

**ANNOUNCEMENT  
OF  
2003 INTERIM RESULTS**

**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	6
Executive Statements	6
Significant Events	8
Financial Statements	11
Documents for Reference	39

**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.

The authenticity and completeness of the financial statements of the Company contained in this announcement shall be assured by Mr. Xu Liangfei (Chairman of the Board), Mr. Han Jiangmin (General manager) and Ms. Sun Qingxian (Principal Treasurer ) collectively.

The reader is advised that this announcement 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 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 2003 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.

Stock Listing and Trading : Shenzhen Securities Exchange, China.  
Stock Name & Code: 2581, Su Weifu-B; 0581, Weifu High-Tech

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>  
Interim Announcement for reference: Securities Department of the Company

## Key Financial and Business Date

*(amounts expressed in RMB unless otherwise stated)*

### 1. KEY FINANCIAL AND BUSINESS DATA

Items	2003.01-06	2002.01-06	Increment (±)
Profit, net	110,327,730	102,202,290	7.95

Profit, deduct nonrecurring gains and losses	111,599,920	106,266,400	5.02
Earnings per shares	0.2528	0.2342	7.94
Return on net assets (%)	5.7612	5.7175	0.76
Cash Flow from Operating Activities, Net	12,805,040	79,235,130	-83.84

Items	<u>2003.06-30</u>	<u>2002.12-31</u>	Increment (±)
Current assets	1,220,916,740	1,088,345,790	12.18
Current Liability	668,027,850	630,977,390	5.87
Total assets	2,784,479,960	2,506,831,380	11.08
Shareholders' equity (less minority interests)	1,915,002,790	1,804,675,060	6.11
Net assets per share	4.3885	4.1357	6.11
Equity per share under adjustment	4.3739	4.1288	5.94

**Note:** Nonrecurring gains and losses:

Gains/losses from disposal of fixed assets:	-671,900
Amortized price differences arising from consolidation	-593,590
Income Taxation	224,500
Other Income / Expense	-237,230
Income from States Bonds buying-back	6.02
<b>Total</b>	<b>-1,272,200</b>

## 2.IMPACT OF IAS ADJUSTMENT

	Net profit		Net assets	
	<u>2002.01-06</u>	<u>2003.01-06</u>	<u>2002.12.31</u>	<u>2003.6.30</u>
As reported in the statutory accounts of the Company	1,022,000,000	110,328,000	1,804,675,000	1,915,003,000
additional provision for doubtful debts	-	-	-	-
adjustment for intangible assets without future benefit		-	-	-
recognition of investment income (loss) under equity accounting	60,000	195,000	2,313,000	2,508,000
dividend to be distributed in 2002			87,273,000	87,273,000
<b>As restated to IAS</b>	<b>102,262,000</b>	<b>110,523,000</b>	<b>1,894,261,000</b>	<b>2,004,784,000</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: 78,725 (as of 30th, June. 2002 )

2). Top 10 Shareholders:

NAME	Number of Shares (period-end)	Increase/ Decrease	Percentage (%)	Classification
<b>1.WUXI WEIFU GROUP COMPANY LIMITED</b>	121,566,150	-	27.86	State Legal Person (unlisted shares)
<b>2.ROBERT BOSCH GMBH</b>	14,144,000	-	3.24	B Share Investor (listed shares)
<b>3.HUAAN INNOVATION FUNDS</b>	10,905,307	-5,409,315	2.50	A Share (listed shares)
<b>4.ANSHUEN FUNDS</b>	6,300,000	514,870	1.44	A Share (listed shares)
<b>5.SHANGHAI BAO STEEL CHEMICAL CO.</b>	5,076,612	5,076,612	1.16	A Share (listed shares)
<b>6.KINGTAI FUND</b>	4,672,243	-971,505	1.07	A Share (listed shares)
<b>7.GUOLIAN SECURITIES CO.</b>	4,513,255	-1,822,874	1.03	A Share (listed shares)
<b>8.TONGQIAN FUNDS</b>	4,086,541	1,547,919	0.94	A Share (listed shares)
<b>9.FENGHE FUNDS</b>	3,787,804	2,275,718	0.87	A Share (listed shares)
<b>10.RONGTONG NEW BLUE-CHIP FUNDS</b>	3,697,643	3,328,143	0.85	A Share (listed shares)

**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. Among the top 10 shareholders, Huaan Innovation Funds and Anshuen Funds are under the same company for fund management. Likewise, Tongqian Securities Co. and Rongtong New Blue-chip Funds are under the same company for fund management.

