

ANNOUNCEMENT  
ON  
OPERATIONAL RESULTS IN THE FIRST HALF OF 2002

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

Company Information	3
Key Financial and Business Data	3
Share Capital and Shareholder	5
Directors, Supervisors and Senior management	5
Executive Statements	7
Significant Events	10
Financial Statements	12
Document for Reference	33

**I****MPORTANT:** The Directors of Weifu High-Technology Co., Ltd. confirm that there are no material omissions, false representations or misleading statements in this announcement, and collectively and individually accept full responsibility for the authenticity, accuracy and completeness of information contained herein.

Mr. Ouyang Mingao, the Independent director of the Company, were absent from the 2<sup>nd</sup> meeting of board of directors on business trip going abroad.

The reader is advised that the announcement 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 announcement, the Chinese version shall prevail.

*The directors of Weifu High-Technology Co., Ltd. (“the Company”) are pleased to announce the un-audited consolidated results of the Company for the first half of*

*fiscal 2002 as follows:*

## Company Information

Chinese Name: 无锡威孚高科技股份有限公司  
English Name: WEIFU HIGH-TECHNOLOGY CO., LTD.  
Registered Address: Plot 46, Wuxi National High-Tech Industrial Development Zone  
Head Office: No.107, West Renmin Road, Wuxi, Jiangsu, China.  
Postal Code: 214031  
Internet Website: <http://www.china-weifu.com>  
E-Mail: Webmaster @ China-weifu.com  
Legal Representative: Mr. Xu Liangfei  
Secretary of the Board of Directors: 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  
Information Disclosure Media: Securities Times, China Securities, HongKong Ta Kung Pao  
Internet Website: <http://cninfo.com.cn>  
(Designated by the State Securities Regulatory Commission)  
Interim Announcement for reference: Securities Department of the Company  
Stock Listing and Trading: Shenzhen Securities Exchange, China.  
Stock Name & Code: 2581, Su Weifu-B; 0581, Weifu High-Tech

## Key Financial and Business Data

*(amounts expressed in RMB unless otherwise stated)*

### 1. KEY FINANCIAL AND BUSINESS DATA

<b>Items</b>	<b>2002.01-06</b>	<b>2001.01-06</b>
Profit, net	102,202,290	91,748,840
Profit, deduct nonrecurring gains and losses	106,248,690	92,616,330
Earnings per shares	0.234	0.210
Return on net assets (%)	5.72	5.35
Cash Flow from Operating Activities, Net	0.18	0.14

<b>Items</b>	<b>2002.6.30</b>	<b>2001.12.31</b>
Shareholders' equity (less minority interests)	1,787,538,530	1,685,336,240
Net assets per share	4.10	3.86
Equity per share under adjustment	4.09	3.85

**Note:** Nonrecurring gains and losses:

Gains/losses from disposal of fixed assets:	-2,603,310
Amortized price differences arising from consolidation	-1,187,170
Gains/losses from disposal of investees	186,140
Non-operating Income / Expense	-1,156,130
Income Taxation	714,070
<b>Total</b>	<b>-4,046,400</b>

## 2.IMPACT OF IAS ADJUSTMENT

	Net profit		Net assets	
	<u>2001.01-06</u>	<u>2002.01-06</u>	<u>2001.12.31</u>	<u>2002.6.30</u>
As reported in the statutory accounts of the Company	91,749,000	1,022,020,000	1,685,336,000	1,787,539,000
additional provision for doubtful debts	-	-	-	-
adjustment for intangible assets without future benefit	160,000	-	-	-
recognition of investment income (loss) under equity accounting	640,000	60,000	8,700,000	8,760,000
additional provision for depreciation of sealed-up fixed assets	-	-	-	-
additional provision for falling in price of fixed assets	-	-	-	-
minority interests	-	-	-	-
dividends to be distributed in 2001	-	-	87,270,000	87,270,000
<b>As restated to IAS</b>	<b>92,549,000</b>	<b>102,262,000</b>	<b>1,781,306,000</b>	<b>1,883,569,000</b>

## Share Capital and Shareholders

### 1. Share Capital

No change in share capital occurred in the reporting period.

### 2. Shareholders

1).Total Number of Shareholders: 99,052 (as of 30th, June. 2002 )

2).Top 10 Shareholders:

NAME	Number of Shares	Increase	Percentage (%)	Classification
<b>1.WUXI WEIFU GROUP COMPANY LIMITED</b>	121,566,150		27.86	State Legal Person
<b>2.HUAAN INNOVATION FUNDS</b>	15,307,132	15,307,132	3.51	A Share
<b>3.ROBERT BOSCH GMBH</b>	14,144,000		3.24	B Share Investor
<b>4.ANSHUN FUNDS</b>	6,193,454	6,193,454	1.42	A Share
<b>5.KINGTAI FUND</b>	5,751,104	908,934	1.32	A Share
<b>6.GUOLIAN SECURITIES CO.</b>	4,884,934	4,884,934	1.12	A Share
<b>7.CHINA HUAXIN CHUANYAN CO.</b>	2,824,430	2,824,430	0.65	A Share
<b>8. WUXI STATE-OWNED ASSETS INVESTMENT AND DEV. CO.</b>	2,600,000		0.60	Social Legal Person
<b>9. ZHANGPING</b>	2,105,100	12,000	0.48	A Share
<b>10.TONGQIAN FUNDS</b>	2,000	2,000,000	0.46	A Share

**Notes:**

- 1.The majority holding shareholder of the Company remains unchanged during the period;
- 2.The paid-up shares of shareholders holding over 5% of the Company's share capital were not mortgaged or frozen during the period;
- 3.The above 10 shareholders were not engaged in any related transactions mutually.

## **Directors, Supervisors and Senior management**

1.Shares held by Directors, Supervisors and Senior management remained unchanged throughout the reporting period

2. Change in the Directors, Supervisors and Senior management

Upon the expiration of the terms of office of the 3<sup>rd</sup> board of directors and the 3<sup>rd</sup> board of supervisors, the shareholders' meeting of 2001 was held on 4<sup>th</sup> June, 2002 in accordance with the articles of association of the Company. Members of the 4<sup>th</sup> board of directors and board of supervisors were elected at the meeting.

1). Appointment of Directors, Supervisors and Senior management

<b>Name</b>	<b>Position</b>
Xu Liangfei	Chairman of the Directors
Han Jianming	Vice Chairman, General Manager
Zu Jilin	Director
Li Tonghua	Director
Wang Weiliang	Director
Gao Guoyuan	Director, Deputy General Manager
Ge Songpin	Director, Deputy General Manager
Chen Zhaolin	Director
Zhang Xiaoyu	Independent Director
Ouyang Minggao	Independent Director

Chen Qilong	Independent Director
Chen Xuejun	Chairman of the Board of Supervisors
Li Guodong	Supervisor
Zhang Jiming	Supervisor
Wang Chuang	Supervisor
Wang Xiaodong	Supervisor
Deng Xijiang	Supervisor
You Jianzhong	Supervisor
Shi Xingyuan	Deputy General Manager
Sun Qingxian	Principal Treasurer
Liu Yonglin	Secretary of the Director

2). Leaving from posts of Directors, Supervisors and Senior management

Name	Previous Post	Reason for Leaving Post
Chen Haojun	Director	Re-election
Zhong Xichang	Director	Re-election
Tang Zhenghuan	Director	Re-election
Xulin	Director	Re-election
Yang Ankang	Director	Re-election
Li Guodong	Director	Re-appointed as supervisor
Zhang Jiming	Director	Re-appointed as supervisor
Wang Chuan	Director	Re-appointed as supervisor
Zhao Xianshi	Chairman of the Supervisors	Re-election
Ge Songpin	Supervisor	Re-appointed as director
Li Weiqing	Supervisor	Re-election
Wang Zhengping	Supervisor	Re-election
Pang Hongyin	Supervisor	Re-election

## Executive Statements

**We take great please in presenting the statements to our shareholders:**

During the first half of 2002, the Company has made new strides in restructuring its product-mix and achieved particularly strong growth in the production and sales of new products with the gradual withdrawal of traditional and lower value-added products from the market. As a result, the profitability of the Company has been greatly enhanced

To cater for the even more stricter emission level for vehicles in the P.R.China and the demands on energy-saving, high-speed diesel engine, the Company has continuously enlarged its investment in the research and development of new products over recent years. Meanwhile, sales expenses and expenditures on work force have also increased with the expansion of our principal business and production. Consequently, various expenses increased. We believe the increment of expenses is still reasonable and necessary in an overall development circumstance.

