

Report's of Auditors

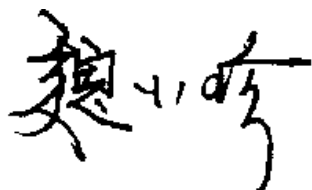
**To shareholders of
Dongfang Electrical Machinery Company Limited:**

We were appointed to audit the balance sheet and the consolidated balance sheet of the Company as at 31 December 2000 and its income statement and profit appropriation statement, consolidated income statement and profit appropriation statement, the cash flow statement and the consolidated cash flow statement for the year then ended. The preparation of these financial statements is the responsibility of the Company. Our responsibility is to express an opinion, based on our audit, on these financial statements. We conducted our audit in accordance with "Independent Auditing Standards for Chinese Certified Public Accountants". Our audit includes an examination, on a test basis, of the Company's accounting records and all other audit procedures that we consider appropriate to the Company's circumstances.

In our opinion, the above financial statements have been properly prepared in accordance with the "Accounting Standards For Enterprises" and "Accounting Regulations for Joint Stock Limited Companies" of the People's Republic of China and presents fairly, in all material aspects, the financial position of the Company as at 31 December 2000 and the operation results, the consolidated operation results, cash flow and consolidated cash flow for the year then ended and the accounting policies have been consistently applied.

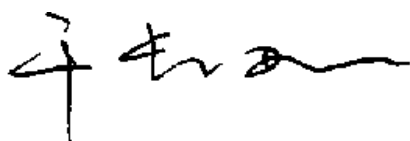
Pan China (Schinda) Certified Public Accountants

Chinese Certified Public Accountant



Wei Xiaozhen

Chinese Certified Public Accountant



Gan Changru

2 April 2001
Shenzhen, China