

Report of Supervisory Committee

In 2005, the Supervisory Committee duly performed its supervision with a view to be accountable to all shareholders and safeguard the interests of the Company in accordance with Company Law, the Articles of Association, the Procedures for the Supervisory Committee and relevant laws and regulations.

I. MEETINGS OF SUPERVISORY COMMITTEE

During year 2005, the Supervisory Committee convened a total of 3 meetings, details of which are as follows:

The 7th meeting of the fourth Supervisory Committee was held on 21 March 2005. At the meeting, the 2004 Report of the Supervisory Committee and the Company's 2004 audited financial statements, 2004 profit after taxation distribution plan, 2004 Annual Report and its summary and 2005 financial budget were considered and approved. The meeting also considered and approved the proposal for connected transactions between the Company and the four subsidiaries of Dongfang Electric Machinery Works.

The 8th meeting of the fourth Supervisory Committee was held on 24 August 2005, at which the proposed change in income tax policy, the proposed disposal of inventory materials, the proposed retirement of relevant fixed assets (including construction in progress), the proposal for investment in equipment were considered and approved. The meeting also considered and approved the unaudited interim financial report for 2005, the interim profit appropriation plan for 2005 and the 2005 interim report.

The 1st meeting of the fifth Supervisory Committee was held on 22 December 2005. At the meeting, Supervisor Wen Bingyou was elected as Chairman of the Supervisory Committee and the establishment of Supervisory Office was considered.

II. PERFORMANCE OF DUTIES BY THE SUPERVISORY COMMITTEE

In accordance with Company Law and the Articles of Association of the Company, the Supervisory Committee attended all Board meetings and general meetings in 2005, and exercised its supervision over the agenda, voting procedure and results of these meetings. It also monitored and inspected the Company's legal operation, operating decision procedure, financial status and senior management's performance of their duties under the laws. The Supervisory Committee is of the opinion that the Board has diligently executed the resolutions passed at general meetings and performed its fiduciary duty, and that no acts have been found which are detrimental to the interests of the Company or shareholders, and that all resolutions of the Board met the requirements of laws and regulations including Company Law as well as the Articles of Association of the Company.

III. THE SUPERVISORY COMMITTEE'S INDEPENDENT OPINION ON RELEVANT MATTERS OF THE COMPANY IN 2005

1. Operations of the company are in compliance with the laws

During the reporting period, the Company established a sound internal control system to regulate its operations in strict compliance with Company Law, Securities Law, the Articles of Association and other laws and regulations. Its operating decisions were legal and effective. Directors and senior management of the Company performed their duties on basis of safeguarding interests of shareholders and the Company in a diligent and honest manner and managed to complete the production goals set at the beginning of the year and achieve estimated profit of the Company. No acts in violation of laws or regulations was found in operation of the Company.

2. Inspection on the financial position of the Company

The Supervisory Committee of the Company prudently reviewed the Company's 2005 Financial Report to be submitted at the general meeting, and is of the opinion that the Company's 2005 financial statements truly, accurately, and objectively reflects the financial position, the operating results and cash flows of the Company. It also considered the Company's profit after taxation distribution plan for 2004 proposed by the Board, and produced their opinion and recommendations thereon. During the reporting period, no violation of the state's economic laws, regulations or disciplines was found.

Report of Supervisory Committee *(continued)*

3. Fund raising and Use of proceeds

During the reporting period there was no fund raised or use of proceeds.

4. Connected transactions

During the reporting period all approving procedures and regulations for connected transactions between the Company and relevant parties were in compliance with relevant regulations and were well regulated. No act detrimental to the Company's interest was found.

5. Investment, merger and acquisition

Investment in fixed assets were approved and implemented pursuant to prescribed procedures. As for external investment, the Company established AREVA-DONGFANG Reactor Coolant Pumps Company Limited with JEUMOUNT SA (France). The investment approving procedure in respect of such company was in accordance with regulations, and the newly-established company was lawful, and in line with the aim of maximisation of the Company's interests. During the reporting period, no act was found to be detrimental to the interests of the Company or shareholders or lead to loss of the Company's assets.

The Supervisory Committee will continue to duly perform its supervisory duties based on the interests of the Company and shareholders in strict compliance with the Company Law, the Articles of Association and the State's relevant laws, regulations and policies, so as to enhance the Company's standard operation.

Supervisory Committee of Dongfang Electrical Machinery Company Limited

20 April 2006