2001 ANNUAL REPORT

WEIFU HIGH-TECHNOLOGY CO.,LTD.
无锡威孚高科技股份有限公司

(Incorporated in the People's Republic of China with limited liability)

CONTENTS

IMPORTANT: *The Directors of Weifu Fuel Injection Co., Ltd. collectively and individually accept full responsibility for the authenticity, accuracy and completeness of the information contained in this report and confirm that there are no false statement and material omissions which would make any statement in this report misleading.*

The reader is advised that the 2001 annual report of the Company has been prepared originally in Chinese. In the event of a conflict between this version and the original Chinese version or difference in interpretation between the versions of the report, the Chinese version shall prevail.

COMPANY INFORMATION

Company Profile

Chinese Name:	无锡威孚高科技股份有限公司
English Name:	WEIFU HIGH TECHNOLOGY CO., LTD.
Legal Representative:	Mr. Xu Liangfei
Secretary of the Board:	Mr. Liu Yonglin
Authorized Representative:	Mr. Zhou Weixin
Mailing Address:	No.107,West Renmin Road ,Wuxi, Jiangsu, China.
Tel.:	0510-2719579
Fax:	0510-2751025
E-Mail:	Wfjt @ public1.wx.js.cn
Registered Address:	Plot 46, Wuxi National High-Tech Industrial Development Zone
Head Office:	No.107,West Renmin Road ,Wuxi, Jiangsu, China.(214031)
Homepage:	http://www.China-weifu.com
Company E-Mail	webmaster@China-weifu.com
Information Disclosure Media:	Securities Times, China Securities, HongKong Ta Kung Pao
Annual Report for reference:	Securities Department of the Company Internet Website: http://www.cninfo.com.cn
Stock Listing and Trading:	Shenzhen Securities Exchange, China.
Stock Name:	Weifu High Technology, Su Weifu-B
Stock Code:	000581,200581

Supplementary Information

1.Original Registration Date:	October 22,1992
Address:	No.107,West Renmin Road, Wuxi
Changed Registration Date:	September 28, 1995, November 2, 1999 November 22, 2000
Address:	Plot 46, National High-tech Industrial Development Zone, Wuxi
2.Business Registration No.	3200001103404(2/2)
3.Taxation Registration No.	320208250456967
4.Domestic Auditor:	Wuxi Certified Public Accountant No.28, Liangxi Road, Wuxi
International Auditor:	Arthur Andersen & Co. 25/F,Wingon Center 111,Connaught Road Central,Hongkong

ACCOUNTING AND BUSINESS DATA

(Summary)

1.Business Results in 2001*(in RMB 000)*

Profit, Total	177,889
Profit, Net	159,590
Profit, deduct nonrecurring gains and losses	154,309
Gross profit	248,696
Other Operating Income	9,000
Operating Profit	146,556
Investment Income	56,671
Income from Subsidies	
others	-1,999
Cash Flow from Operating Activities, Net	149,373
Increments on cash and cash equivalents	-148,160

* Nonrecurring gains and losses :

Gains/losses from disposal of fixed assets:	-1,167.1
Amortized price difference	-2,370.0
Occupied Fund	749.0
Investment income in trust	9,000.0
Income Taxation	-931.8
Total	5,280.1

2.Impact of IAS adjustment on net profit *(in RMB 000)*

As reported in the statutory accounts of the Company	150,720
Investment income in Wuxi Europe Asia Diesel Fuel Injection Co.,Ltd. and Zhonglian Automobile Electronics Co., Ltd.	5,398
Additional provision for doubtful debts	3,000
Adjustment for intangible assets charged off	472
As restated to IAS	159,590

3.Three-year Key Financial and Business Data *(in RMB 000)*

Items	2001	2000	1999
Sales	1,025,758	868,218	769,192
Net profit	159,590	130,240	94,990
Total assets	2,178,645	1,992,904	1,687,158
Shareholders' equity (less minority interests)	1,781,310	1,708,993	1,173,699
Earnings per share (RMB)			
Fully diluted	0.37	0.30	0.24
Average weight	0.37	0.32	0.24
deduct nonrecurring gains and losses	0.35	0.26	0.18
Equity per share (RMB)	4.08	3.92	2.98
Equity per share (RMB) (upon adjustment)	4.07	3.92	2.97
Net Cash Flow per share (RMB)	0.34	0.02	0.43
Return on net assets (%)			
Fully diluted	8.96	7.62	8.09
Average weight	8.92	10.51	8.44
deduct nonrecurring gains and losses	8.66	6.64	5.97

Note: *The determination and calculation of nonrecurring gains and losses is in accordance with the Regulation (No.1) on Information Disclosure for publicly Listed Company by the State Securities Regulatory Commission.*

4. Calculation for Return on net assets and Earnings per share

In accordance with the Regulation (No.9) on Information Disclosure for Listed Company by the State Securities Regulatory Commission, expressed in RMB 000

Items	Profit	Return on net assets (%)		Earnings per share (%)	
		Fully diluted	Weighted average	Fully dilute	Weighted average
Gross profit	248,696	13.96	13.90	0.57	0.57
Operating profit	146,556	8.23	8.19	0.34	0.34
Net profit	159,590	8.96	8.92	0.37	0.37
Profit, deduct nonrecurring gains/ losses	154,310	8.66	8.63	0.35	0.35

5. Changes in Shareholders' Equity *(in RMB 000)*

	Year-beginning	Increase	Decrease	Year-end	Reason for change
Share capital	436,366			436,366	
Capital reserve	908,919			908,919	
Surplus reserve	89,160	22,608		111,768	
Statutory surplus reserve	29,176	7,536		36,712	
Unappropriated profit	274,548	49,708		324,256	
Total	1,708,993	72,316		1,781,309	Growing profit

SHARE CAPITAL AND SHAREHOLDERS

1.Change in Share Capital *(ended on Dec.31st,2001)*

	Beginning Number	Increase/Decrease	Closing Number
Unlisted Shares			
1.Promoter's Shares	121,566,150		121,566,150
including: Domestic Legal Shares	121,566,150		121,566,150
2.Legal Subscription	10,400,000		10,400,000
3. Employees' Shares	24,000,000	-24,000,000	
Sub-total	155,966,150	-24,000,000	131,966,150
Listed Shares			
1.A Shares	192,000,000	23,838,300	215,838,300
2.B Shares	88,400,000		88,400,000
3.Overseas Shares			
4.Other		161,700	161,700
Sub-total	280400000	24,000,000	304,400,000
Total	436,366,150		436,366,150

Notes: Subject to approval by the Shengzhen Securities Exchanges, the employee's shares of 24,000,000 (excluding the lawfully frozen 161,7 00 shares held by senior management of the Company) were listed and traded officially on 29th June, 2001.

2. Shares In Issue and Listing

1).On June 29,1998, with the approval of the State Securities Regulatory Commission, the

Company publicly issued 120,000,000 A Shares at the placing price of RMB 4.88 per share through network, which were listed and traded at the Shenzhen Securities Exchanges from September 24,1998 onward. The total amount of the Companys' share capital increased to 303,435,500.

2).In September 1999, the Company implemented its interim dividends distribution proposal by the way of 3 bonus shares for every 10 shares. The total amount of the Company's share capital, therefore, increased to 394,466,150 from 303,435,500 for the beginning of the year.

3). During the period of 31st October to 10th November, 2000, based on the total number of share capital of 303,435,500 shares on the 31st December, 1999, the Company has offered a right issue for subscription at the price of RMB ￥10 per share among its all shareholders by allocating 3 shares for every 10 shares, totally 41,900,000 shares, among which 1,400,000 shares were subscribed by the State legal person, 36,000,000 shares by A Shares investors, 4,500,000 by the Company's employees. As a result, the Company's total share capital reached 436,366,150 shares.

4).Subject to approval by the Shengzhen Securities Exchanges, the employee's shares of 24,000,000 (excluding the lawfully frozen 161,7 00 shares held by senior management of the Company) were listed and traded officially on 29th June, 2001.

3.Shareholders

1).Total Number of Shareholders: 116,113 (as of 31st, Dec. 2001)

2).Top 10 Shareholders:

NAME	Number of Shares	Percentage (%)	Classification
1.WUXI WEIFU GROUP COMPANY LIMITED	121,566,150	27.86	State Legal Person
2.ROBERT BOSCH GMBH	14,144,000	3.24	B Share Investor
3.KINGTAI FUND	4,842,170	1.11	A Share
4. CHINA JINGTONG SHIP-DETACHING CO.	3,210,948	0.74	A Share
5. WUXI STATE-OWNED ASSETS INVESTMENT AND DEVELOPMENT CO.	2,600,000	0.60	Social Legal Person
6. ZHANGPING	2,093,100	0.48	A Share
7.STATE INVESTMENT MACHINARY AND LIGHT INDUSTRY CO..	1,950,000	0.45	Social Legal Person
8. CHINA AUTOMOTIVE INDUSTRY CORPORATION	1,950,000	0.45	Social Legal Person
9.BRITISH AIRWAYS PENSIONS TRUSTEES LIMITED	1,761,211	0.40	B Share Investor
10.CREATE INVESTMENTS LIMITED	1,502,286	0.34	B Share investor

Notes: The above 10 shareholders were not engaged in any related transactions mutually.

3). Shareholder holding more than 10% of share capital of the Company

Name	WUXI WEIFU GROUP CO., LTD.
Legal representative	Mr.Xu Liangfei
Ownership	State wholly-owned
Registered Capital	RMB134,830,000
Establishment Date	Dec. 14th, 1994
Business scope:	Processing and manufacturing of general machinery, instruments and meters, tools and components for electrical products, plastic products, chemical products and raw materials, sales of automobiles and installation kits, repair and maintenance for internal combustion engines, consultancy services for the machinery industry, import and export

4).Majority Shareholder: The Company's majority holding shareholder remained unchanged through the year.