## Financial Situation

Items	2002-01-06	Increase /Decrease (±%)	2001-01-06	Main reason for change
Main business revenue	726,637,370	43.34	506,942,200	Completion of the project for 100,000 units of PW pump
Main operating profit	200,005,710	51.38	132,122,190	Increment of sales in new products
Net profit	102,202,290	11.39	91,748,840	Increment of sales in new products
Cash and cash equivalents	-83,593,770		-197,275,820	Net cash flow from operational activities increased by RMB113,682,050

Items	2002-06-30	Increase /Decrease (±%)	2001-12-31	Main reason for change
Total Assets	2,469,629,700	13.79	2,170,269,100	Increment in fixed assets
Shareholders' Equity	1,787,538,530	6.06	1,685,336,240	Increase in net profit

## Operation Review

The Company is principally engaged in the manufacturing of diesel fuel injection equipment (FIE), FIE testing instruments and equipment. During the reporting period, the Company successfully maintained a sustained and rapid trend of development and achieved a sales income of RMB 726,637,370, representing an increase of 43.34% over the amount in the same period of previous year. Net profit reached RMB 102,202,290, increased by 11.39% as compared with the equivalent period in fiscal 2001.

## Sales Composition

Categories of product	Sales income	Domestic market share (%)
A pump	151,467,570	53.31
PW pump	215,701,160	52.15
I pump	53,989,040	73.10
Single plunger	10,023,980	32.48
Injector	87,628,740	31.66
Precision pump parts	81,491,930	32.05

Source: Statistics Association of China's Machinery Industry, Fuel Injection Sub-branch (2002-01-06)

## Investment

### 1). Usage of the Proceeds Raised

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 period, investment of RMB 12,588,000 has been completed. By the end of the period, accumulated investment in this project has reached RMB 227,430,000, representing 56.15% of the total proceeds raised, and investment in fixed assets has been completed and the remaining funds will be partially used as supplement for working capital. Considering this, the 1<sup>st</sup> meeting of the 4<sup>th</sup> board of directors has resolved to change the usage of the remaining funds of RMB 177,630,000 to form a production capacity of 100,000 units of PW2000 pumps. This proposal will still be submitted to the 2<sup>nd</sup> provisional meeting of shareholders dated on 18<sup>th</sup> July.

## 2). Other Investments

1. Subject to approval by the 11<sup>th</sup> meeting of the 3<sup>rd</sup> board of directors of the Company, the Company proposed to make an additional investment of US\$ 3,936,000 for the expansion of the current capacity of Wuxi Euro-Asia Diesel Injection Co. based on the previous 48% equity interests held by the Company. In fiscal 2001 and the first half of fiscal 2002, the Company has completed additional investments of US\$ 1,574,400 and US\$ 2,361,600 respectively. Above resolution by the board of directors was announced on “China Securities”, “Shenzhen Securities Times” and “Hongkong Ta Kung Pao” on Nov.29th, 2001 respectively.
2. To speed up the establishment of the supplementary FIE base, subject to approval by the 12<sup>th</sup> meeting of the 3<sup>rd</sup> board of directors, the Company proposed to make a contribution of RMB 2,000,000 to jointly establish the Wuxi Weifu Precision Manufacturing Co. along with the relevant legal and natural persons with a registered capital of RMB 6,900,000, among which the Company held a 28.99% equity interests. Above resolution was announced on “China Securities”, “Shenzhen Securities Times” and “Hongkong Ta Kung Pao” on April 23th, 2002 respectively.

## Target for fiscal 2002

	Annual target planned	Completed in the first half year (%)
Sales income	1,100,000,000	66.06
Net profit	160,000,000	63.88

## Next Step to Take

In recognition of the macro-economic environment and the market trend in the second half of 2002, we are determined to make every endeavor to achieve the annual target set out by the shareholders' meeting.

We will continuously explore our ways in opening up potential market.



We are devoted not only to the development of PW2000 up to the Euro-II Emission Standard which is to be implemented by the State in 2004, but also to the expansion for its application and the preparation for its market supply in larger quantity in the next year.

We will actively enhance the efficiency of our administrative jobs and strictly control costs, thus highly improving the operational efficiency.

## **Significant Events**

### **1. Corporate Regulation**

Conformity to the requirements by the Company Law, Securities Law and the relevant laws and regulations promulgated by the State Securities Regulatory Commission, the Company has formulated and amended its articles of association as well as a set of normative working regulations and procedures involving the meetings of shareholders, the board of directors and board of supervisors. Furthermore, in accordance with the Guideline for Appointment of Independent Directors among Listed Companies by the State Securities Regulatory Commission, appointment of independent directors has been formally institutionalized in the shareholders' meeting of 2001. The board of directors has established expert committees on strategy, auditing, nomination, remuneration and assessment, among which the independent directors held the majority positions and leadership in auditing, nomination, remuneration and results assessment committees. Now, the Company operates virtually on a basis of independence and completeness, separating independently from its holding company in every conceivable aspect such as personnel, assets, financing, organization and operation. Transactions with the related parties have been reduced gradually according to the objective circumstances. Consequently, the Company has already satisfied the demands on corporate regulatory systems by the State Securities Regulatory Commission.

### **2. Proposal for Dividend Distribution**

Pursuant to a resolution passed by the annual shareholders' meeting of 2001 dated June 4, 2002, the Company proposed to distribute a cash dividend of RMB¥ 2 for every 10 shares (including taxation) and will put it into implementation in the last ten-day of July, 2002.

### **3. Litigation or Arbitration:**

The Company is not engaged in any litigation or arbitration during this period.

### **4. Significant Assets Acquisition, Sales and Disposal**

No significant assets acquisition, sales and disposal occurred during this period.

## 5. Significant Related Transactions

During this reporting period, transactions between the Company and Wuxi Weifu Group Co.,Ltd, the majority shareholder of the Company, are all conducted strictly in accordance with the related contracts between the two parties which are shown as follows:

Items	2002.01-06	2001.01-06
Procurement of goods	40,725,100	25,472,800
Sales of goods	108,944,800	124,030,200
Procurement of fixed assets	-	60,500
Sales of fixed assets	-	-
Processing income	13,318,100	7,617,200
Procurement discount income	1,806,000	4,091,000
Land and trademark fees	1,800,000	1,680,000

The pricing and terms of payments related to above transactions remain unchanged throughout the reporting period. However, scope of the related transactions has already shrunk.

## 6. Performance of Significant Contracts

- 1).No activities involving assets custody, engagement or leasehold occurred between the Company and other companies during this period.
- 2).The Company is not engaged in any financial guarantee during this period.
- 3).The Company is not engaged in any assets entrustment activities during this period.

## 7. Commitment by Majority Holding Company

The Company's majority holder, Wuxi Weifu Group Co., has no commitment during this reporting period.

**Financial Statements** (see "Enclosure")

## Notes to the Financial Statements

### 1. *Company Profile*

Weifu Fuel Injection Co.,Ltd.(the “Company”) was established as a joint stock limited company subject to approval by the Enterprise System Reform Committee of Jiangsu Province (Approval Document: SU TI GAI SHENG No. 130 (1992)). The original share capital of the Company was RMB 115,435,500, including RMB 92,435,500 of the State legal person, RMB 8,000,000 of the social legal persons and RMB 15,000,000 of the Company’s employees. In October, 1992, the Company was registered at the Industrial and Commercial Administration Bureau of Wuxi.

In 1994 and 1995, the Company underwent a reorganization exercise. As a result of this reorganization exercise, Wuxi Weifu Group Co.,Ltd.(“Weifu Group”) became the holding company of the Company.

In August, 1995, with the joint approval of the Enterprise System Reform Committee of Jiangsu Province and the Securities Administrative Office of Shenzhen, the Company publicly issued 68,000,000 B Shares at the nominal value of RMB1.00 each. Consequently, the total amount of share capital of the Company reached RMB 183,435,500.

In June, 1998, with the approval of the State Securities Regulatory Commission, the Company publicly issued 120,000,000 A Shares through network at fixed placing price. Total amount of share capital of the Company, therefore, increased to RMB 303,435,500.

In the mid-term of 1999, resolution for an interim dividend made by 3 bonus shares for every 10 shares was passed by the Board of Directors and shareholders’ meeting of the Company respectively. Accordingly, total share capital of the Company amounted to RMB 394,466,150, including RMB 120,166,150 for the State legal person, RMB 10,400,000 for the social legal persons, RMB 88,400,000 for the Company’s B shares investors, RMB 156,000,000 for A shares investors and RMB19,500,000 for the Company’s employees.

In the year 2000, based on the total number of share capital of 303,435,500 shares upon A Shares Issue in June, 1998, 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. As a result, the Company’s total share capital reached 436,366,150 shares, including 121,566,150 shares of the State legal person, 10,400,000 of social legal persons, 88,400,000 of B Shares investors, 192,00,000 shares of A Shares investors and 24,000,000 of the Company’s employees.

