SIGNIFICANT EVENTS

1. The Group's 51% holding subsidiary, United Steel Structure Company (the "Subsidiary") had produced some batches of steel structures ("Steel Structures") in the previous years for another shareholder, Havens Steel Company ("Havens") that holds 49% of the Subsidiary. As Havens has been filed for bankruptcy in U.S. the Subsidiary has filed on 29th December 2004 in U.S. District Court for the Western District of Missouri against St. Paul Fire & Marine Insurance Company, the guarantee Company to the Steel Structures for Havens, in order to recover the balance of the Steel Structures amount to approximately USD1.2 million ("Balance"). The Case is under going process. In view of the above situation, the Group has made a 50% provision for the Balance in its financial accounts for year 2004. Except for the above-mentioned case, there is no other significant litigation or arbitration events to the Group during the period under review.

2. Since April 2000, the Company raised the litigation against Guangdong Changda Road-construction Company Limited ("Changda Company") for the overdue payment of the project of manufacturing, painting the steel box girder of Humen Bridge, and manufacturing the traveling crane. The Company received the judgement on August 22, 2003 by the Final Judgment forwarded by the Supreme Court of Guangdong Province, which demanded Changda Company to pay to the Company the liquidated damage and the interest in amount of RMB13.2320 million, which was received on 24th September 2003 and calculated into the current Profit & Loss of the Company. (Please refer to the item 3-2-3 of The Third Quarterly Report as at 30th September 2003 or item 1 of Significant Events in 2003 Annual Report). On 22nd July 2004, the Company received the Civil Administration Procuratorial Register Decision from Procuratorate of Guangdong Province, which declared Changda Company did not give in to the judgement of the Supreme Court of Guangdong Province, and it has appealled to Procuratorate of Guangdong Province. As at the disclosure of this annual report, the Company has not awared any progress of the matter.

3. The Company entered into a container production line sale agreement with Civet Container Co., Ltd. for the discontinuing of container manufacturing business of the Company, and gain net porfit with an amount of RMB5.32 million, which had been accounted in porfit and loss of the year 2004 form the sale. Apart from that, the Company has not any significant acquisition and sale of assets, or any incorporation during the period under review.

4. The Group have engaged in various continuing connected transactions with the CSSC Group due to the nature of assembly building since its setup. The transactions of importing raw materials and equipment and handling export through subsidiaries of CSSC, purchasing electrical and mechanical equipment from manufacturers under the supervision of CSSC, provision of testing, design, management and subcontracting services by companies controlled by CSSC, and purchase of steel through the materials procurement department of CSSC pursuant to the State's steel allocation plan.

Matters in relation to connected transactions are set out in Connected Transactions of Report of the Board of Directors and in note (vi) to the financial statements prepared under PRC accounting standards contained in this report.

5. The Company transferred its 24% interest in Guangzhou Masterwood Company Limited ("Masterwood"), which was 75% held by the Company originally, with the price of RMB1,552,677 to Huangpu Shipyard, which is wholly controlled by CSSC, the price was based on the net assets value as at 30th June 2004 of Masterwood appraised by the independent valuer, and the net assets value of Masterwood has been appraised as RMB6,649,486.39. the Board of Directors of the Company are of the opinion that the terms of the Transaction are fair and reasonable and in the interests of the independent shareholders. The event was published on Shanghai Securities News, Hong Kong Commercial Daily, and China Daily (overseas version) on 26th August 2004.

6. The Company had not managed any trust, any contract or lease assets of other companies or other companies had not managed any trust, any contract or leased the assets of the Company, which occurred during the period under review or occurred before but continued to the period under review during the period under review.

7. During the period under review, the Company had not provide any significant guarantee, except for a counter indemnity provided to a related company into provided guarantee to the Company.

8. As at 31st December 2004, the Company's trust deposits with non-banking financial institutions amounted a total of RMB444.5 million. Among these, the trust deposits at Guangzhou International Trust and Investment Company (GZITIC) at the end of the period amounted to RMB397.07 million with accumulated special non-recovery provision of RMB325.37 million.

   The Company's trust deposits at Guangzhou Economic and Technology Development Zone International Trust and Investment Company ("GETDZITIC") amounted to RMB47.43 million. A full provision for bad debt in respect of such deposit has been made in 2000. On 6th January 2003, People's Bank of China Guangzhou Branch announced to abolish GETDZITIC, which is on its procedure of liquidation. On 16th March 2004, the Company received the notice of Kai Guo Tou Che Zi (2004) No. 9 from liquidation team, which announced the work progress of liquidating to GETDZITIC, and in accordance with the liquidation status, there is not any assets in GETDZITIC to repay, all debtees were faced with the situation of "zero repayment". The liquidation team of GETDZITIC issued on 28th June 2004 [2004] No. 11 Notice, which put forward a proposal of assigning the book creditor's rights of GETDZITIC to each creditor because most of the creditors did not agree to the scheme of "zero repayment", and sought opinions about the proposal from all creditors. The Company answered GETDZITIC on 15th July 2004 that the Company did not agree to the proposal, and requested for a bankruptcy liquidation.

   Except of the above, the Company had not other significant trust that occurred during the period under review or before but continued to the period under review.