Directors, Supervisors and Senior management

1.Directors, Supervisors and Senior management

Name	Position	Gender	Age	Term of Office	2001 Shareholding Beginning / End
Xu Liangfei	Chairman of the Directors	Male	58	1999.5-2002.5	12,800 /12,800
Han Jianming	Vice Chairman, General Manager	Male	51	1999.5-2002.5	12,800 /12,800
Zu Jilin	Director	Male	59	1999.5-2002.5	12,800 /12,800
Li Tonghua	Director	Male	59	1999.5-2002.5	12,800 /12,800
Chen Haojun	Director	Male	53	1999.5-2002.5	4,800 / 4,800
Zhong Xichang	Director	Male	53	1999.5-2002.5	8,000 /8,000
Tang Zhenghuan	Director, Deputy General Manager	Male	58	1999.5-2002.5	4,800 /4,800
Wang Weiliang	Director	Male	37	2001.5-2002.5	8,000/8,000
Yang Ankang	Director	Male	50	2001.5-2002.5	
Xulin	Director	Male	59	1999.5-2002.5	17,600 / 17,600
Li Guodong	Director	Male	53	1999.5-2002.5	
Chen Zhaolin	Director	Male	45	2000.5-2002.5	
Zhang Jiming	Director	Male	33	1999.5-2002.5	
Wang Chuan	Director	Male	53	1999.5-2002.5	
Zhao Xianshi	Chairman of the Supervisors	Male	49	1999.5-2002.5	8,000/8,000
Ge Songpin	Supervisor	Male	48	1999.5-2002.5	16,000 / 16,000
Li Weiqing	Supervisor	Male	56	1999.5-2002.5	11,200 / 11,200
Wang Zhengping	Supervisor	Male	56	1999.5-2002.5	11,200/11,200
Pang Hongyin	Supervisor	Male	58	1999.5-2002.5	6,400 / 6,400
Gao Guoyuan	Deputy General Manager	Male	48	2000.3-2002.5	6,500 / 6,500
Shi Xingyuan	Deputy General Manager	Male	40	2001.12-2002.5	
Liu Yonglin	Secretary of the Director	Male	59	1999.5-2002.5	8,000 / 8,000
Sun Qingxian	Principal Treasurer	Female	48	1999.5-2002.5	

Annual Remuneration:

Among the Company's directors, supervisors and senior management above mentioned, there were 6 persons (Mr. Han Jiangmin, Mr. Gao Guoyuan, Mr. Shi Xingyuan, Mr.Tang Zhenhuan Mr. Liu Yonglin and Ms. Sun Qingxian) paid by the Company with a total annual remuneration of RMB 980,000, among which 5 persons are between RMB 160,000 and RMB 200,000, 1 person between RMB 140,000 and 160,000.

Director and Senior Management Leaving Post:

Name	Previous Position	Reason for change
Hong Jianhua	Director	Retirement
Wu Jianliang	Director	Job Transfer
Zhong Xichang	Vice General Manager	Job Transfer

Appointment of New Directors and Senior Management:

Name	Position
Wang Weiliang	Director
Yang Ankang	Director
Shi Xingyuan	Vice General Manager
Sun Qingxian	Principal Treasurer

2.Staff

As at the year-end, the Company employed 2,713 people, which can be classified as follows:

Classification	Number of staff	Percentage(%)
Production	2,276	83.89
Sales and Marketing	127	4.68
Engineering technology	135	4.98
Finance	20	0.74
Administration	109	4.02
Other	46	1.70

Educational Degrees	Number of staff	Percentage (%)
Senior High School	876	32.29
Technical Secondary School	1,567	57.76
Junior College	188	6.93
Graduate	56	2.06
Master	22	0.81
Doctor	4	0.15

CORPORATE SUPERVISORY SYSTEM

1.System Profile

Conformity to the requirements by the Company Law, the Securities Law and the relevant Laws and regulations promulgated by the State Securities Regulatory Commission, the Company has been improving its legal supervisory system to operate normatively within a framework of Modern Enterprise System. After the establishment of the Articles of Association, the Company has set up a set of normative working regulations and procedures involving the shareholders' Meeting, the Board of Directors and Board of Supervisors, which can be generalized as follows:

1) Shareholders and Shareholders' Meeting:

The Company is able to ensure all its shareholders, especially those of middle and small-sized equity interests, to enjoy the equal position in their full exercise of rights. In convening shareholders' meeting according to the Normative Opinion for Shareholders Meeting, the Company has made efforts to select the best site for as many shareholders as possible to attend. And all the related transactions have been conducted fairly and lawfully.

2) Majority Shareholder:

The majority shareholder of the Company has explicit and normative operational behaviors, which do not interfere with the decision-making and operation activities of the Company. Meanwhile, the Company's internal organizations, including the board of directors, board of supervisors, have all been operated independently.

3) Directors:

The Company appoints its directors strictly in accordance with the procedures stipulated by the Articles of Association. At present, the quorum and makings of the directors of the Company are in conformity with the requirements by the relevant laws and regulations, and all directors take responsibility seriously while attending the Board meeting and Shareholders meeting.

4) Supervisors:

The quorum and makings of the supervisors of the Company are in conformity with the requirements by the relevant laws and regulations. The Board of Supervisors of Company has set up a normative working procedure and the supervisors have conscientiously performed their duties.

5) Performance Assessment and Incentive Mechanism:

The Company will establish a transparent performance assessment system as well as the corresponding incentive mechanism for its directors, supervisors and senior management in accordance with the Criteria for Listed Companies by the State Securities Regulatory Commission.

6) Information Disclosure:

The company pledged to disclose the relevant information in a complete, realistic and punctual way in accordance with relevant laws, regulations and the Articles of Association of the company, and has appointed the secretary of the board of directors in charge of information disclosure and shareholder reception.

2.Independent Directors

Over the reporting year the Company has not appointed independent director yet. However, the board of directors is planned to amend the relevant provisions of the Articles of Association of the Company in accordance with the Guideline for the Appointment of Independent Director among Listed Companies promulgated by the State Securities Regulatory Commission, and the appointment of independent director shall become formally institutionalized in the next round of board of directors of the Company.

3.Independent of Majority Shareholder

The Company operates virtually on a basis of independence and completeness. It is a separate independent entity from its holding company in every conceivable aspect involving personnel, assets, financing, internal organization and operational activities.

1) Operational activities:

The Company is mainly engaged in the manufacturing of diesel injection system, whereas Wuxi Weifu Group Co., the majority shareholder of the Company, is in the processing and manufacturing of general machinery. Right before the B Shares issuance in 1995, the Company had entered into agreements with Wuxi Weifu Group Co. on the related transactions involving the utilities supply (electricity, water, compressed air, steam, etc.), processing, maintenance, auxiliary facilities and living service. Subject to examination and signature by the domestic and international lawyers, these agreements have been conducting in line with the principle of fair, open and justice, exerting no negative effects on the Company. These related transactions were disclosed in the Company’s annual reports each year.

2) Assets Integrity:

With an integral assets ownership, explicit assets relations have been formed between the Company and its majority shareholder. At the time of the Company’s B Shares issuance, definition on industrial properties and non-patent technology as well as agreements concerning land and trademark using were made clearly between the Company and Wuxi Weifu Group Co. These related transactions were disclosed in the Company’s annual reports each year.

3) A Financing System of Independence:

The Company has installed and maintained a complete accounting and financial system of internal control and subsidiaries management. The relevant financial functions have been performed independently, including opening accounts with banks, paying taxations and making financial decisions.

4) Personnel:

Senior management of the Company, including marketing manager, principal treasurer and secretary of the board of directors, have not held any positions in the holding company or other related companies during this reporting year. Appointments of directors have all been conducted subject to the nomination by the board of directors and approval by the shareholders' meeting.

5) Functional Organization:

The Company has its own independent functional areas of production, supply and product distribution, undergone no limit and interference by its holding company or the related companies.

SHAREHOLDERS' GENERAL MEETING

On May 30th, 2001, the Company convened a shareholders' meeting, which considered the change in the members of directors. Namely, Mr. Wu Jianliang and Mr. Hong Jianhua, former directors of the Company, resigned from their position due to post transfer and retirement respectively, and Mr. Yang Ankang and Mr. Wang Weiliang were appointed as their successors. This resolution was announced on "China Securities", "Shenzhen Securities Times" and "Hongkong Ta Kung Pao " on 31st, May 2001 respectively.

Notes: Information disclosure media remained unchanged throughout the year.

REPORT OF THE BOARD OF DIRECTORS

2001 Operational Review

Since the1980's, the Company has been the largest manufacturer in China specialized in the produce and sales of diesel fuel injection equipment, which is used for automobiles, agricultural machinery, construction machinery and power generation equipment, etc. The Company's principal products include A pump, PW pump, I pump, IW pump, VE pump, single plunger pump, injector and precision pump parts. In 2001, its dominant market position continued to be consolidated. The domestic market shares of its above categories products were steadily enlarged, ranking first in the same line of China.

1. Sales Composition *(expressed in RMB 000)*

Category	Sales	Domestic market share (%)	Industrial position
A pump	249,528	50.21	No.1
PW pump	134,179	45.22	No.1
I pump	91,033	66.39	No.1
Single plunger	24,582	36.06	No.2
Injector	122,691	31.87	No.1
Precision pump parts	153,033	30.31	No.1

Source: Statistics Association of China's Machinery Industry, Fuel Injection Sub-branch (2001)

To cater for the requirements of the National new emission control policy over various vehicles, a series of new products have been launched into market in large quantity throughout the year. Meanwhile, the Company has formed an annual production capacity of 100,000 units of PW pumps and 80,000 units of IW pumps by the end of this year. Sales volume of PW and IW pump respectively reached 50,618 and 79,098 units with sales income amounted to RMB 134,178,700 and RMB 33,379,700.

