervisors. The agenda of the meeting was to consider the third quarterly report of 2004, and the meeting passed the resolution that approved the third quarterly report of 2004.

During the year under review, according to the "Supervisor's work-day schedule of Guangzhou Shipyard International Company Limited", the Supervisory Committee held three "Supervisors' work-day" meetings. The main content of the meetings included the debriefing by Mr. Chen Jianrong, the assistant of president and the manager of Strategy Management Department, on the development situation of the Company's strategy management work, the debriefing by Mr. Wang Lijian, the deputy chief economist and the manager of Investment and Development Department, on the management information in respect of investment and development of the Company, and researching, discussing and communicating on matters related. Through the "Supervisor's work-day" meetings, the independent supervisors could understand relevant situations of the Company in time.

The Committee has executed its powers in accordance with the Company Law and the Articles of Association of the Company to review the Report of the Directors, the Financial Statements of the Company, and the profit distribution proposal. We consider that the financial records and accounting principles generally accepted in Hong Kong and accurately reflected the financial position and business results of the Company, and no questionable matters were identified. We also consent to the Reports of the Board of Directors, Financial Statements and the profit distribution proposal.

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During the year under review, the company had not raised any fund.

During the year under review, the transactions involving the acquisition and sale of assets were conducted under fair and reasonable, 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 conducted under fair and reasonable terms, and accordingly the interests of the Company were not adversely affected.

The Committee is in the view that the procedure of decision-making of the Company is in accordance with Articles of Association of the Company and has established necessary internal control system, and that the directors, president and other senior management have carried out their duties rigorously, scrupulously and diligently in accordance with the fiduciary, clean and prudent principles under 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 any abuse of power to detriment the interests of the Company, the Shareholders or the staff.

In 2004, in face of the difficulties of lower price of the repeat vessels and price rising of steel, The Board of Directors and executive team remained united and went all out to work, firmly executed guiding principles of "Strengthen the core competence in shipbuilding, vivify the development in non-shipbuilding operations", constituted effective measure to increase income and decrease expenditure, controlled the production and operation, actively expanded the shipbuilding business market, enhanced cost control and management, gained the benefit expected and improved the health and continue development of the Company.

Guangdong Yangcheng Certified Public Accountants Company Limited and PricewaterhouseCoopers, Certified Public Accountants, 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 Directors, the senior management, all the staffs and shareholders of the Company for their trust, support and co-ordination during the year.

On behalf of the Supervisory Committee

Chairman

Wang Shusen

Guangzhou, 1st April 2005