## 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

During the reporting period, Mr. Gao Guoyuan and Mr. Ge Songping were removed to the posts of deputy general manager of Wuxi Weifu Group Co. Due to their job movement, the 7<sup>th</sup> meeting of the 4<sup>th</sup> Board of Directors of the Company resolved to dismiss their previous posts of deputy general managers of the Company, and appointed Ms. Sun Qingxian and Mr. Miao Yuming as their successors accordingly.

Subject to the approval by the shareholders' meeting of the Company for the year 2002, Mr. Zu Jilin and Mr. Ge Songping resigned from their posts as members of the 4<sup>th</sup> Board of Directors due to retirement and post transfer respectively, and Mr. Shi Xingyuan and Mr. Chen Jvchang were newly appointed as director and independent director of the Company respectively.

## Executive Statements

### Operation Review

At present, the Company remains principally engaged in the manufacturing and sales of fuel injection system of diesel engines for vehicles. Throughout the reporting period, the Company has successfully achieved a sustained and moderate growth through overcoming the difficult market situation caused by SARS disease and automotive product restructuring. As a result, sales income of the Company from main business increased by 10.51 % to RMB 833,473,620 over the equivalent period of the previous year, and profit rose by 7.95 % to RMB 110,327,730.

### Financial Survey

Items	2003-01-06	Increase /Decrease (±%)	2002-01-06	Main reason for change
Main business revenue	833,473,620	10.51	754,219,060	Expansion of sales in main products, especially in pump PL and injectors, as well as the substantial growth in the soft-processing for Wuxi Euro-Asia Diesel Injection Co.

Main operating profit	223,437,290	18.78	188,111,210	Increment of sales income
Net profit	110,327,730	7.95	102,202,290	Increment of sales income, restructuring product-mix
Items	2003-06-30	Increase /Decrease (±%)	2002-12-31	Main reason for change
Total Assets	2,784,479,960	11.08	2,506,831,380	Increment in fixed assets
Shareholders' Equity	1,915,002,790	6.11	1,804,675,060	Increase in net profit

### Financial Index

Items	2003-01-06	Increase /Decrease (±%)	2002-01-06	Main reason for change
Operating expenses	35,686,850	53.72	23,214,890	Increment in compensation, traveling expenses, transportation, change in wages of salesmen
Management expenses	88,346,470	52.45	57,951,310	Increment in new product R&D expenditures, making provision for doubtful debts according to the balance of receivables as of June 30,2003.
Financial expenses	19,940,180	41.97	14,045,320	Increment in cash discount

Items	2003-06-30	Increase /Decrease (±%)	2002-12-31	Main reason for change
Notes receivables	97,997,180	46.77	66,766,960	Bank acceptance drafts due within the period
Account receivables	367,310,170	48.48	247,386,390	Increase in sales income, mainly from diesel engine makers with smaller risks

### Sales Composition

Categories of product	Internal Combustion Engine Components	Catalytic Converter and Buffers
Main business revenue	814,325,520	19,148,100
Increment over the previous period (±)	8.56	367.63

Main business cost	589,672,880	15,399,200
Increment over the previous period ( $\pm$ )	5.61	313.51
Profit Margin (%)	27.59	19.58
Increment over the previous period ( $\pm$ )	2.02	10.53

