

GUANG HUA CERTIFIED PUBLIC ACCOUNTANTS, CO. LTD

AUDITING REPORT

On

CBV Trading (Shanghai) Co.'s Three Payment Records

[hu guang kuai zi (2004) No. 0749]

March 18, 2004

**Auditing Report on CBV Trading (Shanghai) Co.'s
Three Payment Records**

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To: Shanghai Hong An Law Firm

Shanghai Guang Hua Certified Public Accountants Co., Ltd. (hereinafter referred As “ This CPA firm ”) was commissioned by your firm to conduct an audit on CBV Trading (Shanghai) Co.'s (hereinafter referred as “ CBV company ”) three payment records. Based on the accounting records and other pertinent documents provided by your firm, we audited each of the payments and hereby report the result below:

One. Documents Examined

Shanghai Hong An Law Firm provided this CPA firm with the following documents:

1. CBV company's Application For Remittance issued on May 9, 1996 to the Shanghai Branch of Agricultural Bank of China in the amount of USB 48,000.00 payable to: International Auto & Equipment Inc, Mid American National Bank & Trust Company., Acct#: 041204713-0026107107, as well as the related payment voucher, bank receipt, company ledger and the statement of Ms. Angela Zhang who certified her handling of the transaction.
2. Inter-bank Remittance Voucher #: AF931516 issued on September 19, 1997 by CBV company to the Nanshi branch of Agriculture Bank of China for payment of RMB 135,336.80 to : Shanghai Shen Yu Import & Export Company, acct#: 0763124141000140, Lujiazui Branch of Pudong Development Bank, as well as the related bank's account activity report and the statement of Ms. Chris Fang who certified her handling of the transaction.
3. Check #: 733947 issued by CBV company drawn on the Shanghai branch of Agriculture Bank of China for payment of RMB 180,000.00 to: Shanghai Shen Yu Import & Export Company, as well as the stubs of the checks CBV company issued between 1997.9.1 and 1997.9.30 drawn on the Shanghai branch of Agriculture Bank of China, and the statement of Ms. Chris Fang who certified her writing and sending of the check.

Two. Findings

Based on the documents examined, this CPA firm conducted the audit in accordance with the << Law of Certified Public Accountants of The People's Republic of China >> and the Independent Auditing Rules for Chinese CPAs. The findings of the audit are following:

1. On May 9, 1996 CBV company remitted USD 48,000.00 from the company's account #: 1480153900322 with the Shanghai branch of Agriculture Bank of China. According to the affidavit by Ms. Angela Zhang and the statement of Mr. Xiang Weiming, this remittance was sent to the USA as payment for goods on behalf of Venel Trading (Shanghai) Co., Ltd. Following the request of a Venel company's manger, Mr. Sinuo Chen who had provided the name, address, and the bank account of the recipient. The International Transaction Department of Agriculture Bank of China has also provided the bank's copy of the Application for Remittance to confirm this transfer. This remittance was indeed sent to the USA as payment for goods on behalf of Venel Trading (Shanghai) Co., Ltd.
2. On September 16, 1997 CBV company remitted from the company's account #: 03335108015003428 in the Nanshi branch of Agricultural Bank of china RMB 145,336.80 as payment for goods. According to CBV company's inter-bank remittance voucher, banks debit voucher and the account activity report supplied by Agricultural Bank of China, this remittance was indeed sent to Shanghai Shen Yu Import & Export Company as payment for goods.
3. According to the third payment record, CBV company issued a check drawn on the Nanshi branch of Agricultural Bank of China in the amount of RMB 180,000.00 for the purpose of payment for goods. According to the stubs of the checks CBV company issued between 1997.9.1 and 1997.9.30, as well as the affidavit of Ms. Chris Fang, this check #: 733947 was issued on 1997.9.29 or 1997.9.30 and sent by special delivery services to Mr. Zhu Chunfei, a manger of Shanghai Shen Yu Import & Export company. As the recipient did not present the check to the bank on time, and then later CBV's bank accounts were frozen, this check was not cashed.

Three. Conclusion

Based on the documents provided by Shanghai Hong An Law firm, this CPA firm has conducted an audit on the accounting records of CBV company in accordance with the general auditing principles and has reached the following conclusions:

On May 9, 1996 and on September 16, 1997 CBV company made remittances in the amounts of USD 48,000.00 and RMB 135,336.80, respectively.

CBV company issued a check in the amount of RMB 180,000.00 but it was not cashed.

This report includes the following appendices

1. CBV company's Application for Remittance dated May 9,1996 (banks copy and company 's copy), payment voucher, and the investigation transcript.
2. CBV company's inter-bank remittance voucher dated September 16,1997.
3. Account activity report issued by Agricultural Bank of China.
4. Statement by Ms. Chris Fang.
5. CBV company's check issued to Shanghai Shen Yu Import & Export company and the affidavit by Ms. Chris Fang.
6. The stubs of the checks CBV company issued between 1997.9.1 and 1997.9.30.

Shanghai Guang Hua CPA Co.,Ltd.

(company seal affixed)

Signed :

China CPA : Cu Ping

China CPA : Xu Ya-ping

(personal seals affixed)

March 18, 2004

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