The Company is now registered in Wuxi High-new Technology Development Zone (Registration No: 25045696-7) and mainly engaged in the manufacturing and sales of diesel fuel injection equipment.

## ***2. Principal Accounting Policies, Estimation and Consolidation***

All information contained in the Company's financial statements were prepared in conformity with the "Enterprise Accounting Guideline" and "the Accounting Regulations of Joint Stock Limited Companies" and the relevant supplementary regulations applicable to joint stock limited companies in the PRC.

### **1). Accounting Period**

The accounting period of the Company coincides with the Gregorian calendar year (from 1<sup>st</sup> January to 31<sup>st</sup> December).

### **2). Reporting Currency**

The Company uses Renminbi (RMB) as the unit of currency in the preparation of its accounts.

### **3). Accounting Principle and Pricing Basis**

The Company maintains its accounting books using the accrual method. Its pricing is based on historical cost.

### **4). Cash Equivalent**

Cash Equivalent refers to short-term investment easy to be converted to cash with less risks of falling in its value.

### **5). Foreign Currency Translation**

The Company and its subsidiaries maintain their books and records in RMB. Transactions in other currencies are translated to RMB at the basis exchange rates published by the People's Bank of China at the time of transactions. The ending balances of the various currency accounts are converted to RMB according to the basis exchange rates at the end of accounting period. The differences arising from the adjustment will be treated as exchange gain or loss or capitalized.

### **6). Short-term Investment**

Short-term investment refers to investment to be realized within one year from the balance sheet date, which shall be easy to be converted to cash at any time.

The accounting of short-term investment is made based on the actual cost paid (including taxation and service charges, etc.) deducting the cash dividend declared or interest accrued but not yet collected. Dividend and interest income received from short-term investment shall be deducted from the book value of the short-term investment. Return on short-term investment of the accounting period shall be determined by reference to the difference between its book value in the accounting period and income received from disposal of the short-term investment.

In the end of the period, short-term investment shall be accounted for in accordance with the lower amount between the marketable price and the actual payment, and the Company shall make provisions for short-term investment devaluation in accordance with the differences in the case that the marketable price is lower than the actual payment.

#### 7). Provision for bad and doubtful debts

The bad debt is determined as such when (a) the debtor is bankrupt or dead, and the proceeds from the bankrupt's estates or the decreased property are unable to cover the debt; (b) the debtor fails to repay the overdue debt with plain evidences to indicate his inability to do so. The confirmed irrecoverable account receivables are treated as loss on bad debt after approval, which will be written off from the provision for bad debt.

The accounting of bad debt is based on allocation of allowance.

The Company makes a general provision for bad and doubtful debts at the end of the accounting year as follows. The general provision is a certain percentage of the receivables (account receivables and other receivables) according to the year overdue except for debtors recognized individually according to their financial position and cash flows.

<b>Year Due</b>	<b>Percentage (%)</b>
Within 1 year	5
1-2 years	10
2-3years	30
3-4years	50
4-5years	80
Over 5 years	100

#### 8). Inventory

The inventory includes stock materials, low-value consumables, work-in-progress and finished goods.

Stock materials are accounted for at the planned cost daily. The differences in cost in each period shall be delivered to historical cost at the end of accounting period. Finished goods are stated at actual cost and calculated using the weighted average method.

Low-value consumables is valued at the actual cost upon its acquisition and expended entirely upon incurring or amortized within one year if acquired in large quantities on commencement of business.

Provision for inventory falling in price is allocated in accordance with the differences between the residual value of inventory at the end of accounting period and its cost and treated as gain or loss of the accounting period.

#### 9). Long-term Investment

**Valuation of long-term investment in equity:** Investment in equity is valued at the initial investment cost at the time of acquisition. Initial investment cost shall be accounted for in the following ways:

1. based on actual payments including such various expenses as taxation, service charges related to the cash acquisition. Where the actual payments include cash dividends declared to be distributed but not yet collected by the investee company, that portion of the dividends shall be deducted from the actual payments.
2. based on the book value of claims receivables plus the related taxation payables where the equity is acquired through accepting the debtor's material assets as repayment of the debts, or converted from the claim receivables.
3. based on the book value of the assets exchanged for the equity plus the related taxation payables where the equity is acquired through non-currency assets transactions.

**Recognition of return on investment in equity:** Investments in associated companies in which the Company holds more than 20% (including 20%) of the equity interest are accounted for under the equity method. The cost method is used in accounting for investments in those enterprises in which the Company holds less than 20% of the equity interest. Upon disposal of a long-term investment in equity, the difference between the carrying amount of the investment and net disposal proceeds shall be treated as gains or losses on investment.

**Difference in equity investment:** Investment in equity is valued at the initial investment cost when it is accounted for under the equity method. Difference in

equity investment refers to the difference between the initial investment cost and the owner's enjoyable equity in the investee company, which shall be amortized through equal installment within a defined period of investment in accordance with the investment contract and treated as gains or losses on investment. Provided this period is not stipulated in the investment contract, the amortization period shall not exceed 10 years in the case that the initial investment cost exceeds the owner's enjoyable equity in the investee company, or shall not lower than 10 years if the initial investment cost is lower than the owner's enjoyable equity.

**Valuation of long-term investment in debentures:** Investment in debentures is valued at the initial investment cost at the time of acquisition. Initial investment cost shall be accounted for in the following ways:

1. based on actual payments including taxation, service charges and other expenses related to the cash acquisition, deducting the interests accrued but not yet collected by the Company.
2. based on the book value of claims receivables plus the related taxation payables where the debentures are acquired through accepting the debtor's material assets as an repayment of the debts, or converted from the claim receivables.
3. based on the book value of the assets exchanged for the debentures plus the related taxation payables where the debentures are acquired through non-currency assets transactions.

**Premium or discount of investment in debentures:** Premium or discount of long-term investment in debentures refers to the difference between the nominal value of the debentures and the balance of the initial cost actually paid deducting such surcharges as taxation, service charges, and the interest payable accrued. The premium or discount of long-term investment in debentures shall be amortized on straight-line basis within the debenture-holding period.

**Provision for investment in equity devaluation:** At the end of the accounting period, provision for long-term investment devaluation shall be made in accordance with the difference of the recoverable amount less than the book value of the long-term investment due to declining market value or the worsening of the business operation in the investee company, which shall be charged or credited to the statement of income of the accounting period.

#### 10). Fixed Assets and Depreciation

The fixed assets refer to housing, buildings, machinery and equipment, means of transportation and other equipment, instrument and tools related to production and operation as well as other assets not in connection with production and operation with

a unit value more than RMB 2000 spanning over 2 years of useful life.

Fixed assets shall be accounted for at actual cost upon its acquisition.

Depreciation of fixed assets is calculated on the straight-line basis at annual rates estimated to write off the cost after taking into account the estimated residual value of each asset over its expected useful life (3% of the original value). The estimated useful lives are as follows:

<b>Fixed Assets</b>	<b>Useful Lives (year)</b>	<b>Depreciation Rates (%)</b>
Buildings	20~35	2.77~4.85
General Machinery and Equipment	10~16	6.06~9.7
Special Machinery and Equipment	10.5	9.24
Transportation	10	9.7
Other	10	9.7

In the case that the recoverable value of fixed assets is lower than its carrying value in accounting books, provision for fixed assets depreciation shall be made in accordance with the difference between its recoverable value and carrying value in accounting books at the year-end.

#### 11). Construction-in-progress

Construction-in-progress represents plant and properties under construction, and is carried out based on the actual expenditure. After the project is completed, accepted and hand over for use, the corresponding amount of construction in progress will be transferred into the fixed assets in the mean time.

Upon the overall examination at the end of the accounting period, provision for construction in progress devaluation shall be made in the event that a devaluation of construction in progress has occurred with plain evidences to indicate that: 1) construction has stopped already and is estimated not to be restarted in the next 3 years; 2) economic return on the construction in progress is ultimately uncertain with inferior construction quality and backward technology; 3) devaluation has occurred under other circumstances.

#### 12). Intangible Assets

**Valuation of intangible assets:** Intangible assets are valued at the actual cost at the time of acquisition, which shall be accounted for in the following ways: 1) based on the actual payments; 2) based on the value recognized by all investment parties; 3) based on the book value of claims receivables plus the related taxation payables where the intangible assets are acquired through accepting the debtor's material assets as a repayment of the debts, or converted from the claim receivables; 4) based on the book value of the assets exchanged for intangible assets plus the related taxation payables



where the intangible assets are acquired through non-currency assets transactions; 5)based on the such expenses as registered charges, layer fees, etc. where the intangible assets are acquired through self-development and lawful application.