2. Major Subsidiaries (*in RMB 000*)

Name	Nanjing Weifu Jinning Co.,Ltd.	Wuxi Euro-Asia Diesel Fuel Injection Co.Ltd	Zhonglian Automobile Electronics Co.Ltd
The Company's Interest (%)	80	48	20
Registered Capital	256,000	212,838	600,620
Total Assets	298,257	234,679	800,990
Net Profits	17,338	45,848	156,490
Ownership/Business Scope/Product		A joint venture Among the company, Robert Bosch and Japan Bosch Automobile System Co. /P series injectors	A limited Corporation jointly sponsored by Shanghai General Motor, the Company and some domestic companies / Automobile Electronic Control System.

3. Main Suppliers and Customers

The amount of purchase from top 5 suppliers accounts for 55.1% of the total procurement of the Company throughout the year.

The amount of sales to top 5 customers accounts for 52.68% of the total sales volume of the Company throughout the year.

4. Obstacles and Solutions

With the promulgation and implementation of the National emission control policy, domestic engine manufacturers have given top priority to the renewal of vehicle diesel engines to meet the market demands, thus speeding up the course of innovation of fuel injection systems. Under these circumstances, the Company has made concerted efforts to improve its profitability by taking the following major measures:

1) Enlarged the Company's production capacity through technical projects for PW and IW pumps, thus laying a good foundation for the Company in response to the State newly implemented emission regulations. Sales volumes of PW pump and IW pump respectively reached 50,618 and 79,098 units;

2) Set up a flexible and efficient marketing mechanism to reinforce the promotion of sales and the collection of receivables with the production growth;

3) Optimized the Company's logistic and managerial information system, improved funds utilizing efficiency through controlling and reducing raw materials, in-process goods and finished goods in an idle or unproductive state.

Investment

For the year ended 31st December, 2001, the Company's investments in technical engineering and in financial institutions amounted to RMB 349,400,000, mainly consisting of project for the high- pressure fuel injection Pump PW, project for the light high- speed Pump IW, project for building up an annual production capacity of 2,000,000 sets of auto exhaust catalytic convertor, investments in Wuxi Guolian Securities Co.(the Company acquired its 1.2% equity interest),etc.

1. Usage of the Proceeds Raised

The net proceeds of RMB 569,520,000 derived from A Shares issue have been applied to projects as planned in the Company's A Shares Issue Prospectus in 1998. Change in the usage of raised funds has been approved through lawful procedures.

2. Change in the usage of raised funds

Subject to approval by the 1999 shareholders' meeting of 1st June 2000, investment in project for joint production of VE pump has been changed as investments for the expansion of the production capacity of IW and PW pumps, additional investment in Nanjing Weifu Jingling Co., and partially as supplementary working capital of the Company.

(1). Project for the high- pressure fuel injection Pump PW *(in RMB 000)*

Total Investment, planned	93,000
Actual Investment, completed	112,600
Annual Production Capacity (units)	100,000
Sales Income	134,179

(2). Project for the light high- speed Pump IW *(in RMB 000)*

Total Investment, planned	29,800
Actual Investment, completed	33,800
Annual Production Capacity (units)	80,000
Sales Income	33,380

(3). Capacity expansion for Nanjing Weifu Jingling has been completed and accepted.

(4). Served as working funds for the Company's operational activities in 2000, as disclosed in 2000 Annual Report.

3. Use of Proceeds from Right Issue

In 2000, the Company offered a right issue for subscription. Net proceeds from the right issue amounted to RMB 405,060,000, which is to be used for building up an annual production capacity of 2,000,000 sets of auto exhaust catalytic converter. Throughout the year, investment of RMB 214,842,000, a 53.04% of the total, has been completed, including RMB 136,000,000 for imported equipment, RMB 24,000,000 for land use fees and RMB 54,822,000 for plant construction and equipment installation. Compared with the progress as planned in the Right Issue Prospectus, the project has been quickened excessively.

4. Other Investments

(1). Additional investment of RMB 1,574,400 in Wuxi Europe-Asia Diesel Fuel Injection Co. (total investment of RMB 3,936,000).

Resolution by the board of directors of Wuxi Europe-Asia Diesel Fuel Injection Co. has been announced on "China Securities", "Shenzhen Securities Times" and "Hongkong Ta Kung Pao" on Nov.29th, 2001 respectively.

(2) Investment of RMB 116,050,000 in technical upgrading.

Financial Survey

(expressed in RMB 000)

Items	2001	2000	Increment over 2000(±%)	Reason for change
Total assets	2,178,645	1,992,904	9.32	Increment of investment on fixed assets
Long-term liabilities	1,500	1,500		
Gross profit	248,696	172,123	44.49	Increment of main business
Profit, net	159,590	130,240	22.53	Increment of main business
Shareholders' equity	1,781,310	1,708,990	4.23	Increment of net profit

Micro-environment

After China's joining the World Trade Organization(WTO), the Company is confronted with fiercer competition both from the domestic and overseas than ever before. As far as the technical level of the Company's fuel injection system is concerned, it is comparatively in conformity with the current requirement by China's engine-makers, despite the difference from overseas counterparts. We believe the future prospect will spell more opportunities rather than threats as long as we place more emphasis upon product quality to keep up with the development of China's engine industry towards the international advanced trend.

Plan for the New Year

(expressed in RMB 000)

Indexes	The Year of 2002	Annual Increment (±%)
Main business income	1,100,000	8.84
Net profit	160,000	6.16

In face of a complicated market situation and severe macro-environment, the Company has determined it's operational guideline for the coming year, as we say it, "getting ready for WTO entrance and promoting the internationalization course through product restructuring, talent cultivation, innovation and optimizing logistics system". Vigorous measures will also be taken to pursue a sustained growth as follows:

1) Launch a sales promotion campaign of "accurately marketing" to further enlarge the application scope of IW, PW pump, and strive to the effective supply to the market by perfecting their performances,

2) Speed up the course of innovation, combined with technical upgrading engineering;

3) Enhance the utility and development of human resources through talent introduction and cultivation, give priority to building up a team composed of various managerial experts, senior project leaders and international talents;

4) Strengthen international technical exchange and cooperation in order to develop new generation of products with intellectual property right of the Company's own; and

5) Optimize the Company's logistics system by means of IT technologies to reinforce the collection of receivables, improve the efficiency of production and capital usage.

Meetings of the Board of Directors

1.BoD Meetings in 2001:

1. The 8th meeting of the 3rd board of directors of the Company was held on 10th April, 2001,which considered and passed the resolutions as follows:

1) 2000 Working Report of the Board of Directors, 2000 Annual Report and Announcement of Annual Results of the Company;

2) Proposals for final accounts and final dividend for fiscal 2000 (a cash dividend for the year 2001 distributed by the way of RMB￥2 for every 10 Shares, including taxation)

3) Proposals for reappointment of Jiangsu Certified Public Accountant and Arthur Andersen & Co. as the Company's Auditors for the year 2001;

4) Change in members of the Board of Directors;

5) Change in Senior Management.

Resolutions above were announced on "China Securities", "Shenzhen Securities Times" and "Hongkong Ta Kung Pao" on April 13, 2001 respectively.

2.The provisional 9th meeting of the 3rd board of directors was held on April 10, 2001. Resolutions were passed to approve:

1). Application for Convertible Bonds Issuance;

2) The convening of the 2000 shareholders' meeting of the Company in the 2nd half of May, 2001;

3. The 9th meeting of the 3rd board of directors was held on April 28, 2001, which considered and resolved the following:

1). The confirmation of the resolutions passed by the provisional 9th meeting of the 3rd Board of Directors of the Company held on April 10, 2001;

2). The convening of the 2000 shareholders' meeting of the Company on May 30,2001;

Above resolutions were announced on "China Securities", "Shenzhen Securities Times" and "Hongkong Ta Kung Pao" on April 30, 2001 respectively.

4. The 10th meeting of the 3rd board of directors was held on July16, 2001. The meeting considered and resolved the Interim Report for the year of 2001 and proposal of interim dividend distribution.

The meeting resolved that neither cash dividend nor capitalization shall be made in the mid-term and all unappropriated profit be carried forwards to the 2nd half of 2001;

5. A provisional board meeting was held on July 26, 2001. This meeting resolved the amendment of the relevant clauses in Proposal for the Company's Convertible Bonds Issuance (by the shareholders' meeting of May 30), which shall be submitted to the State Securities Regulatory Commission for examination and approval.

Above resolution was announced on "China Securities", "Shenzhen Securities Times" and "Hongkong Ta Kung Pao" on August 2nd, 2001 respectively.

6. The 11th meeting of the 3rd board of directors was held on Nov 5, 2001, which considered and resolved the following:

1) The establishment of Jiangsu Nano-material Technologies Development Company jointly sponsored by the Company, Nanjing University, Southeast University and Nanjing Industrial University with a total investment not exceeding RMB￥30,000,000;

2) The additional investment of ＄3,936,000 for the expansion of the current capacity of Wuxi Europe-Asia Diesel Fuel Injection Co. held by the Company based on previous 48% equity interests;

3) The lawful transference of the Company's whole equity interest in Xishan Weifu Fuel Injection Co. Ltd., totaled 416,000 shares, a 52% of its total registered capital;

4) The lawful transference of the Company's whole equity interest in Longkou Fuel Injection Co. Ltd., totaled 1,500,000 shares, a 6.43% of its total registered capital;

5) The lawful transference of the Company's whole equity interest in China Automobile Financing Co. Ltd. to Wuxi Weifu Group Co., totaled 2,000,000 legal shares, a 0.89% of its total registered capital.

