

# Auditors' report

*Financial Statements Prepared in Accordance with PRC Accounting Standards*

沪江德勤会计师事务所

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**Deloitte  
Touche  
Tohmatsu**

To the Shareholders of Kunming Machine Tool Company Limited

We were engaged to audit the balance sheet of Kunming Machine Tool Company Limited as of 31st December, 2000 and the statements of income and appropriation and cash flows for the year then ended. The preparations of these financial statements are the responsibility of the Company. 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 Certified Public Accountants. Our audit included such test of the accounting records and such other auditing procedures as we considered necessary in the practical circumstances of the Company.

In our opinion, such financial statements are prepared in conformity with "Accounting Standard for Business Enterprises" and "Accounting Regulations for Joint Stock Companies" and, in all material respects, present fairly the financial position of the Company as at 31st December, 2000 and the results of its operations and cash flows for the year then ended. The accounting policies adopted follow the consistency principle.

The Company announced the important events of shareholder transfer on 28th December, 2000. For more details, please refer to Note 34.

Deloitte Touche Tohmatsu Shanghai CPA  
Chinese Certified Public Accountants

**Liu Wei Min  
Jiang Qian Qian  
Shanghai**

8th March, 2001