Intangible assets are amortized by equal installments over its estimated useful life commencing from the month for the acquisition of the intangible assets on the straight-line basis. Provided the estimated useful life exceeds the beneficiary period stipulated by the related contract or the effective period stipulated by the related laws, the amortization period for the intangible assets shall be determined in the following ways:1)not exceed the beneficiary period stipulated by contracts where no effective period is stipulated by the laws; 2) not exceed the effective period stipulated by the laws where no beneficiary period stipulated by contracts; 3) not exceed the shorter one of the above two periods if stipulated respectively; 4) not exceed 10 years if the above two periods are not stipulated explicitly.

The amortization period for the Company's intangible assets is as follows:

Land use right	50 years
Land and trademark use right ( <i>Nanjing Weifu Jingling</i> )	30 years

At the end of the accounting period, the future profitability of various intangible assets shall be examined. Provision for intangible assets shall be made in the event the recoverable amount of the intangible assets is lower than its book value.

#### 13). Long-term expenses to be amortized

Start expenses are included in the long-term expenses to be amortized at first, and shall be treated as gains or losses in the statement of income of the first month of production and operation. Expenditures for the overhaul and repairs of fixed assets shall be amortized by equal installments over the interval between the overhaul and repairs. Expenditures for the improvement of the leasehold fixed assets shall be amortized by equal installments over the shorter one between the leasehold duration and its useful life. Other long-term expenses shall be amortized by equal installments over the beneficiary period.

#### 14). Revenue Recognition

For the sale of product, the revenue is recognized when all of the followings have taken place:1)The significant risk in connection with the ownership of the product and the payment have transferred to the buyer so that the Company no longer has custody and control over the product; 2)The income from the sale or the voucher of the payment has been received; 3)The cost in relation to the product sale can be measured accurately.

For the supply of labour service, the revenue is recognized when all of the followings have taken place:1) the supply of labour service has been completed within one accounting year since its commence; 2) provided it is probable that the economic benefits associated with a transaction will flow to the Company, the revenue and costs, if applicable, can be measured reliably and the extent of the completion of labour service can be confirmed reliably, even the commence and completion of the labour service spans over one accounting year, the revenue can be recognized according to the percentage of the extent of the completion on the balance sheet date.

For the assets using right, the revenue is recognized when all of the followings have taken place:1) provided it is probable that the economic benefits associated with a transaction will flow to the Company, the amount of income can be measured reliably; 2)interest income is recognized on a time proportion basis that take into account the applicable interest rate on the assets; 3).income from the assets utilizing may be calculated and determined in accordance with the relevant contracts or agreements.

#### 15). Income Taxation

The accounting of the income taxation is based on tax payable method.

#### 16). Principle of Consolidation

**The Scope of Consolidation:** Subsidiary in which the Company (i) holds, directly or indirectly, more than 50% (excluding 50%) of its issued voting share capital/the equity interest as a long-term investment;(ii) has the power to cast a majority of votes at meetings of the board of directors or the management committee is stated in consolidated financial statements under the equity method. However, if the results of operations and the net assets of such a subsidiary are not material to those of the Company, no consolidated financial statements are prepared.

**The Method of Consolidation:** (1) Unifying accounting policies between the Company and its subsidiaries; (2)Writing-off the interactive investment, sales and purchase of assets and other transactions; (3)Consolidating and recognizing minority interests.

### **3. Taxation**

#### 1). Sales Tax

Value-Added Tax (“VAT”) was charged on top of the selling price at a general rate of 17%.

The Company was subject to business tax, which is charged on income from leasehold, intangible assets transfer at a rate of 5%.

## 2). Sales Tax Surplus

City construction tax was charged on the total amount of the business tax and VAT paid by the Company at a rate of 7%, and Local Educational Expenses was charged at a rate of 1%.

## 3). Enterprise Income Tax (“EIT”)

As a State technologically advanced enterprises registered in the National High and New Technology Development Zones, the Company has been granted a 50% reduction from income tax and hence are levied EIT charged at a rate of 15%. All its subsidiaries are levied EIT charged at a rate of 33%.

## *4. Majority Holding Subsidiaries and Cooperative Companies*

As of June 30,2002, the Company has 6 holding subsidiaries as shown below:

<b>Name</b>	<b>Registered Address</b>	<b>Registered Capital</b>	<b>Equity Interest</b>	<b>Main Business</b>
Nanjing Weifu Jingling Co.	Nanjing,Jiangsu	256,000,000	80.00%	i.c.engine components
Weifu Mashan FIE Factory	Mashan District,Wuxi	12,237,000	72.78%	i.c.engine components
Wixi Weifu Jida New Material Co.	Wuxi, National Higu-Tech Dev. Zone	5,000,000	70%	Metal Nano-material
Weifu Changan Pump Factory	Xishan District, Wuxi	21,490,000	51%	i.c.engine components
Wuxi Weifu Precision Manufacturing Co.	Wuxi City	6,900,000	28.99	i.c.engine components
Wuxi Weifu Lida Catalytic Convertors Co.	Wuxi, National Higu-Tech Dev. Zone	30,000,000	55%	Silencer, Catalytic convertor

The operational results of above subsidiaries are not material to those of the Company except for Nanjing Weifu Jingling; hence, no consolidated financial statements are prepared in accordance with the relevant stipulations. (Document: Chaiquai No.2,1996)

The Scope of consolidated financial statements remains unchanged compared with that of the fiscal 2001.

The Company has no cooperative company.

## *5. Notes To Main Consolidated Accounts*

### 1. Cash capital

Items	2002.06.30	2001.12.31
Cash	62,000	22,000
Cash in bank	274,284,000	362,001,000
Fixed-term deposit in bank	199,750,000	197,450,000
Other cash capital	1,859,000	75,000
<b>Total</b>	<b>475,955,000</b>	<b>559,548,000</b>

All categories of cash capital have no unsecured and frozen portion which is limited to be converted to cash with potential risks of recoverable.

### 2. Note receivables

The Company has note receivables of RMB 98,483,385, all in the form of Bank Acceptance Draft with the expiration date before June 30, 2002.

### 3. Interest receivables

RMB 12,401,587.50 (year-beginning) and RMB 10,811,900 (period-end) of interest receivable are interests due from bank deposit.

### 4. Receivables and Provision for bad debts

	2002.06.30			2001.12.31		
	Amount	Percentage (%)	Provision for bad debts	Amount	Percentage (%)	Provision for bad debts
within 1 year	264,233,000	80.21	13,484,000	224,114,000	82.16	11,355,000
between 1-2 years	25,205,000	7.65	2,542,000	16,586,000	6.08	1,659,000
between 2-3 years	22,029,000	6.69	6,636,000	11,238,000	4.12	3,371,000
over 3 years	17,970,000	5.45	16,550,000	20,831,000	7.64	16,813,000
<b>Total</b>	<b>329,438,000</b>	<b>100.00</b>	<b>39,212,000</b>	<b>272,769,000</b>	<b>100.00</b>	<b>33,198,000</b>

The outstanding amount of this account does not include debts owned by major shareholders possessing more than 5% (including 5%) of the Company's shares.

Provisions for bad debts have been made for the outstanding amounts of receivables according to the Company's financial policies.

The top 5 outstanding amounts of this account amounted to RMB 134,720,000, accounting for 40.89% of the total.

The outstanding amount of this account does not include receivables owned by the related parties(see "note 7-6").

## 5. Other receivable

	2002.06.30			2001.12.31		
	Amount	Percentage (%)	Provision for bad debts	Amount	Percentage (%)	Provision for bad debts
within 1 year	36,433,000	98.41	59,000	16,896,000	95.71	67,000
between 1-2 years	16,000	0.04	2,000	60,000	0.34	6,000
between 2-3 years	-	0	-	55,000	0.31	17,000
over 3 years	574,000	1.55	515,000	642,000	3.64	578,000
<b>Total</b>	<b><u>37,023,000</u></b>	<b><u>100.00</u></b>	<b><u>576,000</u></b>	<b><u>17,653,000</u></b>	<b><u>100.00</u></b>	<b><u>668,000</u></b>

The outstanding amount of this account does not include debts owned by major shareholders possessing more than 5% (including 5%) of the Company's shares.

The majority of other receivables are due from unconsolidated subsidiaries except for RMB 319,200 of provision for employees (see *note 7-6*). Therefore, no provision for bad debts is prepared.

The top 5 other receivables of this account amounted to RMB 26,015,800, a 70.26% of the total.