Above resolutions were announced on “China Securities”, “Shenzhen Securities Times” and “Hongkong Ta Kung Pao” on Nov 29, 2001 respectively.

7. A provisional board meeting was held on Dec 28, 2001 to consider and resolve the proposal of an additional investment in Wuxi Guolian Securities Co.,Ltd and changes in senior management of the Company. The relevant resolutions were announced on “China Securities”, “Shenzhen Securities Times” and “Hongkong Ta Kung Pao” on 4th Jan. 2002 respectively.

2. Dividends Distribution

Proposal for dividends distribution resolved by the shareholders’ meeting has been implemented in June, 2001, while proposal for convertible bonds issuance was not carried out for objective reasons.

3. Proposal for Dividends Distribution of Fiscal 2001

(1) Subject to audit by Jiangsu Certified Public Accountant, the Company’s annual net profit amounted to RMB 150,719,500 for the fiscal year 2001,. Together with the unappropriated profit of RMB 187,444,900 carried from the year 2000, the profit available to be distributed amounted to RMB 338,164,400. As reported in the statutory accounts based on the PRC accounting regulations, dividend available to be distributed was RMB 315,556,500 upon the allocation of 10% of the Company’s annual net profit to the statutory surplus reserve (RMB 15,072,000) and 5% to the statutory public welfare (RMB 7,536,000 in accordance with the Articles of Association of the Company. The Board of Directors resolved that a cash dividends for the year 2001 will be distributed by the way of RMB￥2 for every 10 shares (including taxation) based on the total amount of the Company’s share capital of 436,366,150 shares at the end of 2001.

Upon the dividends distribution of RMB 87,273,200 , the retained statutory unappropriated profit of RMB 228,283,200 will be carried forward to the next year. This proposal shall be submitted to the general meeting of shareholders for approval.

(2) Intending Dividends Distribution in 2002:

The Company is intended to implement a dividend distribution in the year of 2002 (mainly by cash dividend). The percentage of dividend available to be distributed out of the Company’s annual net profit in 2002 is expected not to be lower than 20%, and percentage of the unappropriated profit in 2001 used for dividend distribution in 2002 is not to be lower than 10%. The Board of Directors of the Company will make reasonable adjustment on above intended proposal according to the actual operation and development of the Company in due time.

Appreciation

On behalf of the Board of Directors, I would like to extend our gratitude and sincere appreciation to all management and staff for their hard work and dedication throughout this year.

Chairman of the Board
(Xu Liangfei)

Wuxi, April 19, 2002

REPORT OF THE BOARD OF SUPERVISORS

Conformity to the rights stipulated by the Company Law and the Articles of Association, the Board of Supervisors has conscientiously performed their duties and supervised the significant operation activities of the Company in order to protect the Company and shareholders' interests, which has played an important role in the normative operation and decision-making activities of the Company.

1.Meetings of the Board of Supervisors

The 7th meeting of the 3rd board of supervisors of the Company was held on April 10, 2001. This meeting examined and passed the Working Report of the Board of Supervisors of the year 2000, Annual Report and Announcement of 2000 Annual Results of the Company, which has been announced on "China Securities", "Shenzhen Securities Times" and "Hongkong Ta Kung Pao" on April 13rd 2001 respectively.

The 8th meeting of the 3rd board of supervisors was held on July 16, 2001, which examined and approved the 2001 Interim Report of the Company and Distribution Proposal for the mid-term of fiscal 2001.

2. Independent Opinion of the Supervisors

The Supervisors of the Company attended all meetings of the board of directors as non-voting delegates during this year and are of the view that:

1. No such action was found on the part of directors or executives of the Company in performing their duties as to constitute a violation of laws, regulations and Articles of Association of the Company or a detriment to the interest of the Company;

2. The auditors' opinions presented by both domestic and overseas Certified Public Accountant are authentic and reliable, which fairly reflected the Company's operational results;

3. Projects to which the latest raised funds were actually applied are the same as committed and have been accelerated in comparison with the progress planned in the Company's Prospectus;

4. To protect the Corporate and shareholders' interests, transactions occurred between the Company and related companies are fair and reasonable, and have been reduced substantially.

SIGNIFICANT EVENTS

1.Major Litigation and Arbitration: There was no significant litigation or arbitration involving the Company during this reporting year.

2.Equity Transference*(completed)*:

Companies Shareheld	Shares Transfered	Percentage of the total (%)	Price/ Share (RMB)	Amount (RMB 000)	Transferee
Xishan Weifu Fuel Injection Co.	416,000	52	1.37	570	
Longkou Fuel Injection Co.	1,500,000	6.43	1	1,500	
China Automobile Financing Co.	2,000,000	0.89	1	2,000	Wuxi Weifu Group Co.

3.significant related transactions: Transactions between the Company and Wuxi Weifu Group Co.,Ltd, the majority shareholder of the Company during this reporting period as follows (*expressed in RMB 000*):

Items	2001	2000
Procurement of goods	74,267	197,442
Sales of goods	216,684	210,290
Procurement of fixed assets	8,897	26,423
Sales of fixed assets	175	
Processing income	22,204	7,881
Procurement discount income	1,444	7,241
Land and trademark fees	2,914	2,503
Capital utilizing expenses	749	12,031

4. Assets Custody, engagement and Leasing: No assets custody, engagement or leasing occurred between the Company and other companies during this year.

5. Guarantee: The Company was not engaged in any financial guarantee during this reporting period.

6. Assets Entrusted: To get as much benefit as possible, the Company committed RMB￥150,000,000 of proceeds from previous right issue to Asia Shareholding Co., Ltd. to make investment in State debentures expiring dated Dec.30, 2001. By the year-end, The Company has withdrawn all funds committed with an return of RMB￥9,000,000. According to the National regulations regarding assets entrustment, the Company will renew its supervisory measures completely and thoroughly so as to ensure a law-abiding and reasonable investment behavior, and pledge never to make further assets entrustment or commitment until the involved measures or systems are improved normatively.

7.Commitment: The Company's majority holder, Wuxi Weifu Group Co., has promised to regulate its behaviors to ensure the independence of the listed company in conformity with the Supervisory Regulations of Listed Company issued by the State Securities Regulatory Commission.

8.Independent Auditors: Jiangsu Certified Public Accountant and Arthur Andersen & Co. were re-appointed as independent auditors of the Company for the year 2001.

Annual Remuneration *(expressed in RMB 000)*:

CPAs	2001	2000
Jiangsu Certified Public Accountant	450	680 (320 for the mid-term)
Arthur Andersen & Co.	688	688

9.Punishment: The Company as well as its directors and senior management staff underwent no punishment by the State Securities Regulatory Commission during this reporting year.

Financial Statements

1. AUDITORS' REPORT

TO THE SHAREHOLDERS OF WEIFU HIGH-TECHNOLOGY CO., LTD

We have audited the accompanying consolidated balance sheet of Weifu High-Technology Co., Ltd. (hereinafter referred to as the "Company") and its subsidiaries (hereinafter together collectively referred to as the "Group") as of 31st December, 2001, and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These consolidated financial statements set out on page 2 to page 33 are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements, in all material respects, give a true and fair view of the financial position of the Group as of December 31, 2001 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as published by the International Accounting Standards Board.

Hong Kong, People's Republic of China
19th April, 2002

2.WEIFU HIGH-TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
AS OF 31ST DECEMBER, 2001

(Amounts expressed in thousands of Renminbi)

	Note	2001	2000
ASSETS			
Non-current assets:			
Leasehold land	3	28,836	29,880
Property, plant and equipment, net	4	741,121	454,178
Intangible assets, net	5	26,623	29,874
Investments in associates	6	273,872	226,318
Investments, net	7	46,878	51,311
Other non-current assets		26,157	23,513
Total non-current assets		1,143,487	815,074
Current assets:			
Inventories	8	190,913	151,541
Trade and other receivables, net	9	284,697	318,479
Prepayments		-	102
Cash and cash equivalents	21(b)	559,548	707,708
Total current assets		1,035,158	1,177,830
TOTAL ASSETS		2,178,645	1,992,904

WEIFU HIGH-TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (Continued)
AS OF 31ST DECEMBER, 2001

(Amounts expressed in thousands of Renminbi)

	Note	2001	2000
LIABILITIES AND EQUITY			
Shareholders' equity:			
Share capital	10	436,366	436,366
Reserves	11	1,020,687	998,079
Retained earnings	12	324,257	274,548
Total shareholders' equity	20	1,781,310	1,708,993
Minority interests		45,102	41,633
Non-current liabilities:			
Long-term bank borrowings, net of current portion	13(b)	1,500	1,500
Total non-current liabilities		1,500	1,500
Current liabilities:			
Trade and other payables		166,842	122,822
Due to related companies	22(d)	17,169	36,084
Short-term bank borrowings	13(a)	158,500	51,500
Current portion of long-term bank borrowings	13(b)	-	16,000
Taxes payable		1,418	2,979
Dividend payable		208	-
Other current liabilities		6,596	11,393
Total current liabilities		350,733	240,778
TOTAL LIABILITIES AND EQUITY		2,178,645	1,992,904

The accompanying notes form an integral part of this consolidated financial statement.

