

Report of the Supervisory Committee

During the reporting period, members of the Supervisory Committee carried out their duties actively and conscientiously in accordance with the Articles of Association of the Company and the PRC Company Law in order to safeguard the interests of the Company and its shareholders.

During the reporting period, the Supervisory Committee had held four meetings:

1. the second session of the 3rd Supervisory Committee was held on 28 March 2000. The quorum is 3 and the number of supervisors attended the meeting is 3. The meeting considered the following:
 - (1) discussed how to review the Company's 1999 financial statements and the relevant matters;
 - (2) discussed how to review the Company's internal regulating policy of making provision for the four items;
 - (3) considered and passed the Report of Supervisory Committee 1999 (draft);
2. the third session of the 3rd Supervisory committee was held on 19 April 2000. The quorum is 3 and the number of supervisors attended the meeting is 3. The meeting considered the following:
 - (1) considered and passed the Company's Annual Report 1999 and its summary;
 - (2) considered and passed the internal regulating policy of making provision for diminution in asset value and the handling of loss;
 - (3) considered and passed the Company's audited Financial Report 1999;
 - (4) considered and passed the Company's Profit after taxation 1999 Appropriation Plan 1999;
 - (5) considered and passed the Company's five management policies in regard to its holding subsidiaries.
3. The fourth session of the 3rd Supervisory Committee was held on 10 August 2000. The quorum is 3 and the number of supervisors attended the meeting is 3. The meeting considered the following:
 - (1) listened to the report of the financial personnel regarding the Company's interim financial report;
 - (2) considered and reviewed the Company's Capital Operation Plan;

4. The fifth session of the 3rd Supervisory Committee was held on 25 August 2000. The quorum is 3 and the number of supervisors attended the meeting is 3. The meeting considered and approved the following:
 - (1) the Company's Interim Financial Report 2000 (unaudited);
 - (2) the Company's Interim Report 2000 and its summary;
 - (3) the Company's Financial Dividend Distribution Plan 2000;
 - (4) the investment in and the establishment of Dongfang Electrical Machinery tool and Mould Company Limited.

During the reporting period, the Company, under the leadership of the Board of Directors, had proceeded with its best endeavors according to the work plan and objectives in spite of the difficulties and challenges arisen. The Company recorded a total industrial production volume of RMB600.9 million (using same price as in 1990), total production output of 267.8 MW, a sales income of RMB663.87 million and received foreign exchange of US\$7.18 million. The Company has also made considerable progress in reform and development in 2000, firstly, the implementation of operation model of corporate legal person and the conduct of in-depth systems innovation in both parent company and the subsidiaries. As a result, the employee's initiatives were activated, product quality was guaranteed and production target was fulfilled, production lowered and market was expanded. Secondly, the Company made steady progress in reforms in labour, personnel and distribution systems. A new "Regulations regarding the Implementation of layoff off of employees to increase efficiency workforce redistribution and to improve the implementation of re-employment project" had been revised and implemented. In order to fully stimulate the initiative and creativeness of the major production and operation personnel and thus to contribute more to the Company, the Company has formulated the "Policy regarding special subsidy to technological personnel", "Policy regarding Award to substantial projects" and "Policy regarding award to material projects" and "Policy to award the major workers in the front production line". All these measures demonstrated the principle of awarding the technicians in core positions, marketing personnel with remarkable performance and major workers in the front production line.

The Supervisory Committee had attended the Board of Directors meetings and presented suggestions in regard to the Company's reform development, technological transformation, production and operation, and exercised effective supervision over whether the making of decision was in compliance with the relevant laws, regulations, the Company's Articles of Association, resolutions of the general meetings and in the interests of the shareholders.

During the reporting period, the Supervisory Committee of the Company unanimously considered that:

1. During the year, the Company's operations had complied with the Securities Laws, the Company Law the Company's Articles of Association, other relevant laws and regulations and the latest requirements of domestic and foreign supervisory authorities and had established a better internal supervision system and decision making procedure. The members of the Board of Directors and senior management had faithfully and diligently carried out their duties in accordance with the Articles of Association and executed the resolutions passed at the general meetings and the Board of Directors meetings in the interest of the Company. The Committee was not aware of any act which was in contravention of any regulation and law, and the Articles of Association of the Company.
2. Pursuant to the "Notice of Making Provision for Diminution in Asset value and the Related matters of Listing Companies" issued by China Securities Regulatory Commission and the "Supplementary Regulations regarding the Handling of Accounting Matters of Accounting Policy of Stock Limited Companies" issued by the Ministry of Finance, the Company formulated Internal Control Policy of Making Provisions for and Write-off of the Four Items of Diminution in Asset Value. During the year, the Board of Directors has made provisions for diminution in short-term investments, bad and doubtful debts, diminution in value of inventories and long-term investment, which was in line with the relevant legal requirements. During the year, the Company had made provisions for diminution in short-term investments, bad and doubtful debts, diminution in value of inventories and long-term investments, which were in line with the relevant legal requirements.
3. The Supervisory Committee have carefully reviewed the financial statements audited by Pan China (Schinda) Certified Public Accountants of the PRC and Deloitte Touche Tohmatsu of Hong Kong which will be submitted to the Annual General Meeting. The Committee is of the opinion that the financial statements can truly, accurately, and objectively reflect the financial position and the results of the Company. The results of the Company are true, the expenses are reasonable and the provisions made were in accordance with the laws, regulations and the Company's Articles of Association.
4. All the connected transactions with the relevant parties were conducted on normal commercial terms, and were based on arm's length negotiations and in accordance with market principles. No adverse effect on shareholders' interests or loss of the Company's assets has occurred.

On 25 February 1994, the Company entered into an agreement with DFEW in respect of the provision of various services to each other after restructuring. The agreement became effective on 1 January 1994. Pursuant to the agreement, fees payable by the Company to DFEW for the year ended 31 December 2000 amounted to RMB76,786,000. Income receivable from DFEW amounted to RMB6,707,000.

For the year ended 31 December 2000, sales made on behalf of the Company handled by China Dongfang Electric Corporation, the superior administrative organisation of DFEW, amounted to RMB12,641,000.

By the order of the Supervisory Committee

Li Hongdong

Chairman of the Supervisory Committee

6 April 2001