## 6. Inventory

	2002.06.30		2001.12.31	
	Amount	Provision for inventory falling in price	Amount	Provision for inventory falling in price
Stock materials	26,166,000	42,000	6,588,000	-
Work-in-progress	81,612,000	2,939,000	91,967,000	2,471,000
Finished goods	134,939,000	3,312,000	98,652,000	3,823,000
<b>Total</b>	<b><u>242,717,000</u></b>	<b><u>6,293,000</u></b>	<b><u>197,207,000</u></b>	<b><u>6,294,000</u></b>

The net realizable value of the inventories is determined by reference to the estimated price for sales of inventories deducting the necessary sales expenses in the normal course of operation.

## 7. Long-term investment

### 1) Investment in equity

(a). Investment in enterprises recognized under equity method.

Name	Equity	Investment	Increase	Increase	Dividend	Increase	Amount
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	Interest (%)	Amount	/decrease in investment	/decrease in equity in the period	/decrease in equity total	2002.06.30
Weifu Mashan FIE Factory	72.78	8,906,000	-	58,000	- 1,717,000	10,623,000
Wixi Weifu Jida New Material Co.	70	3,500,000	-	152,000	- -90,000	3,410,000
Weifu Changan Pump Factory	51	10,960,000	-	837,000	- 2,211,000	13,171,000
Weifu Lida Catalytic Convertor Co.	55	-	4,309,000	-984,000	- -984,000	3,325,000
Wuxi Euro-Asia Diesel Injection Weifu Precision Manufacturing Co.	48	101,105,000	19,576,000	16,147,000	- 20,041,000	140,722,000
Zhonglian Automobile Electronic Co.	28.99	-	2,000,000	-	- -	2,000,000
	20.03	120,124,000	-	7,359,000	- 47,408,000	167,532,000
<b>Total</b>		244,595,000	25,885,000	23,569,000	- 70,303,000	340,783,000

Pursuant to an agreement signed between the Company and WFGC on January 1<sup>st</sup>, 2002, the Company acquired from WFGC a 55% equity interest in Wuxi Weifu Lida Catalytic Purifier Co., Ltd. at a cash consideration of RMB 4,309,200, which was determined by reference to the net assets of Wuxi Weifu Lida Catalytic Convertor Co. subject to confirmation by the administrative department of State-owned assets and assets appraisal by the relevant authority.

To cater for the market demands, the board of directors of Wuxi Euro-Asia Diesel Injection Co. resolved to increase its registered capital by US\$ 8,200,000. Subject to approval by the 11<sup>th</sup> meeting of the 3<sup>rd</sup> board of directors of the Company, the Company proposed to make an additional investment of US\$ 3,936,000 for the expansion of the current capacity of Wuxi Euro-Asia Diesel Injection Co. based on the previous 48% equity interests held by the Company. In fiscal 2001 and the first half of fiscal 2002, the Company has completed additional investments of RMB 13,050,000 and RMB 19,580,00 respectively.

To speed up the establishment of the supplementary base for fuel injection equipment, subject to approval by the 12<sup>th</sup> meeting of the 3<sup>rd</sup> board of directors, the Company proposed to make a contribution of RMB 2,000,000 to jointly establish the Wuxi Weifu Precision Manufacturing Co. along with the relevant legal and natural persons with a registered capital of RMB 6,900,000, among which the Company held a 28.99% equity interests.

(b). Difference in equity investment

	2001.12.31	Amortization in this period	Accumulated amortization	2002.6.30
Difference in equity investment	2,968,000	1,187,000	10,091,000	1,781,000

Difference in equity investment: Equity of Nanjing Weifu Jingling Co has been reduced when making provision for bad debt subject to retrospective adjustment

in1999, which leads to a difference of RMB 11,871,742.40 in equity investment (historical acquisition cost larger than the Company's current equity interest). Difference in investment equity will be amortized through equal installment within 5 years from April 1<sup>st</sup>, 1998 onward.

(c).Investment in enterprises recognized under cost method.

Name	Investment Percentage	2001.12.31	Increase/Decrease in equity	2002.06.30
Wuxi Guolian Securities Co.	1.20%	1,000,000	11,000,000	12,000,000
Guangxi Niuzhou Diesel Engine Co.	1.22%	1,600,000	-	1,600,000
Wuxi United High-Tech Co.	9.09%	5,000,000	-5,000,000	-
Shanghai-Nanjing Expressway Communication Bank, Wuxi Branch	0.02%	594,000	-	594,000
Changzhou Diesel Engine Group, Financing Co.	0.01%	750,000	-	750,000
Chaoyang Diesel Engine Operating Co.	0.80%	800,000	-	800,000
Hejun Initiative Investment Co.	9.09%	200,000	-	200,000
Nanjing Hongtai Insurance Co.	10%	33,000,000	-	33,000,000
Beijing Xingrong Xinyie Investment Consultant	3.33%	1,000,000	-	1,000,000
Yiangzhou Power Co.	11.11%	100,000	-	100,000
Jiangsu Huifeng Insurance Co.	-	-	2,356,000	2,356,000
Shanghai Yangden Co., etc.	10.00	-	500,000	500,000
		4,787,000	-	4,787,000
<b>Total</b>		<b>48,831,000</b>	<b>8,856,000</b>	<b>57,687,000</b>

**Notes:**

Wuxi United High-Tech Co. underwent an assets reorganization exercise in this period. Therefore, share capital of RMB 5,000,000 was returned to the Company along with RMB 186,000 of proceeds from liquidation.

The Company acquired 1,570,600 shares in Yongzhou Power Co. subject to transfer from Taizhou Yucheng Iron Plant at a price determined by reference to the book net assets of Yongzhou Power Co. upon auditing.

Investments in over 10 companies including Yiangzhou Power Co. amounted to RMB 4,787,000, which were invested by Nanjing Weifu Jingling Co. Details of those companies will not be listed herein considering their smaller production scale.

(d).Provision for long-term investment devaluation

	2001.12.31	Increment	Decrease	2002.6.30
Provision for long-term investment falling in value	2,033,000	-	-	2,033,000

Above provision was prepared by Nanjing Weifu Jingling Co. for its investment in

Shanliang Industrial Co. in Gushi County, Henan province.

2) Investments in debentures:

<b>Type of debenture</b>	<b>2002.06.30</b>	<b>2001.12.31</b>
State Electricity Bond	80,000	80,000

8. Fixed assets and accumulated depreciation

(a) Original value of fixed assets

	<b>2001.12.31</b>	<b>Increase</b>	<b>Decrease</b>	<b>2002.06.30</b>
Buildings	106,649,000	40,100,000	-	146,749,000
Equipment	410,223,000	142,053,000	4,145,000	548,131,000
Other	47,449,000	7,882,000	184,000	55,147,000
<b>Total</b>	<b>564,321,000</b>	<b>190,035,000</b>	<b>4,329,000</b>	<b>750,027,000</b>

(b) Accumulated depreciation

	<b>2001.12.31</b>	<b>Increase</b>	<b>Decrease</b>	<b>2002.06.30</b>
Buildings	28,997,000	11,127,000	-	40,124,000
Equipment	143,084,000	40,656,000	2,661,000	181,079,000
Other	13,231,000	3,404,000	89,000	16,546,000
<b>Total</b>	<b>185,312,000</b>	<b>55,187,000</b>	<b>2,750,000</b>	<b>237,749,000</b>
Provision for fixed assets depreciation	16,317,000			17,365,000
Net book value of fixed assets	362,692,000			494,913,000

The above fixed assets were not used for mortgage or acquired through finance leasing.

The major reason for increase in original value of fixed assets by RMB 190,034,604.56 over the beginning of this year is the increment of machinery and



equipment.

The original value of fixed assets decreased by RMB 4,328,781.06 in the first half of 2002, including:

Sales of fixed assets	-4,265,181.06
Discarded as useless	-63,600.00
<b>Total</b>	<b>-4,328,781.06</b>

Provision for sealed-up fixed assets (amounted to RMB 34,740,549.13) falling in value has been prepared in this accounting period.

#### 9. Construction-in progress

	Budget	2001.12.31	Increase	Transferred to fixed assets	Decrease	2001.06.30
Auto exhaust convertor	196,670,000	214,842,000	10,371,000	-	-	225,213,000
Plant construction in Wuxi High-Tech Zone	25,000,000	25,594,000	240,000	-	-	25,834,000
Type IW pump	29,800,000	18,561,000	9,810,000	8,507,000	-	19,864,000
Type PW pump	93,000,000	21,294,000	9,929,000	1,866,000	-	29,357,000
Miscellaneous projects	-	98,137,000	37,911,000	61,398,000	-	74,650,000
- Capitalized interest	-	-	-	-	-	-
<b>Total</b>	-	<b>378,428,000</b>	<b>68,261,000</b>	<b>71,771,000</b>	-	<b>374,918,000</b>
- Capitalized interest	-	-	-	-	-	-

Investment in above construction-in progress derives from raised funds except for miscellaneous projects.