WEIFU HIGH-TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2001

(Amounts expressed in thousands of Renminbi ("RMB"), except for earnings per share)

	Note	2001	2000
Sales	14	1,025,758	868,218
Cost of sales		(777,062)	(696,095)
Gross profit		248,696	172,123
Other operating income	14	9,000	10,150
Distribution costs		(34,320)	(19,330)
Administration expenses		(76,820)	(46,181)
Profit from operations	16	146,556	116,762
Finance costs, net	15	(23,339)	(14,497)
Income from associates	6	58,704	41,291
Investment impairment loss		(2,033)	-
Others, net		(1,999)	405
Profit before taxation and minority interests		177,889	143,961
Income tax expense	17(b)	(14,829)	(14,820)
Profit after taxation but before minority interests		163,060	129,141
Minority interests		(3,470)	1,099
Net profit for the year	20	159,590	130,240
Earnings per share	19		
- Basic		RMB 0.37	RMB 0.32

The accompanying notes form an integral part of this consolidated financial statement.

WEIFU HIGH-TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER, 2001

(Amounts expressed in thousands of Renminbi)

		Reserves						
	Share capital	Capital surplus	Statutory surplus reserve fund	Statutory public welfare fund	Discretion-ary surplus reserve fund	Total reserves	Retained earnings	Total equity
	(Note 10)	(Note 11(a))	(Note 11(b))	(Note 11(c))		(Note 11)	(Note 12)	
Balance as at 1st January, 2000	394,466	545,765	44,943	22,547	1,785	615,040	164,193	1,173,699
Rights issue of ordinary shares	41,900	377,100	-	-	-	377,100	-	419,000
Expenses on rights issue	-	(13,946)	-	-	-	(13,946)	-	(13,946)
Net profit for 2000	-	-	-	-	-	-	130,240	130,240
Appropriations:								
- statutory surplus reserve fund	-	-	13,257	-	-	13,257	(13,257)	-
- statutory public welfare fund	-	-	-	6,628	-	6,628	(6,628)	-
Balance as at 31st December, 2000	436,366	908,919	58,200	29,175	1,785	998,079	274,548	1,708,993
Dividends declared after 1st January, 2001 from retained profits as of 31st December, 2000 (Note 18)	-	-	-	-	-	-	(87,273)	(87,273)
Net profit for 2001	-	-	-	-	-	-	159,590	159,590
Appropriations:								
- statutory surplus reserve fund	-	-	15,072	-	-	15,072	(15,072)	-
- statutory public welfare fund	-	-	-	7,536	-	7,536	(7,536)	-
Balance as at 31st December, 2001	436,366	908,919	73,272	36,711	1,785	1,020,687	324,257	1,781,310

The accompanying notes form an integral part of this consolidated financial statement.

WEIFU HIGH-TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER, 2001

(Amounts expressed in thousands of Renminbi)

	Note	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash generated from operations	21(a)	172,016	36,610
Interest paid		(7,317)	(14,229)
Income tax paid		(15,326)	(14,437)
Net cash from operating activities		149,373	7,944
CASH FLOWS FROM INVESTING ACTIVITIES:			
Decrease in pledged bank time deposit		-	20,000
Purchase of property, plant and equipment		(320,286)	(73,554)
Proceeds from disposal of property, plant and equipment		1,839	348
Increase in investments in associates		(13,050)	(9,946)
Increase in long-term investments		(1,100)	(38,946)
Interest received		6,929	16,173
Dividends received		24,200	12,000
Net cash used in investing activities		(301,468)	(73,925)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in short-term bank borrowings		107,000	(205,000)
Proceeds from rights issue of ordinary shares		-	419,000
Expenses on rights issue of ordinary shares		-	(13,946)
Repayments of long-term bank borrowings		(16,000)	(19,000)
Dividends paid		(87,065)	-
Cash injection from minority shareholders		-	24,842
Net cash from financing activities		3,935	205,896
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(148,160)	139,915
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		707,708	567,793
CASH AND CASH EQUIVALENTS AT END OF YEAR	21(b)	559,548	707,708

The accompanying notes form an integral part of this consolidated financial statement.

3.WEIFU HIGH-TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31ST DECEMBER, 2001

(Amounts expressed in thousands of Renminbi ("RMB") unless otherwise stated)

1. ORGANIZATION AND OPERATIONS

Weifu High-technology Co., Ltd. (the "Company") was incorporated in the People's Republic of China (the "PRC") on 22nd October, 1992 as a joint stock limited company.

The Company is principally engaged in the manufacture and sale of fuel injection pumps for use in diesel engines and injectors and components for fuel injection pumps. The registered office of the Company is No.46, Wuxi State Hi-tech Industrial Development Zone, Jiangsu Province, and the Company has approximately 2,437 and 2,320 employees as of 31st December, 2001 and 2000 respectively.

The Company's domestic listed foreign investment shares ("B share") and domestic public shares ("A share") are listed on the Shenzhen Stock Exchange.

The Company and its subsidiaries (the "Group") conduct the business within one business segment and the Group also operates within one geographical segment because its revenues are primarily generated in the PRC and its assets are located in the PRC.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the consolidated financial statements of the Group, which conform to International Financial Reporting Standards ("IFRS") are as follows:

(a) Basis of presentation

The accompanying consolidated financial statements are prepared under the historical cost convention with the exception of fair value measurement of certain financial instruments in accordance with IFRS, as published by the International Accounting Standards Board ("IASB"), effective as of 31st December, 2001. This basis of accounting differs from that used in the statutory accounts of the Group, prepared in accordance with accounting principles and financial regulations applicable to joint stock limited companies in the PRC. The principal adjustments made to conform the statutory accounts of the Group to IFRS are shown in Note 20.

(b) Principles of consolidation

The consolidated financial statements of the Group include those of the Company and its subsidiaries and also incorporate the Group's interest in associates on the basis as set out in Notes 2(g) and 2(h) below.

All significant inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. The equity and net income attributable to minority shareholders' interests are shown separately in the balance sheets and income statements, respectively.

The purchase method of accounting is used for acquired businesses. Results of subsidiaries and associates acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or to the date of disposal.

As of 31st December, 2001, the consolidated financial statements include the financial statements of the Company and its consolidated subsidiary as follows:

Name of subsidiary company	Place of registration	Principal activities	Registered capital (RMB'000)		Percentage of equity interest	
			2001	2000	2001	2000
Nanjing Weifu Jinging Co., Ltd. ("Nanjing Weifu")	Nanjing, Jiangsu Province	Manufacture and sale of diesel engines, machinery, electronic products and automotive components.	256,000	256,000	80%	80%

(c) Leasehold land

Leasehold land represents land use fees paid for long leasehold land and is classified as operating leases. The prepaid lease payments are amortized over the lease period (thirty to fifty years) on a straight-line basis.

(d) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. The initial cost of an asset comprises its purchase price, construction cost and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the property, plant and equipment have become ready for its intended use, such as repairs and maintenance and overhaul costs, are recognized as expense in the year in which they are incurred. In situations where it is probable that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of the asset beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the asset.

Depreciation is calculated using the straight-line method to write off the cost after taking into account the estimated residual value of 3%, of each asset over its expected useful life. The expected useful lives are as follows:

Buildings	35 years
Machinery and equipment	10-16 years

The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

When property, plant and equipment are sold or retired, their cost and accumulated depreciation and accumulated impairment loss are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of income.

(e) Operating lease

Leases of assets under which substantially all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term.

(f) Construction-in-progress

Construction-in-progress represents plant and properties under construction and machinery under testing and installation and is stated at cost. This includes costs of construction, site restoration costs, plant and equipment and other direct costs plus borrowing costs which mainly include interest charges arising from borrowings used to finance these projects during the construction period.

Construction-in-progress is not depreciated until such time as the relevant assets are completed and ready for their intended use.

(g) Subsidiaries

A subsidiary is a company in which the Company has control. Control exists when the Company has the power to govern the financial and operating policies of the subsidiary so as to obtain benefits from its activities.

(h) Associates

An associate is a company, not being a subsidiary or a joint venture, over which the Company has significant influence. Significant influence exists when the Company has the power to participate in, but not control, the financial and operating decisions of the associate.

Investments in associates are accounted for using the equity method. An assessment of investments in associates is performed when there is an indication that the asset has been impaired or the impairment losses recognized in prior years no longer exist.

(i) Investments

Long-term investments of the Group are investments in unlisted equity instruments without a quoted market price in an active market. They are classified as available-for-sale financial assets and stated at cost less any impairment in value. An assessment of long-term investments is performed when there is an indication that the asset has been impaired or the impairment losses recognized in prior years no longer exist. Income from investments is accounted for to the extent of dividends (interest) received and receivable.

Upon disposal of a long-term investment, the difference between net disposal proceeds and the carrying amount is charged or credited to the statement of income.

(j) Intangible assets

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the assets will flow to the enterprise; and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives. The amortization period and the amortization method are reviewed annually at each financial year-end.

(i) Trademarks

Amounts paid for trademarks are capitalized and then amortized on a straight-line basis over the expected useful lives. The expected useful life of the Company’s trademark is 30 years.

Trademarks are reviewed for impairment at each balance sheet date.

The trademark is registered with an unlimited usage period. The management considers the useful life of the trademark will not be less than 30 years-the operating period of Nanjing Weifu.

(ii) Research and development costs

Expenditure for research is recognized as an expense when incurred. Expenditure on development is charged against income in the period incurred except for project development costs which comply strictly with all of the following criteria:

- the product or process is clearly defined and costs are separately identified and measured reliably;
- the technical feasibility of the product is demonstrated;
- the product or process will be sold or used in-house;
- the assets will generate future economic benefits (e.g. a potential market exists for the product or its usefulness in the case of internal use is demonstrated); and
- adequate technical, financial and other resources required for completion of the project are available.

Capitalization of costs starts when the above criteria are first met. Expenditure recognized as an expense in previous accounting periods is not reinstated.

The recoverable amount of development costs is estimated whenever there is an indication that the asset has been impaired or that the impairment losses recognized in previous years no longer exist.