9. A debt restructuring agreement ("Agreement") was entered into between the Company and GZITIC on January 31, 2005. Pursuant to the terms of the Agreement, GZITIC will procure transfer of certain unencumbered shops with an approximate area of 19,250 sq. meters located in Urumuqi ("Real Estate") to the Company, in settlement of debts owing to the Company in the principal amount of RMB220 million and interest otherwise accrued thereon. The amount of debt to be settled in exchange for the Real Estate was agreed upon arm's-length terms on the basis that the value of the Real Estate will not be less than RMB110 million and a debt repayment ratio refers to the ratio of 50%. In accordance with the Agreement, debts owing by GZITIC to the Company in the principal amount of RMB220 million together with interest otherwise accrued thereon will be treated as fully and finally settled upon the Company obtaining the building ownership certificate to the Real Estate. The Company is urging and demanding GZITIC to transact relevant procedure. As at the date of the disclosure of this annual report, the transferring of the ownership certificate of the Real Estate is processing.

10. The shipbuilding operation of the Company has expanded to 50,000dwt vessels, and the Company secured two 52,000dwt product oil tankers and four 50,000dwt oil tankers built for Sweden Gotland Shipping Co. and China Shipping Development Company Limited respectively in 2004. Such contacts all became effective in 2004.

11. During the period under review, the Company or the shareholders who hold over 5% (including 5%) shares of the Company did not give any undertaking that might have a great impact on the business results or financial condition of the Company during the period under review or occurred before but continued to the period under review.

12. During the period under review, the Company did not change its auditors. The Company appointed Guangdong Yangcheng Certified Accontants Company Limited and PricewaterhouseCoopers as the domestic auditor and international auditor of the Company respectively, and their audit fee for the year 2004 amounted to RMB450,000 and HKD1.48 million respectively. As at the end of the period, the two above-mentioned auditors have provided audit service to the Company for 12 years.

13. The Company received the notification of Zhen Jian Li Tong No. 001 on 17th November 2003, due to the alleged breaches to securities laws and regulations by the Company, the Company is currently being investigated by the Guangzhou Investigation Bureau of China Securities Regulatory Commission (the "GIB") in respect of certain issues in the previous announcement commencing on 17th November 2003. The matter has been published in "Shanghai Securities News", "Hong Kong Commercial Daily" and "China Daily" (overseas version) on 17th November 2003. As at the date of the disclosure of this annual report, the investigation has not any final conclusion.

14. Pursuant to demands of business development and due to environment relocation and the adverse impact of container manufacturing market, the Company had decided to wholly exit container business market after detail analyses and research by the Board of Directors. During the period under review, the Company has liquidated relevant creditor's rights and liabilities belong to the container manufacturing factory of the Company, and dealt with various assets and inventories. As at the end of 2004, the liquidation work has basically finished, and drawn back all relevant investment. The legal events like write-off of tax and register are processing and going successfully.

15. Pursuant to demands of business development and approved by the thirteenth meeting of the fourth term of the Board of Directors, the Company decided to drawback all its investment in Guangzhou Henghe Construstion Engineering Co.,Ltd., a subsidiary 76% interest held by the Company. Relevant procedures have finished and relevant expenditures were calculated in the current profit and loss with less influence to the Company.

16. Due to the long-term unsuccessfully business development since the establishment of the subsidiary Xinhui City Nanyang Industrial Trading Development Co., Ltd ("Nanyang Company."), which was 70% controlled by the Company, the 21st meeting of the fourth term of the Board of Directors of the Company held on 23rd February 2005 determined to remise it interest in Nanyang Company.

    An interest transferring agreement ("Agreement") was entered into between the Company and an individual investor on 25th February 2005 under friendly negotiation. The transferring price is RMB13.52 million, which was calculated in the account on 9th March 2005. The book value of Nanyang Company owned by the Company as at December 31, 2005 was RMB15.35 million in accordance with rights and interests, and the balance of RMB1.83 million has been drawn as special long-term investment devalue provision and calculated in the current profit and loss.

17. The Company received the document issued by Business Affairs Department on 14 December 2004, it approved to process the register procedure for Rongguang Development Company Limited, the subsidiary of the Company in Hong Kong.

18. During the period under review, in accordance with the Measures Concerning Employee Medical Insurance, the Company joined the basic medical insurance that managed by Guangzhou Municipal Labor Protection Administration Department and bore insurance amounting to RMB12.71 million for its employees.

19. During the period under review, in accordance with the housing reform policy of Guangzhou City, the Company paid housing allowance amounted to RMB12.53 million for the qualified staff.

20. The Stock Exchange of Hong Kong Limited granted the Company a conditional waiver from the strict compliance with Rule 3.24 of the Listing Rules, according to which the Company must ensure that, at all times, it employs a qualified accountants on a full time, for a period of 3 years from 31 December 2004. Pursuant to the waiver, the Company appointed Mr. Li Chi Sing, a practicing member of Hong Kong Institute of Certified Public Accountants on 18 January 2005 for the purpose of assisting the chief accountant of the Company in the discharge of the duties in the oversight of the Company's financial reporting procedures and internal controls.