#### 10. Intangible assets

	Original Amount	Amount (2001. 12. 31)	Amortization In this period	Amount (2002. 06. 30)	Residual years for amortization
Land use right (Wuxi Development Zone)	4,287,000	3,678,000	36,000	3,642,000	42 years and 4 months
Land use right (Weifu Jinning)	28,752,000	25,158,000	479,000	24,679,000	25 years and 9 months
Trademark use right (Weifu Jinning)	26,356,000	23,655,000	438,000	23,217,000	26 years and 5 months
<b>Total</b>	<b>59,395,000</b>	<b>52,491,000</b>	<b>953,000</b>	<b>51,538,000</b>	

Above intangible assets were all acquired through purchasing by the Company and do not increase in the accounting period.

#### 11. Short-term loans

	<b>2002.06.30</b>	<b>2001.12.31</b>
Guaranteed loan	196,500,000	158,500,000

No short-term loans which have fallen due but not been repayed occurred in this account.

#### 12.Accounts payables

- 1) The outstanding amount of this account does not include payables to major shareholders possessing more than 5% (including 5%)of the Company's shares.
- 2) No large amounts of payables overdue for 3 years occurred in this account.

#### 13.Dividend payables

	<b>2002.06.30</b>	<b>2001.12.31</b>
Legal person shareholders	26,601,000	26,601,000
Public shareholders	60,880,000	60,880,000
<b>Total</b>	<b>87,481,000</b>	<b>87,481,000</b>

Pursuant to a resolution passed in the 12<sup>th</sup> meeting of the 3<sup>rd</sup> board of directors dated 19<sup>th</sup> April, 2002, the board of directors of the Company proposed to distribute a cash dividend of RMB¥ 2 for every 10 shares (including taxation), which has been approved by the shareholders' meeting of 2001 held on 4<sup>th</sup> June, 2002 and will be implemented by the Company in the last ten-day of July 2002.

#### 14.Tax payables

	<b>2002.06.30</b>	<b>2001.12.31</b>
VAT (see "Note 3")	10,326,000	2,788,000
City construction tax (see "Note 5-22")	673,000	147,000
Enterprise income tax (see "Note 3")	3,477,000	-1,532,000
Building tax	16,000	25,000
<b>Total</b>	<b>14,492,000</b>	<b>1,418,000</b>

#### 15.Other payables

With reference to the outstanding amount of payables to major shareholders possessing over 5% (including 5%)of the Company's shares, please see "Note 7-6".

No large amounts of payables overdue for 3 years occurred in this account.

#### 16. Long-term bank loans

Bank	Duration	Interest rate	Condition	Amount
Wuxi branch, China Industrial and Commercial Bank	1999.12-2004.12	6.03%	Guaranteed	1,500,000

#### 17. Share capital

	2002.06.30	2001.12.31
Unlisted Shares		
1.Promoter's Shares	121,566,150.00	121,566,150.00
2.Legal Subscription	10,400,000.00	10,400,000.00
Sub-total	131,966,000.00	131,966,000.00
Listed Shares		
1.B Shares	88,400,000.00	88,400,000.00
2.A Shares	216,000,000.00	216,000,000.00
Sub-total	304,400,000.00	304,400,000.00
<b>Total</b>	<b>436,366,000.00</b>	<b>436,366,000.00</b>

#### 18. Capital reserve

	2002.06.30	2001.12.31
Proceeds	908,919,000	908,919,000

Proceeds derive from the Company's A and B Shares Issuance.

#### 19. Surplus reserve

	2002.06.30	2001.12.31
Statutory surplus reserve	73,272,000	73,272,000
Public welfare reserve	36,712,000	36,712,000
Additional surplus reserve	1,784,000	1,784,000
<b>Total</b>	<b>111,768,000</b>	<b>111,768,000</b>

#### 20. Unappropriated profit

	2002.06.30
Unappropriated profit (year-beginning)	228,283,000
Net profit in this accounting period	102,202,000
<b>Total</b>	<b>330,485,000</b>

#### 21.Sales income

The amount of sales income from the Company's top 5 clients was RMB 338,180,000, a 53.73% of the total.

Income from auto sales has been recognized in other operating income from this accounting period onward considering its percentage in the total is lower than 2%.

## 22. Sales Tax Surplus

	2002.01-06	2001.01-06
City construction tax	3,231,000	1,956,000
Local Educational Expenses	821,000	538,000
<b>Total</b>	<b>4,052,000</b>	<b>2,494,000</b>

City construction tax was charged on the total amount of the business tax and VAT paid by the Company at a rate of 7%, and Local Educational Expenses was charged at a rate of 1% for the Company, and 3% for Weifu Jingling.

## 23. Financing expenses

	2002.01-06	2001.01-06
Interest paid	6,400,000	5,137,000
Draft discount paid	2,977,000	1,208,000
Commission paid	125,000	353,000
Less: gain on interest	4,121,000	4,365,000
procurement discount income	1,806,000	4,091,000
<b>Total</b>	<b>3,575,000</b>	<b>-1,758,000</b>

The sales discount was recognized in the sales expenses in the financial statements of 2001. Subject to adjustment, sales discount previously recognized in the financial expenses was recognized in the sales expenses accordingly for the first half of 2001.

## 24. Investment income

	2002.01-06	2001.01-06
Profit from minority companies	22,570,000	25,380,000
Income recognized under equity method	5,000	150,000
Income from liquidation	186,000	-
Difference in equity investment	-1,187,000	-1,187,000
<b>Total</b>	<b>22,574,000</b>	<b>24,343,000</b>

## 25. Non-operating Expenses

	<b>2002.01-06</b>	<b>2001.01-06</b>
Market price adjusting funds	529,000	437,000
Loss from disposal of fixed assets	2,275,000	1,000
Provision for price falling	-	-
Other	1,262,000	36,000
<b>Total</b>	<b>4,066,000</b>	<b>474,000</b>

## 26. Cash used for other operating activities

Mainly for administration and sales expenses.

## 6. Notes on the Financial Statements of Holding Company

### 1) Accounts Receivables

	2002.06.30			2001.12.31		
	Amount	Percentage (%)	Provision for bad debts	Amount	Percentage (%)	Provision for bad debts
within 1 year	215,773,000	82.19	109,550	192,869,000	85.58	979,300
between 1-2 years	21,009,000	8.00	2,101,000	14,797,000	6.57	1,480,000
between 2-3 years	20,995,000	8.00	6,299,000	8,726,000	3.87	2,618,000
over 3 years	4,744,000	1.81	4,744,000	8,964,000	3.98	7,077,000
<b>Total</b>	<u>262,521,000</u>	<u>100.00</u>	<u>24,099,000</u>	<u>225,356,000</u>	<u>100.00</u>	<u>20,968,000</u>

### 2). Other Receivables

	<b>2002-06-30</b>	<b>2001-12-31</b>
within 1 year	348,800,000	149,700,000

The majority of other receivables are due from unconsolidated subsidiaries except for RMB 319,200 of provision for employees (see *note 7-6*). Therefore, no provision for bad debts is prepared.

## 7. Related Parties Transactions

### (a). Parties significantly influenced by the Company

Name	Registered Address	Main Business	Relationship with the Company	Type	Legal representative
Wuxi Weifu Group Co.,Ltd	Wuxi,	Machinery manufacturing	Majority shareholder	State-owned	Mr.Xu Liangfei
Mashan FIE Factory	Mashan, Wuxi	i.c.engine components	subsidiary	Limited Co.	Mr.Xu Liangfei
Weifu Jida New Material	Development Zone, Wuxi	Metal Nano-material	subsidiary	Limited Co.	Mr.Xu Liangfei

Changan FIE Factory	Changan, Wuxi	i.c.engine components	subsidiary	Limited Co.	Mr.Xu Liangfei
Weifu Precision Machinery Manufacturing	Wuxi,	i.c.engine components	subsidiary	Limited Co.	Mr.Xu Liangfei
Weifu Lida Catalytic Convertor	Development Zone,Wuxi	Silencer, Catalytic Convertor	subsidiary	Limited Co.	Mr.Xu Liangfei

(b).Changes in registered capitals of above parties

Name	2001.12.31	Increment	2002.06.30
Wuxi Weifu Group Co.,Ltd	134,830,000	-	134,830,000
Mashan FIE Factory	12,237,000	-	12,237,000
Weifu Jida New Material Co.	5,000,000	-	5,000,000
Changan FIE Factory	21,490,000	-	21,490,000
Weifu Precision Machinery Manufacturing		6,900,000	6,900,000
Weifu Lida Catalytic Convertor	30,000,000		30,000,000