(iii) Goodwill

The excess of the cost of an acquisition over the Company’s interest in the fair value of the net identifiable assets and liabilities acquired as at the date of the acquisition is recorded as goodwill and recognized as an asset in the balance sheet.

Goodwill is carried at cost less accumulated amortization and accumulated impairment losses. Goodwill is amortized on a straight-line basis over its useful life of 5 years.

(k) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost, calculated on the weighted-average basis, comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the year in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the year the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the year in which the reversal occurs.

(l) Receivables

Receivables are stated at the fair value of the consideration given and are carried at amortized cost, after provision for impairment.

(m) Cash and cash equivalents

Cash represents cash on hand and deposits with banks, which are repayable on demand.

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

(n) Liabilities and equity

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement on initial recognition .

Interest, dividends, gains, and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. When the rights and obligations regarding the manner of settlement of financial instruments depend on the occurrence or non-occurrence of uncertain future events or on the outcome of uncertain circumstances that are beyond the control of both the issuer and the holder, the financial instrument is classified as a liability unless the possibility of the issuer being required to settle in cash or another financial asset is remote at the time of issuance, in which case the instrument is classified as equity.

(o) Minority interests

Minority interests include the minority's proportion of the fair values of identifiable assets and liabilities recognised upon acquisition of a subsidiary.

The losses applicable to the minority in a consolidated subsidiary may exceed the minority interest in the equity of the subsidiary. The excess, and any further losses applicable to the minority, are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profits until the minority's share of losses previously absorbed by the majority has been recovered.

(p) Revenue recognition

Provided it is probable that the economic benefits associated with a transaction will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized on the following bases:

(i) Sales of goods and raw materials

Revenue is recognized when the significant risks and rewards of ownership of goods and materials have been transferred to the buyer.

(ii) Interest income

Interest income is recognized on a time proportion basis that take into account the effective yield on the assets.

(iii) Dividend income

Dividend income is recognized when the right to receive payment is established.

(q) Taxation

The Company and its subsidiaries provide for Enterprise Income Tax ("EIT") on the basis of their statutory profit for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for EIT purposes and after considering all available tax benefits.

Other taxes are provided in accordance with the prevailing PRC tax regulations.

Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. Deferred tax assets and liabilities are not discounted and are classified as non-current assets (liabilities) in the balance sheet.

(r) Measurement currency

Based on the economic substance of the underlying events and circumstances relevant to the company, the measurement currency of the company has been determined to be the RMB.

Transactions in other currencies are translated into the measurement currency at the exchange rates prevailing at the time of the transactions. Monetary assets and liabilities denominated in other currencies at the balance sheet date are re-translated at the exchange rates prevailing at that date. Exchange differences are recognised in the statement of income in the year in which they arise.

(s) Borrowings and borrowing costs

Borrowings are initially recognized at the proceeds received, net of transaction costs. They are subsequently carried at amortized cost using the effective interest rate method, the difference between net proceeds and redemption value being recognized in the net profit or loss for the year over the life of the borrowings.

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds. Borrowing costs are expensed as incurred, except when they are directly attributable to the acquisition, construction or production of buildings and plant facilities and installation of machinery and equipment that necessarily take a substantial period of time to get ready for their intended use in which case they are capitalized as part of the cost of the asset.

Capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and the activities to prepare the asset for its intended use are in progress. Borrowing costs are capitalized at the weighted average cost of the related borrowings until the asset is ready for its intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

(t) Pension scheme

Pursuant to the PRC laws and regulations, contributions to the basic old age insurance for the Group's local staff are made monthly to a government agency based on 26%~29%of the standard salary set by the provincial government, of which 20%~22% is borne by the Group and the remainder is borne by the staff. The government agency is responsible for the pension liabilities relating to such staff on their retirement, and the Group has no further obligation beyond the amount of its contributions. The Group accounts for these contributions on an accrual basis, and these contributions are charged to the statement of income.

(u) Financial instruments

(i) Recognition and measurement

Financial assets are initially recognized at cost which is the fair value of the consideration given. They are subsequently carried at either fair value, cost or amortized cost (using the effective interest rate method) according to IAS 39. A "regular way" purchase or sale of financial assets is recognized using trade date accounting. Gains and losses arising from changes in the fair value of those available-for-sale financial assets that are measured at fair value subsequent to initial recognition are included in net profit or loss for the period. Long-term investment of the Group are classified as available-for-sale financial assets, however since they are investments in unlisted equity instruments without fixed maturity for which there are no other reasonable methods of estimating fair value, they are subsequently carried at cost (see Note 2(i)). The accounting policies on recognition and measurement of the major items are disclosed in the respective accounting policies found in this Note.

(ii) Presentation

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

(v) Financial risk management

The Group's operation gives rise to exposure to credit risk, liquidity risk, interest rate risk and foreign exchange rate risk.

(i) Credit risk

The Group has no significant concentration of credit risk with any single counter-party or group of counter-parties having similar characteristics.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including cash and cash equivalents, receivables and investments.

(ii) Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents to meet its commitments over the next year in accordance with its strategic plan.

(iii) Interest rate risk

The interest rate and terms of repayments of short-term and long-term bank borrowings are disclosed in Note 13.

As of December 31, 2001, change in interest rates would not have a material impact on the Group's operating results and operating cash flows.

(iv) Foreign exchange risk

The Group does not have material foreign exchange risk and it does not have material transactions in foreign currencies.

(w) Estimation of fair value

(i) Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates their fair value due to the short-term maturity of these financial instruments.

(ii) Trade and other receivables and payables, prepayments, taxes and dividend payable, other current liabilities and due from and due to related companies

The carrying amount of trade and other receivables and payables, prepayments, taxes and dividend payable, other current liabilities and due from and due to related companies, which are all subject to normal trade credit terms, approximates their fair value.

(iii) Borrowings

The carrying amount of borrowings approximates their fair value as these borrowings bear quoted market interest rates.

(iv) Long-term investment

The carrying amount of long-term investments cannot be reliably estimated and disclosed because these investments do not have quoted market prices in an active market and other methods reasonably estimating fair value for these investments are not available.

(x) Impairment of assets

(i) Financial instruments

Financial instruments are reviewed for impairment at each balance sheet date.

For financial assets carried at cost or amortised cost, whenever it is probable that the Group will not collect all amounts due according to the contractual terms of receivables or held-to-maturity investments, an impairment or bad debt loss is recognised in the statement of income. Reversal of impairment losses previously recognised is recorded when the decrease in impairment loss can be objectively related to an event occurring after the write-down. Such reversal is recorded in income. However, the increased carrying amount is only recognised to the extent it does not exceed what amortised cost would have been had the impairment not been recognised.

(ii) Other assets

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, the carrying amount will be written down to recoverable amount, and an impairment loss is recognized in the statement of income. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in income. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for that asset in prior years.

(y) Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

(z) Subsequent events

Post-year-end events that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate (adjusting events), are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

(aa) Changes in accounting policy

A change in accounting policy is made only if required by statute, or by an accounting standard setting body, or if the change will result in a more appropriate presentation of events or transactions in the consolidated financial statements of the Group.

A change in accounting policy is applied retrospectively unless the amount of any resulting adjustment that relates to prior periods is not reasonably determinable, in which case, the change in accounting policy is applied prospectively.

From January 1, 2001, the Group has been subject to the newly effective IAS 39 "Financial instruments – Recognition and Measurement" and Revised IAS 12 "Income tax". There is no significant financial impact caused by adopting these standards on the opening balances of the consolidated financial statements.

(bb) Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation because management believes that current year's presentation is more appropriate to reflect the Group's financial position and operating results.

3. LEASEHOLD LAND

	2001	2000
	RMB'000	RMB'000
Cost	33,038	33,038
Accumulated amortization	(4,202)	(3,158)

Net	28,836	29,880

Leasehold land represents land use fees paid for the right to use the parcels of land where the Group's factory buildings in Wuxi and Nanjing are located.

Since all land in the PRC is owned by the state or is subject to collective ownership, the risks and rewards of the parcel of land remain with the state. As a result, such lease payment is accounted for under operating leases and is charged to the income statement on a straight-line basis over lease terms of thirty to fifty years.

4. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in property, plant and equipment were as follows:

	2001				2000
	Buildings	Machinery and equipment	Construction-in-progress	Total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost					
Beginning of year	103,680	371,823	155,201	630,704	562,595
Additions	11	605	319,670	320,286	73,554
Disposals	(612)	(7,627)	-	(8,239)	(5,445)
Transfer	3,570	92,872	(96,442)	-	-
End of year	106,649	457,673	378,429	942,751	630,704
Accumulated depreciation					
Beginning of year	26,295	139,130	-	165,425	141,695
Charge for the year	2,845	29,364	-	32,209	26,980
Disposals	(92)	(3,984)	-	(4,076)	(3,250)
End of year	29,048	164,510	-	193,558	165,425
Impairment loss					
Beginning of year	-	11,101	-	11,101	-
Additions	-	-	-	-	11,101
Reversal	-	(3,029)	-	(3,029)	-

End of year	-	8,072	-	8,072	11,101
Net book value					
End of year	77,601	285,091	378,429	741,121	454,178
Beginning of year	77,385	221,592	155,201	454,178	420,900

(b) Borrowing costs

Property, plant and equipment includes borrowing costs incurred in connection with the construction of certain assets. Borrowing costs capitalised as property, plant and equipment amounted to RMB 1,251,000 and RMB 2,661,000 in 2001 and 2000, respectively.

