

AUDITORS' REPORT

TO THE DIRECTORS OF HARBIN POWER EQUIPMENT COMPANY LIMITED

哈爾濱動力設備股份有限公司

(A joint stock company established in the People's Republic of China with limited liability)

We have audited the interim financial report on page 12 to 23 which has been prepared in accordance with the accounting policies followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2000, except as described in note 2 and in accordance with the requirements of Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" ("SSAP 25") issued by the Hong Kong Society of Accountants.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the proper preparation of the financial report in accordance with the adopted accounting policies and in accordance with the requirements of SSAP 25. In preparing such interim financial report it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on the interim financial report and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the interim financial report. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the interim financial report, and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the interim financial report is free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the interim financial report. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the interim financial report for the six months ended 30th June, 2001 has been properly prepared in accordance with the adopted accounting policies and in accordance with the requirements of SSAP 25 issued by the Hong Kong Society of Accountants.

DELOITTE TOUCHE TOHMATSU

Certified Public Accountants

Hong Kong, 24th August, 2001