

Report of the Supervisory Committee

1. Meetings of the Supervisory Committee during the reporting period

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

1. The 10th meeting of the third Supervisory Committee was held on 23 January 2002. The meeting considered and approved the change in the use of part of the proceeds; the administrative aim and direction for 2002; the fixed assets investment plan for 2002; the financial budget of the Company for 2002; the announcement of profit warning.
2. The 11th meeting of the third Supervisory Committee was held on 9 April 2002. The meeting considered and approved the 2001 Report of the Supervisory Committee; the audited financial statements of the Company for 2001; the profit after taxation distribution plan of the Company for 2001; the annual report for 2001 and its summary; the financial budget of the Company for 2002.
3. The 12th meeting of the third Supervisory Committee was held on 16 August 2002. The meeting considered and approved the unaudited interim report of the Company for 2002; the interim profit distribution plan of the Company for 2002; the interim report of the Company for 2002; application to Everbright Bank for banking facilities amounting to RMB50 million; the three management method for foreign investment; the establishment of Dong Dian Technological Research and Development Complex.
4. The 1st meeting of the fourth Supervisory Committee was held on 23 December 2002. The meeting considered and approved the election of Mr. Li Hongdong as the Chairman of the Supervisory Committee.

The announcements of the above discloseable resolutions passed by the Supervisory Committee were published on Shanghai Security Daily and China Security Post in the PRC, and Wen Wei Po and The Standard in Hong Kong on the following day after the holding of the relevant meetings.

2. Independent opinion of the Supervisory Committee on the relevant issues of the Company in 2002

(1) Operations of the Company in compliance with the laws

In 2002, pursuant to the relevant laws and regulations of the State, the Supervisory Committee of the Company had carried out supervision on the Company's shareholders meetings, the convening procedures of the Board of Directors, resolutions and the implementation of the resolutions of the shareholders meetings by the Board of Directors, and considered that the performance of the Company's Board of Directors in 2002 was strictly in compliance with the Company Law, Securities Law, Listing Rules, Articles of Association and other laws and regulations. Their operating decisions were scientific and reasonable, and they had further upgraded their internal management and internal control systems and had set up a good internal control system. None of the Directors and the senior management of the Company had been found to be in violation of the laws and regulations, the Articles of Association and had done things detrimental to the interests of the Company or enlarged the interest of the public.

(2) Inspection of the financial position of the Company

The Supervisory Committee of the Company carried out serious and careful inspections on the Company's 2002 Financial Report, the Company's profit after taxation distribution plan for 2002, the audit report issued by PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. and PricewaterhouseCoopers Certified Public Accountants and other information to be submitted to the Annual General Meeting. The Committee is of the opinion that the Company's 2002 financial statements can truly, accurately, and objectively reflect the financial position and the results of the Company. The Committee accepted the audit report issued by the PRC and international auditors and the Company's profit after taxation distribution plan for 2002.

Report of the Supervisory Committee *(continued)*

(3) Use of proceeds

Other than the change of the actual use of the proceeds in one item to cope with the practical conditions, the balance was applied in accordance with those plans set out in the Prospectus. The procedures for the change in use of proceeds are in compliance with the laws.

(4) Acquisition and merger

During the reporting period, the acquisition of Deyang Dongfong Electrical Machinery Manufacturing Co. Ltd. by DFEM Power System Company Limited (東方電機動力設備有限公司), a subsidiary of the Company by way of increase in capital was completed. Such acquisition was considered fair and reasonable.

(5) During the reporting period, any connected transactions between the Company and the relevant parties were considered fair and reasonable.

(6) Execution of resolutions passed at the Board meetings

Members of the Supervisory Committee attended the Board meetings and annual general meetings and had no dissenting view on any resolutions proposed by the Board to the general meetings. The Supervisory Committee reviewed the resolutions passed at the Board meetings and is of the opinion that the Board diligently executed resolutions passed at the general meetings.

By the order of the Supervisory Committee

Li Hongdong

Chairman of the Supervisory Committee

1 April 2003