5. INTANGIBLE ASSETS

Intangible assets comprised:

	2001			2000
	Trademarks	Goodwill	Total	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
Beginning of year	26,356	11,872	38,228	38,228
Additions	-	-	-	-
Disposals	-	-	-	-
End of year	26,356	11,872	38,228	38,228
Accumulated amortization				
Beginning of year	1,825	6,529	8,354	5,104
Charge for the year	876	2,375	3,251	3,250
End of year	2,701	8,904	11,605	8,354
Net book value				
End of year	23,655	2,968	26,623	29,874
Beginning of year	24,531	5,343	29,874	33,124

6. INVESTMENTS IN ASSOCIATES

As of December 31, 2001 and 2000, the Company had the following associates:

Name	Country of incorporation /operation	Principal activities	Carrying value 2001	Carrying value 2000	Share of profits 2001	Share of profits 2000	Percentage of equity interest held 2001	Percentage of equity interest held 2000
			RMB'000	RMB'000	RMB'000	RMB'000		
Wuxi Europe Asia Diesel Fuel Injection Co., Ltd.	PRC	Manufacture and sale of nozzles holders for diesel fuel injection	96,645	63,658	19,937	7,232	48%	48%
Zhonglian Automobile Electronics Co., Ltd.	PRC	Manufacture and sale of automobile electronic equipment	177,227	162,660	38,767	34,059	20%	20%
			273,872	226,318	58,704	41,291		

7. INVESTMENTS

	2001	2000
	RMB'000	RMB'000
Investments, cost	48,911	51,311
Impairment loss	(2,033)	-
	46,878	51,311

As of 31st December, 2001, investments mainly included approximately RMB 35,550,000 (2000: RMB 37,550,000) of equity investments in financial institutions and equity interests in legal person shares of joint stock limited companies.

8. INVENTORIES

	2001	2000
	RMB'000	RMB'000
Raw materials	5,874	5,395
Work in progress	92,662	84,715
Finished goods	95,611	61,431
	194,147	151,541
Less: Provision for obsolescence	(3,234)	-

	190,913	151,541

For the year ended 31st December, 2001, the cost of inventories recognized as an expense in the consolidated statement of income amounted to approximately RMB 780,091,000 (2000: approximately RMB 664,489,000).

9. TRADE AND OTHER RECEIVABLES, NET

	2001	2000
	RMB'000	RMB'000
Notes receivable	17,652	70,609
Accounts receivable	272,769	274,363
Other receivables	28,142	8,602
	318,563	353,574
Less : Provision for doubtful accounts	(33,866)	(35,095)
Net	284,697	318,479

10. SHARE CAPITAL

As of 31st December, 2001 and 2000, the details of share capital (par value of RMB 1 each) were as follows:

	Number of shares		Amount	
	2001	2000	2001	2000
			RMB'000	RMB'000
State-owned legal person shares	121,566,150	121,566,150	121,566	121,566
Legal person shares	10,400,000	10,400,000	10,400	10,400
Employee shares	24,000,000	24,000,000	24,000	24,000
A shares	192,000,000	192,000,000	192,000	192,000
B shares	88,400,000	88,400,000	88,400	88,400
	436,366,150	436,366,150	436,366	436,366

The B Shares rank pari passu in all respects with the A Shares except that A Shares can only be owned and traded by investors in the PRC.

Pursuant to a resolution of the board of directors dated 26th July, 2000, the Company proposed to issue bonds for RMB 648,000,000 convertible into A shares, subject to the approval of the China Securities Regulatory Commission. The period of the convertible bond is proposed to be 5 years, and the interest rate is proposed to be 70% of the prevailing one-year fixed deposit interest rate of the People's Bank of China. The convertible bonds can be converted to A shares six months after issuance, at a price of 110% of the average closing price of the A shares during the 30 transaction days before the issuance.

11. RESERVES

(a) Capital surplus

	2001	2000
	RMB'000	RMB'000
Share premium	908,919	908,919

In accordance with the provisions of the Company's articles of association, the Company shall record the following as capital surplus:

(i) share premium arising from the issue of shares in excess of par value;
(ii) surpluses arising from revaluation of assets; and (iii) other items in accordance with the Company's articles of association and relevant regulations in the PRC. Capital surplus can be utilised to offset prior years' losses or for the issuance of bonus shares.

Share premium mainly represents total proceeds from the issuance of A and B shares and the rights issue in excess of par value, net of expenses relating to the issuance of the shares such as underwriting commissions, fees for professional advisors and promotional expenses. Share premium can be utilized to offset prior years' losses or to issue bonus shares.

(b) Statutory reserves

In accordance with the Company Law and the Company's articles of association, the Company and its subsidiaries shall appropriate 10% of their annual statutory net profit (after offsetting any prior years' losses) to the statutory surplus reserve fund account. When the balance of such reserve reaches 50% of each entity's share capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or to issue bonus shares. However, such statutory surplus reserve must be maintained at a minimum of 25% of share capital after such issuance.

(c) Statutory public welfare fund

According to the relevant financial regulations of the PRC and the articles of association of the Company, the Company and its subsidiaries are also required to appropriate 5% to 10% of their annual statutory net profit (after offsetting any prior year's losses) to a statutory public welfare fund to be utilized to build or acquire capital items, such as dormitories and other facilities for the Company and its subsidiaries' employees, and can not be used to pay for staff welfare expenses. Title to these capital items will remain with the Company and its subsidiaries.

12. RETAINED EARNINGS

According to the articles of association of the Company, the earnings available for distribution are the lower of the amount determined under the PRC accounting standards and the amount determined under IFRS.

As of 31st December, 2001, the earnings available for distribution were RMB 315,556,000 (2000: RMB 274,548,000).

13. BORROWINGS

(a) Short-term bank borrowings

	2001	2000
	RMB'000	RMB'000
Unsecured bank borrowings	18,500	-
Guaranteed bank borrowings	140,000	51,500
	158,500	51,500

Short-term bank borrowings bear interest at rates ranging from 5.265% to 6.435% (2000: 5.85% to 6.435%) per annum, of which RMB 90,000,000 were guaranteed by a related company – Weifu Group Co., Ltd. ("WFGC") (2000: RMB 51,500,000), and RMB 50,000,000 by a third party (2000: Nil).

(b) Long-term bank borrowings

	2001	2000
	RMB'000	RMB'000
Long-term bank borrowings	1,500	17,500
Less: Amounts due within one year	-	(16,000)
	1,500	1,500

Long-term borrowings are guaranteed by non-related third party entities and bear interest at 6.03% (2000: 6.03% to 6.66%) per annum.

14. REVENUE

Revenue comprised:

	2001	2000
	RMB'000	RMB'000
Sales of goods	1,025,758	868,218
Other operating income		
Dividend income	9,000	10,150

15. FINANCE COSTS

	2001	2000
	RMB'000	RMB'000
Interest income		
- Bank deposits	9,336	4,143
- Loans to WFGC (Note 22(b))	749	12,030
- Cash discount on material purchases	5,923	11,309
	16,008	27,482
Interest on		
- Bank loans	8,568	17,016
Less: amount capitalized in construction-in-progress (Note 4(b))	(1,251)	(2,661)
	7,317	14,355
- Cash discount on sales	32,030	27,624
	39,347	41,979
	(23,339)	(14,497)

16. PROFIT FROM OPERATIONS

	2001	2000
	RMB'000	RMB'000
Revenue	1,025,758	868,218
Other operating income	9,000	10,150
	1,034,758	878,368
Changes in inventories on finished goods and work-in-progress	42,127	21,124
Raw materials and consumables used	(747,882)	(637,509)
Staff costs		
- salaries and wages	(74,298)	(59,058)
- provision for staff and workers' bonus and welfare fund	(10,935)	(8,514)
- contribution to statutory pension scheme	(15,457)	(12,663)
- provision for housing fund	(4,519)	(3,840)
Amortization of leasehold land	(1,044)	(1,053)
Depreciation of property, plant and equipment	(32,209)	(26,980)
Amortization of intangible assets	(3,251)	(3,250)
Reversal of (Provision for) impairment loss of property, plant and equipment	3,029	(11,101)
Provision for doubtful debts and written-off of uncollectable accounts receivable	(12,246)	(5,899)
Provision for obsolete inventories	(3,234)	-
Other operating expenses	(28,283)	(12,863)
Profit from operations	146,556	116,762

The Company and its subsidiaries provide for staff welfare and contributions to the statutory pension fund based on a certain percentage of the total salaries. Staff welfare consists of medical insurance fund, housing fund, unemployment insurance and staff welfare fund, etc.

The relevant percentages are as follows:

	Percentage
Staff welfare fund	14%
Statutory pension fund	20%~22%
Medical insurance fund	8%
Housing fund	7%
Unemployment insurance	2%

17. TAXATION

(a) Value-added Tax ("VAT")

The Company and its subsidiaries are subject to VAT, which is charged on top of the selling price at a general rate of 17%. An input credit is available whereby VAT previously paid on purchases of semi-finished products or raw materials etc. can be used to offset the VAT on sales to determine the net VAT payable. VAT is not included in the consolidated statement of income.

(b) Enterprise Income Tax ("EIT")

The Company, being a high-technology enterprise registered in Wuxi Hi-tech Industrial Development Zone, is subject to EIT at a reduced rate of 15%. Nanjing Weifu, being a high-technology company registered in Nanjing Hi-tech Development Zone is also subject to EIT at a reduced rate of 15%. As of 31st December, 2001, Nanjing Weifu is still in a cumulative loss position, hence no EIT has been provided.

The reconciliation of the statutory tax rate to the effective tax rate is as follows:

	2001		2000	
	RMB'000		RMB'000	
Accounting profit before taxation and minority interests	177,889	100%	143,961	100%
Tax at the applicable statutory tax rate of 15% (2000: 15%)	26,683	15%	21,594	15%
Tax effect of income/ expenses that are not assessable/deductible in determining taxable profit	(11,331)	(6.4%)	(7,175)	(5%)
Temporary differences	(523)	(0.2%)	401	0.3%
Income tax expense	14,829	8.4%	14,820	10.3%

The Group did not recognize any deferred tax as the temporary differences were insignificant.