(c). Changes in equity interests of above parties

Name	2000. 12. 31		Increment	Decrease	2001. 06. 30	
	Amount	%			Amount	%
Wuxi Weifu Group Co.,Ltd	121,566,200	27.86	-	-	121,566,200	27.86
Mashan FIE Factory	8,906,100	72.78	-	-	8,906,100	72.78
Weifu Jida New Material						
	3,500,000	70.00	-	-	3,500,000	70.00
Changan FIE Factory	10,960,000	51.00	-	-	10,960,000	51.00
Weifu Precision Machinery Manufacturing	-	-	2,000,000	-	2,000,000	28.99
Weifu Lida Catalytic Convertor	-	-	4,130,900	-	4,130,900	55.00

(d). Other related parties

Name	Relationship with the Company
Chonglian Automobile Electronic Co.	Associated company
Wuxi Europe-Asia Diesel Injection Co.	Associated company

(e). Related parties transactions

1). Material procurement

Name	2002.01-06	2001.01-06
Wuxi Weifu Group Co.,Ltd	40,725,100	25,472,800
Mashan FIE Factory	28,152,300	29,754,100

Changan FIE Factory	43,800,200	36,775,100
Wuxi Eurp-Asia Diesel Injection Co.	30,021,400	22,086,800

2).Sales of products

Name	2002.01-06	2001.01-06
Wuxi Weifu Group Co.,Ltd	108,944,800	124,030,200
Mashan FIE Factory	5,450,400	913,500
Changan FIE Factory	2,939,900	706,900
Wuxi Eurp-Asia Diesel Injection Co.	16,993,900	11,636,600

3).Other transactions with Wuxi Weifu Group Co.,Ltd.(“WFGC”)

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 January 1, 1995 for various services provided by WFGC to support the Company’s business operations.

(2) Trademark licensing agreement

The agreement is for a ten-year term with effect from January 1, 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.

(3) Land use right leasing agreement

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

(4). Procurement of goods

The Company has appointed WFGC to purchase various raw materials and spare parts on its behalf. A service charge payable to WFGC will be levied at 5%of the purchase price.

According to an agreement between the Company and WFGC, the Company has no longer appointed WFGC to supply utilities involving electricity, water, compressed air and steam on its behalf from March 2002 onward.

Significant transactions with WFGC for the period ended June 30, 2002 and 2001 are

as follows:

	2002.01-06	2001.01-06
	RMB	RMB
Purchasing fixed assets		60,500
Sales of fixed assets		
Processing expenses	13,318,100	7,617,200
Procurement discount income	1,806,000	4,091,000
Fees for use of land and trademark	1,800,000	1,680,000
Capital Utilizing expenses	-	

Above transactions were all conducted at the normal commercial prices.

6).Balances of receivables and payables with the related parties

	2002. 06. 30	2001. 12. 31
	RMB	RMB
<b>Other receivables</b>		
Weifu Changan FIE	2,068,9	
Weifu Lida Catalytic Convertor	20,641,20	
Mashan FIE Factory	3, 240, 600	14, 314, 100
<b>Other payables</b>		
Wuxi Weifu Group Co.	4, 454, 500	13, 933, 200
Weifu Changan FIE		17, 736, 000
Wuxi Eurp-Asia Diesel Injection Co.	6, 163, 500	3, 236, 000

**8. Impact of IAS adjustment on net profit and net assets**

	Net profit		Net assets	
	2002. 01-06 RMB'000	2001. 01-06 RMB'000	2002. 12. 31 RMB'000	2001. 12. 31 RMB'000
<b>As reported in the statutory accounts of the Company</b>	102,202	91,749	1,787,539	1,685,336
adjustment for intangible assets without future benefit		160		
recognition of investment income (loss) under equity accounting	60	640	8,760	8,700
dividends in fiscal 2001			87,270	87,270
<b>As restated to IAS</b>	102,262	92,549	1,883,569	1,781,306



## **9. *Contingent Liabilities***

As of June 30, 2002, the Company had no material contingent liability or loss.

## **10. *Commitments***

## **11. *Subsequent Event on the Balance Sheet Date***

1. For the fiscal 2001, the Company collected a cash dividend of RMB 26,860,000 from the Zhonglian Automobile Electronic Co.Ltd.
2. On November, 2001, The Company announced the establishment of Jiangsu Nano-material Technologies Development and Application Center which will jointly sponsored by the Company, Nanjing University, Southeast University, Nanjing Institute of Technology, Nanjing Industrial University and the New Technology Development Center. The Company will make a contribution of RMB ¥23,000,000, a 76.7% of the total registered capital, which will be paid up on July 16,2002.

## **12. *Other Significant Event***

Pursuant to a resolution of the board of directors, 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.

## **Documents for Reference**

- 1、 Original Report in the first half of 2002 carrying the Chairman's signature;
2. Financial statements carrying the legal representative, principal treasurer and accountants' signatures or seals;
3. Original documentation and announcements disclosed in the related media designated by the State Securities Regulatory Commission; and
4. Articles of Association of the Company.

5. Other related documentation

By order of the Board of Directors

July 23,2002

***Enclosure: Financial Statements***

## BALANCE SHEET AS OF JUNE 30, 2002

*(With comparative figures for the beginning of 2002)*

Assets	Consolidated		Unconsolidated	
	2001.12.31	2002.6.30	2001.12.31	2002.6.30
<b>Current assets:</b>				
Capital in cash	559,548,456.34	475,954,687.80	517,992,782.78	418,872,254.19
Short-term investment	-	-	-	-
Notes receivable	17,651,993.85	98,483,385.00	4,431,828.85	90,106,000.00
Dividend receivables		-		-
Interest receivable	10,811,900.00	12,401,587.50	10,811,900.00	12,401,587.50
Accounts receivable	239,571,236.33	290,225,503.58	204,388,625.32	238,422,617.96
Other receivable	16,985,125.28	36,447,477.15	14,969,744.95	34,880,488.20
Prepayment	921.96	-	-	-
Subsidy receivables		-		-
Inventory	190,913,105.53	236,423,960.18	141,706,333.97	188,785,460.59
Charges to be amortized	-	26,170.00	-	26,170.00
Long-term bonds investment one year due		-		-
Other current assets		-		-
Sub-total	1,035,482,739.29	1,149,962,771.21	894,301,215	983,494,578.44
<b>Long-term investment</b>				
Long-term equity investment	341,094,738.33	398,218,530.85	518,750,375.37	589,672,277.75
Long-term bonds investment	80,000.00	80,000.00	80,000.00	80,000.00
Long-term investment, total	341,174,738.33	398,298,530.85	518,830,375.37	589,752,277.75
<b>Fixed assets</b>				
Original value of fixed assets	564,321,250.61	750,027,074.11	401,737,436.29	579,633,015.05
Less: Accumulated depreciation	185,311,972.89	237,748,959.89	104,985,976.53	154,248,560.53
Fixed assets, net	379,009,277.72	512,278,114.22	296,751,459.76	425,414,454.52
Less: provision for fixed assets devaluation	16,317,027.62	17,365,415.93	3,876,811.34	3,876,811.34
Fixed assets, net	362,692,250.10	494,912,698.29	292,874,648.42	421,537,643.18
Construction material	-	-	-	-
Construction-in-progress	378,428,713.78	374,917,960.46	349,484,419.42	348,609,602.57
Losses of fixed assets to be disposed	-	-	-	-
Sub-total	741,120,963.88	869,830,658.75	642,359,067.84	770,147,245.75
<b>Intangible and other assets</b>				
Intangible assets	52,490,656.23	51,537,734.88	3,678,107.59	3,642,379.84
Long-term expenses to be allocated	-	-	-	-
Other long-term assets	-	-	-	-
Sub-total	52,490,656.23	51,537,734.88	3,678,107.59	3,642,379.84
<b>Deferred taxation</b>				
Deferred taxation, credit				
<b>Total</b>	<b>2,170,269,097.73</b>	<b>2,469,629,695.69</b>	<b>2,059,168,766.67</b>	<b>2,347,036,481.78</b>
LIABILITY AND OWNER'S EQUITY				
<b>Current liabilities:</b>				

