

Difference Adjustment Statement

	Notes	Net asset 31 December 2000	Unit: RMB Net profit 2000
Net asset/net profit (loss) audited by the overseas accountant based on Hong Kong Generally Accepted Accounting Principals		1,146,058,945.15	(21,540,723.92)
Difference			
- undistributed profit at beginning of year	1	—	23,274,392.50
- investment income (loss)	2	246,575.94	736,575.94
- Capital reserve	3	759,718.17	(160,572.43)
Net increase (decrease)		1,006,294.11	23,850,396.01
Net asset/net profit audited by domestic accountant based on Accounting System of Joint Stock Limited Companies and other relevant supplemental Regulations		1,147,065,239.26	2,309,672.09

1. UNDISTRIBUTED PROFITS AT THE BEGINNING OF YEAR

International auditors accounted the profit or loss adjustment in the current year audited profits. However, the domestic statutory auditors will adjust these prior year profit or loss to the opening balance of the related assets and liabilities items and the previous year profit and loss items for the comparative purpose under "Accounting Standards for Joint Stock Limited Companies" and "Notice of the publication of connection 'Enterprise Accounting Policy'".

2. INVESTMENT INCOME (LOSS)

Item of difference adjustment in investment income include:

- (1) With respect to the investee company-Leshan City Dongle Heavy Piece Handling Company(Dongle) in which the Company has an equity interests of 49%. Under HK GAAP, international auditor accounted for the investment under cost methods. In this year it was changed to equity method and adjusted equity of Dongle to zero. However, under "Accounting Standards for Joint Stock Limited Companies", the domestic statutory auditors accounted for the investment under equity method and have adjusted the equity of Dongle to zero in prior year according to the operating status of it. It causes the difference amounting to RMB 490,000.00.
- (2) International auditors audited and confirmed the discrepancy that due to the accounting polices of the provision to the bad debts between the Company and the DFEM Large and Medium Electrical Machinery Co, Ltd, which was one of the

subsidiaries owned by the Company. According to CaiKuaizi(1995) No.11 document "Notice of the publication 'Temporary Rule of the consolidated Financial Statements'", domestic statutory auditors adjusted and represented the 2000 Financial Statements of the Company under the rules of "Accounting Standards for Enterprises of the PRC" and "Accounting Policies for Joint Stock Limited Liability Companies" .The difference amounted to RMB 195,604.81 hereby the comparing to the Financial Statements which originally prepared under the "Accounting Standards for Enterprises of the PRC" and "Accounting Policies for Industry Enterprises" .

- (3) International auditors recognized the loss from long-term liability investment of zero-interest electricity construction bond issued by West-southern Power Industry Administration Bureau of Ministry of water and Electricity amounting to RMB 442,180.75; but domestic statutory auditors not. It causes the difference amounting to RMB 442,180.75.

3. Capital reserve

International auditors recognized the fixed assets, which was from government grants as profit or loss in the current year, however the domestic statutory auditors recognized it as capital reserves.

International auditors recognized the difference in net assets value of the Company at 31 December 1993 as determined under HK GAAP and that determined under "Accounting Standards for State-owned Industrial Enterprises" of the PRC as capital reserve.

International auditors recognized the adjustment with respect to the valuation surplus on the Company's fixed assets at 31 December 1993 as valued by asset valuer and confirmed by State Assets Administration Bureau and no valuation surplus on other assets and liabilities. Domestic statutory auditors, according to regulation with respect to adjustment on result of assets valuation, recognized the adjustment for valuation surplus on all assets and corresponding liabilities.