

# 德勤华永会计师事务所有限公司

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**Deloitte  
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## TO THE SHAREHOLDERS OF GUANGDONG KELON ELECTRICAL HOLDINGS COMPANY LIMITED

We have audited the accompanying revised balance sheets of the Company and the Group as of 31 December 2002 and the related revised statements of income and profit appropriation and cash flows of the Company and the Group for the year then ended. The revised financial statements replace the original financial statements approved by the directors on 28 March 2003 (see note 1(a)). These revised financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Independent Auditing Standards for Chinese Certificated Public Accountants. Our audit included such tests of the accounting records and such other auditing procedure as we considered necessary in the circumstances of the Company and the Group, except that our scope of work was limited as set out below.

1. The previous auditors explained in their auditors' report on the financial statements for the year ended 31 December 2001 that they were unable to obtain reasonable representations and assurances on which they could rely for the purposes of their audit and there were no satisfactory audit procedures that they could perform to obtain reasonable assurance that all material transactions were properly recorded and completely disclosed. Against this background, we are unable to conclude as to whether the net assets and consolidated net assets of the Company and the Group as at 31 December 2001 were free from material misstatement. Any adjustments to the opening net assets of the Company and the Group would affect the net profit of the Company and the Group for the year ended 31 December 2002. Also, the comparative figures as at the beginning of the year shown in the Company's and the Group's balance sheet, in the statement of income and profit appropriation and in the cash flow statement for the year then ended may not be comparable with the figures for the current year.
2. The investment profit and loss in Huayi Compressor Holdings Company Limited, an associate of the Company, was not recognised by equity method as the Company could not obtain the audited financial statements of such associate for the year ended 31 December 2002. Accordingly, we are unable to determine the effects of profit and loss of such investment in the year on the net assets of the Company as at 31 December 2002 and its profit for the year then ended had such profit and loss been recognised by equity method.

Except for matters covered above, in our opinion, the financial statements comply with the relevant requirements of the Accounting Standards for Business Enterprises and Accounting System for Business Enterprises, and present fairly, in all material respects, the financial statement position of the Company and Group as of 31 December 2002 and the result of their operations and cash flows for the year then ended. The accounting policies have been consistently applied.

Without qualifying our auditors' opinion, we draw attention to note 1(a) to the financial statements which explains that the Group's financial statements for the year ended 31 December 2002 issued on 28 March 2003 have been revised by the directors to account for the substance of a transaction with a former joint venture partner of the Company and to re-instate an allowance for slow moving inventories. The combined effect of these adjustments is to reduce the net assets of the Group by RMB111,216,225 as at 31 December 2002 and the net profit of the Group for the year then ended by RMB99,591,425.

Deloitte Touche Tohmatsu  
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**Hu Fan  
Chen Hui Zhu**  
*Chinese Certified Public Accountant*

Shanghai China

3 April 2003