Short-term borrowings	158,500,000.00	196,500,000.00	140,000,000.00	180,000,000.00
Notes payable	-	13,000,000.00	-	13,000,000.00
Accounts payable	124,126,905.04	227,383,972.46	93,080,708.63	192,317,548.42
Advance collection	939,862.51	1,133,125.91	-	-
Wages payable	-	-	-	-
Welfare fees payable	1,603,289.01	5,095,284.78	--	1,712,660.98
Dividends payable	87,481,230.00	87,481,230.00	87,481,230.00	87,481,230.00
Tax not paid yet	1,417,706.41	14,492,383.77	424,791.38	12,027,289.55
Other accounts not paid yet	2,278,800.65	2,601,913.04	1,914,666.37	2,504,818.81
Other payables	59,884,200.32	64,970,499.85	49,431,130.57	56,575,803.01
Advance allocation	2,098,497.31	19,380,865.47	-	12,378,604.82
Liabilities estimated	-	-	-	-
Long-term debts one-year due	-	-	-	-
Other current liabilities	-	-	-	-
<b>Sub-total</b>	<b>438,330,491.25</b>	<b>632,039,275.28</b>	<b>372,332,526.95</b>	<b>557,997,955.59</b>
<b>Long-term liabilities:</b>				
Long-term borrowings	1,500,000.00	1,500,000.00	1500,000.00	1,500,000.00
Bonds payable	-	-	-	-
Long-term payable	-	-	-	-
Housing funds	-	-	-	-
Other long-term liabilities	-	-	-	-
<b>Sub-total</b>	<b>1,500,000.00</b>	<b>1,500,000.00</b>	<b>1500,000.00</b>	<b>1,500,000.00</b>
<b>Deferred taxation</b>				
Deferred taxation, debit	-	-	-	-
<b>Sub-total (Liabilities)</b>	<b>439,830,491.25</b>	<b>633,539,275.28</b>	<b>373,832,526.95</b>	<b>559,497,955.59</b>
<b>Minority Shareholders' equity</b>				
Shareholders' equity:	45,102,366.76	48,551,894.22		
Share capital	436,366,150.00	436,366,150.00	436,366,150.00	436,366,150.00
Capital reserve	908,918,600.36	908,918,600.36	908,918,600.36	908,918,600.36
Surplus reserve	111,768,271.33	111,768,271.33	111,768,271.33	111,768,271.33
including: Public welfare	36,711,833.33	36,711,833.33	36,711,833.33	36,711,833.33
Unappropriated profit	228,283,218.03	330,485,504.50	228,283,218.03	330,485,504.50
<b>Sub-total(Shareholders' equity)</b>	<b>1,685,336,239.72</b>	<b>1,787,538,526.19</b>	<b>1,685,336,239.72</b>	<b>1,787,538,526.19</b>
<b>Total</b>	<b>2,170,269,097.73</b>	<b>2,469,629,695.69</b>	<b>2,059,168,766.67</b>	<b>2,347,036,481.78</b>

Notes: The accompanying notes form an integral part of these financial statements.

**STATEMENTS OF INCOME**  
**FOR THE FIRST HALF OF 2002**

*(Amounts expressed in RMB ¥)*

Items	Consolidated 2001.1-6	Consolidated 2002.1-6	Unconsolidated 2001.1-6	Unconsolidated 2002.1-6
1.Sales Income	506,942,198.60	726,637,368.76	436,775,743.59	629,372,845.97
Less: Business costs	372,326,039.01	522,579,436.18	331,167,190.45	475,828,436.74
Business taxes and surtax	2,493,972.43	4,052,222.73	1,574,834.58	2,755,318.38
2. Main Business Profit	132,122,187.16	200,005,709.85	104,033,718.56	150,789,090.85
Plus: Other income	-2,956,303.49	-8,436,940.58	-3,956,375.55	-9,027,078.37
Operating expenses	25,573,017.47	33,237,624.19	21,050,212.35	29,189,418.06
Administration expenses	24,990,413.92	56,558,405.52	9,622,752.40	28,445,757.28
Financial expenses	-1,757,834.50	3,575,134.59	618,837.02	4,152,058.28
3. Operating Profit	80,360,286.78	98,197,604.97	68,785,541.24	79,974,778.86
Plus: Investment income	24,343,441.76	22,573,585.83	33,651,740.27	36,371,695.69
Subsidy income	-	-	-	-
Non-operating income	207,374.87	322,727.14	136,067.27	186,035.93
Less: Non-operating expenses	473,953.98	4,065,909.56	463,273.98	2,954,029.56
4.Total Profit	104,437,149.43	117,028,008.38	102,110,074.80	113,578,480.92
Less: Enterprise income tax	10,361,233.30	11,376,194.45	10,361,233.30	11,376,194.45
Minority shareholders' equity	2,327,074.63	3,449,527.46	-	-
Profit, net	91,748,841.50	102,202,286.47	91,748,841.50	102,202,286.47
Plus: unappropriated profit year beginning	187,444,915.06	228,283,218.03	187,444,915.06	228,283,218.03
Capitalized surplus reserve	-	-	-	-
6.Distributable profit	279,193,756.56	330,485,504.50	279,193,756.56	330,485,504.50
Less:Allocation of statutory surplus reserve				
Allocation of statutory surplus public welfare fund				
7.Distributable profit to shareholders	279,193,756.56	330,485,504.50	279,193,756.56	330,485,504.50
Less:Allocation of any discretionary surplus reserve				
Dividends distributed to common shares				
Capitalized dividends				
8.Unappropriated profit	279,193,756.56	330,485,504.50	279,193,756.56	330,485,504.50

**STATEMENTS OF CASH FLOWS**  
**FOR THE FIRST HALF OF 2002**

*(Amounts expressed in RMB ¥)*

Items	Line	Consolidated	Unconsolidated
<b>A. Cash flows from operating activities</b>			
Cash gained on sales and service	<b>1</b>	640,763,364.66	558,702,365.86
Taxation return	<b>2</b>	-	-
Cash received from other operating activities	<b>3</b>	6,728,729.22	5,768,349.43
<b>Sub-total (cash gained on operations)</b>	<b>4</b>	647,492,093.88	564,470,715.29
Cash used for sales and service	<b>5</b>	466,988,098.34	441,773,895.99
Cash paid to/for employees	<b>6</b>	74,297,415.77	48,715,701.61
Taxation paid	<b>7</b>	10,273,986.17	8,786,492.05
Cash used for other operating activities	<b>8</b>	17,358,819.94	10,790,566.42
<b>Sub-total (out flow of cash)</b>	<b>9</b>	568,918,320.22	510,066,656.07
<b>Net cash generated from operations</b>	<b>10</b>	78,573,773.66	54,404,059.22
<b>B. Cash flows from investing operating activities</b>	<b>11</b>	-	-
Cash recovered from investment	<b>12</b>	5,186,140.35	5,186,140.35
Investment return	<b>13</b>	5,000.00	5,000.00
Disposal of fixed assets, intangible assets and other long- term assets	<b>14</b>	304,520.00	278,120.00
Cash received from other investing activities	<b>15</b>	-	-
<b>Sub-total (cash gained on investment)</b>	<b>16</b>	5,495,660.35	5,469,260.35
Purchase of fixed assets, intangible assets and other long- term assets	<b>17</b>	153,108,248.81	146,402,090.92
Cash paid for investment	<b>18</b>	37,385,447.04	37,385,447.04
Cash used in other investing activities	<b>19</b>	-	-
<b>Sub-total (out flow of cash)</b>	<b>20</b>	190,493,695.85	183,787,537.96
<b>Net cash generated from investing activities</b>	<b>21</b>	-184,998,035.50	-178,318,277.61
<b>C. Cash flows from financing activities</b>	<b>22</b>	-	-
<b>Cash gained on equity interest investment</b>	<b>23</b>	-	-
Cash from borrowings	<b>24</b>	194,500,000.00	178,000,000.00
Cash received from other financing activities	<b>25</b>	600,000.00	-
<b>Sub-total (cash gained on financing activities)</b>	<b>26</b>	195,100,000.00	178,000,000.00
Cash paid for liabilities	<b>27</b>	156,500,000.00	138,000,000.00
Financing expenses	<b>28</b>	-	-
Dividends paid	<b>29</b>	-	-
Interest paid	<b>30</b>	6,402,448.12	5,839,251.62
Dividend payable to minority interests	<b>31</b>	-	-
Cash used in other financing activities	<b>32</b>	9,367,058.58	9,367,058.58
<b>Sub-total (out flow of cash)</b>	<b>33</b>	172,269,506.70	153,206,310.20
<b>Net cash generated from financing activities</b>	<b>34</b>	22,830,493.30	24,793,689.80
<b>D. Adjustment on foreign exchange</b>	<b>35</b>	-	-
<b>E. Net increase in cash /cash equivalent</b>	<b>36</b>	-83,593,768.54	-99,120,528.59

*Notes: The accompanying notes form an integral part of these financial statements.*