18. DIVIDENDS

In accordance with the articles of association, provisions to the Statutory Surplus Reserve fund, Statutory Public Welfare Fund and Discretionary Surplus Reserve Fund should be based on profit after taxation determined in accordance with PRC accounting standards and financial regulations. Dividend declarations shall be determined based on the lower of the unappropriated profit determined under the accounting principles and financial regulations applicable in the PRC and that determined under IFRS.

As of 31st December, 2001 and 2000, analysis of changes in unappropriated profit in the statutory accounts and financial statements prepared under IFRS is as follows:

	2001		2000	
	Statutory Accounts RMB ’000	Accounts under IFRS RMB ’000	Statutory Accounts RMB ’000	Accounts under IFRS RMB ’000
Unappropriated profit, brought forward	187,444	274,548	175,851	161,755
Adjustment of beginning retained earning for change of accounting policy on statutory accounts	-	-	(16,254)	-
Adjustment of reserves for changes of accounting policy on statutory accounts	-	-	2,438	2,438
Net profit for the year	150,720	159,590	132,567	130,240
Appropriations:				
- statutory surplus reserve fund	(15,072)	(15,072)	(13,257)	(13,257)
- statutory public welfare fund	(7,536)	(7,536)	(6,628)	(6,628)
- cash dividends	(87,273)	(87,273)	(87,273)	-
Unappropriated profit, carried forward	228,283	324,257	187,444	274,548

Pursuant to a resolution of the shareholders’ meeting dated 30th May, 2001, the Company appropriated 10% and 5% of net profit for the year ended 31st December, 2000 to the Statutory Surplus Reserve Fund and Statutory Public Welfare Fund respectively, totalling RMB 19,885,000 and declared a cash dividend of RMB 0.2 per share, totalling RMB 87,273,230.

Pursuant to a resolution of the board of directors dated 19th April, 2002, the board of directors of the Company proposed to appropriate 10% and 5% of net profit for the year ended 31st December, 2001 (2000: 10% and 5%) to the Statutory Surplus Reserve Fund and Statutory Public Welfare Fund respectively, totalling RMB 22,608,000 (2000: RMB 19,885,000), and to distribute a cash dividend of RMB 0.2 per share, totalling RMB 87,273,230 (2000: RMB 87,273,230), all subject to approval in the forthcoming shareholders’ meeting.

19. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit of RMB 159,590,000 (2000: RMB 130,240,000), divided by the weighted average number of 436,366,150 shares (2000: 407,949,658 shares).

Diluted earnings per share was not calculated because no potential dilutive shares existed.

20. IMPACT OF IFRS ADJUSTMENTS ON PROFIT AFTER TAXATION AND MINORITY INTERESTS AND NET ASSETS

	Profit after taxation and minority interests		Net assets	
	2001	2000	2001	2000
	RMB'000	RMB'000	RMB'000	RMB'000
As reported in the statutory accounts	150,720	132,567	1,685,337	1,621,890
Reversal of (provision for) doubtful debts	3,000	(3,000)	-	(3,000)
Adjustment for intangible and deferred assets without future benefit	472	234	-	(472)
Adjustment for income from associates	5,398	11,958	8,700	3,302
Depreciation of idle property, plant and equipment	-	(2,480)	-	(8,245)
Impairment loss of property, plant and equipment	-	(11,101)	-	8,245
Minority interests	-	2,239	-	-
Dividend proposed in subsequent period	-	-	87,273	87,273
Others	-	(177)	-	-
As restated under IFRS	159,590	130,240	1,781,310	1,708,993

21. CASH GENERATED FROM OPERATIONS

(a) Reconciliation from profit before taxation and minority interests and extraordinary item to cash generated from operations:

	2001	2000
	RMB'000	RMB'000
Cash flows from operating activities:		
Profit before taxation and minority interests	177,889	143,961
Adjustments for:		
Provision for doubtful debts and write-off of uncollectible accounts receivable	12,246	5,899
Provision for inventory obsolescence	3,234	-
Loss (gain) on disposal of property, plant and equipment	1,192	(203)
Depreciation of property, plant and equipment	32,209	26,980
(Reversal of) provision for impairment loss of property, plant and equipment	(3,029)	11,101
Amortization of intangible assets	3,251	3,250
Amortization of leasehold land	1,044	1,053
Loss on disposal of long-term investment	173	599
Income from associates	(58,704)	(41,291)
Provision for impairment loss of long-term investment	2,033	-
Interest expense	7,317	14,355
Interest income	(10,085)	(16,173)
Operating profit before working capital changes	168,770	149,531
Increase in inventories	(42,606)	(16,593)
Decrease (increase) in trade and other receivables	22,524	(69,169)
Decrease in prepayments	102	878
Increase (decrease) in trade and other payables	46,003	(14,145)
Decrease in amount due to related companies	(16,915)	(16,673)
(Decrease) increase in taxes payable	(1,065)	728
(Decrease) Increase in other current liabilities	(4,797)	2,053
Cash generated from operations	172,016	36,610

(b) Analysis of the balances of cash and cash equivalents

	2001	2000
	RMB'000	RMB'000
Cash on hand	21	335
Cash at banks		
- Current deposits	362,177	383,573
- Time deposits	197,350	323,800
Cash and cash equivalents	559,548	707,708

22. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) Name of related companies and relationship

Name	Relationship
WFGC	Shareholder which owns a 27.86% equity share of the Company
Wuxi Europe Asia Diesel Fuel Injection Co., Ltd. ("Wuxi Europe Asia")	Associated company
Zhonglian Automobile Electronics Co., Ltd.	Associated company

(b) The Company and WFGC have entered into the following agreements:

(1) Six service agreements

These agreements are each for a ten-year term with effect from 1st January, 1995 for various services provided by WFGC to support the Company's business operations.

(2) Two utilities supply agreements

These agreements are each for a ten-year term with effect from 1st January, 1995 for electricity, water, compressed air and steam supplied by WFGC.

(3) Trademark licensing agreement

The agreement is for a ten-year term with effect from 1st May, 1995. The Company shall pay WFGC a license fee of 0.3% of the sales value of the Company's products bearing the licensed trademark, with an annual minimum fee of RMB 1,200,000.

(4) Land use right leasing agreement

The agreement is for a term of 50 years with effect from 1st April, 1995. The annual rental for the first year is RMB 327,285, which is subject to an annual increment of 10%.

Except as disclosed in Note 13, significant transactions with WFGC for the year ended 31st December, 2001 are as follows:

	2001	2000
	RMB'000	RMB'000
Purchases of materials	74,267	197,442
Sales of products	216,684	210,290
Purchases of property, plant and equipment	-	26,423
Interest income		
- From the amounts due from WFGC, net (i)	749	12,030
- Cash discount on material purchases	1,446	7,241
Processing expenses	22,204	7,881
Fees for use of land and trademark	2,914	2,503

(i) The amounts due to WFGC as at 31st December, 2001 and 2000 represented the unpaid balances arising from the above transactions. The amounts due from WFGC bear interest at 2.25% (2000: 5.85%) per annum.

Nanjing Weifu acquired trademarks from WFGC at a consideration of RMB 26,355,900 for a period of 30 years effective from 20th August, 1997 (Note 5).

(c) Significant transactions with other related companies for the year ended 31st December, 2001 are as follows:

	2001	2000
	RMB'000	RMB'000
Purchase of materials from		
- Wuxi Europe Asia	42,164	27,148
Sales of products to		
- Wuxi Europe Asia	28,647	15,933

(d) Balances with related parties

	2001	2000
	RMB'000	RMB'000
Due to related parties		
- WFGC	13,933	35,119
- Wuxi Europe Asia	3,236	965
	17,169	36,084

Except as mentioned in Note 22(b), the amounts due to/from related companies arose from the above transactions and were unsecured, interest-free and had no fixed repayment terms.

23. CONTINGENT LIABILITIES

As of 31st December, 2001, the Group had the following contingent liabilities:

	2001	2000
	RMB'000	RMB'000
Discounted notes	54,535	45,331

24. COMMITMENTS

As of 31st December, 2001, the Group had the following significant commitments:

(a) Commitment to acquire property, plant and equipment amounting to approximately RMB 80,000,000 (2000: RMB 154,000,000);

(b) Commitment to invest in Jiangsu Manometer Research and Development Centre in an amount of approximately RMB 23,000,000; and

(c) Commitment to increase its investment in Wuxi Europe Asia Diesel Fuel Injection Co., Ltd. in an amount of USD 2,361,600.

25. SUBSEQUENT EVENTS

Subsequent to 31st December, 2001, the following events occurred:

(a) On 1st January, 2002, the Company acquired WFGC's 55% equity interest in Wuxi Weifu Leader Catalytic Purifier Co., Ltd., at a cash consideration of RMB 4,309,200.

(b) On 18th January, 2002, the Company invested in a security company at cost of RMB 11,000,000.

26. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved for issuance by the board of directors of the Company on 19th April, 2001.

DOCUMENTS FOR REFERENCE

1. Financial Statements Sealed by the Company is legal representative, principal treasurer and accountant;

2. Original Auditors' Report with signatures and seals by the Certified Public Accountant and its accountants;

3. All originals of released documents and announcements disclosed on the newspapers designated by the State Securities Regulatory Commission in this reporting year.

Above documents are placed in the Securities Department of the Company for shareholders' reference.

By order of
Board of Directors
Weifu High Technology Co.,Ltd.

April 23,2002