### Main Subsidiaries

Name	Wuxi Euro-Asia Diesel Fuel Injection Co.	Zhonglian Automobile Electronics Co.
The Company's Interests (%)	48	20
Business Scope (Main Product)	P series injectors and nozzles	Automobile Electronic Control System
Nature of Ownership	A joint venture among the Company, Robert Bosch and Japan Bosch Automobile System Co.	A limited company jointly sponsored by Shanghai General Motor, the Company and some domestic companies
Net Profit in the first half of 2003	48,489,600	105,780,000

### Investment

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. By the end of the period, accumulated investment in this project has reached RMB 227,430,000. Subject to approval by the 2<sup>nd</sup> provisional shareholders' meeting, the remaining funds of RMB 177,630,000 shall be used for forming a production capacity of 100,000 units of PW2000 pumps. During this reporting period, RMB 20,903,000 has been invested in this project with an accumulated investment of RMB 44,315,000, and it is expected to be completed by the end of this year.

## 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 a set of normative working regulations and procedures. Furthermore, in accordance with the Guideline for Appointment of Independent Directors among Listed Companies by the State Securities Regulatory Commission, an additional independent director of the Company has been appointed



formally in the shareholders' meeting of 2002 held on June 12<sup>th</sup>, 2003. Consequently, the percentage of independent directors has reached 36.36% among the members of directors of the Company, thus satisfying the demands on corporate regulatory systems by the State Securities Regulatory Commission.

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

### 1). Implementation of proposal of dividend distribution for the year 2002

Pursuant to a resolution passed by the annual shareholders' meeting of 2002 dated June 12, 2003, the Company proposed to distribute a cash dividend of RMB ¥ 2 for every 10 shares (including taxation). It is expected to be put into implementation fully by the end of July, 2003.

### 2). Proposal of dividend distribution for the mid-term of the year 2003

The Company has determined that neither cash dividend nor capitalization be made in the mid-term of fiscal 2003.

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

The Company is not engaged in any litigation or arbitration during this period. In addition, no significant litigation or arbitration occurred during the previous period was carried forward to this period.

## **4. Significant Assets Acquisition, Sales and re-organization**

No significant assets acquisition, sales and re-organization 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:

<b>Items</b>	<b>2003.01-06</b>	<b>2002.01-06</b>
Procurement of goods	351,000	40,725,000
Sales of goods	84,383,000	108,945,000
Procurement of fixed assets	179,000	-
Processing income	-	13,318,100
Procurement discount income	-	1,806,000
Land and trademark fees	2,264,000	1,800,000

Transfer of interests in Weifu Lida	-	4,309,000
-------------------------------------	---	-----------

Pricing, terms of payments and settlement related to above transactions remain unchanged throughout the reporting period.

## **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. Other Significant Events**

Throughout this reporting period, the Company, Board of Directors of the Company and its directors were not subjected to any inspections, penalties or circulating a notice of criticism by the State Securities Regulatory Commission, as well as any penalties by other administrative departments or public denouncement by the Securities Exchange. Also, the directors and senior management were not subjected to any penalties by the judicial department.

## **8. Index for other information and announcements**

All announcements by the Company were announced on “China Securities”, “Shenzhen Securities Times” and “Hongkong Ta Kung Pao ” respectively. The website for information disclosure is <http://www.cninfo.com.cn>.

1. (2003-02-20) Resolution of the 6<sup>th</sup> meeting of the 4<sup>th</sup> board of directors of the Company. It authorized the Company’s executives to negotiate with Robert Bosch GmbH diesel, to carry out feasibility study and to make proposal for further cooperation in fuel injection business.
2. (2003-04-18) Resolution of the 7<sup>th</sup> meeting of the 4<sup>th</sup> board of directors of the Company, notice on convening of the shareholder’s meeting for the year 2003, summary of the annual report of 2002, Report for the first quarter of 2003.
3. (2003-05-26) Resolution of the 8<sup>th</sup> meeting of the 4<sup>th</sup> board of directors of the Company. It was added to the agenda of the shareholder’s meeting for the year 2002 dated on June 12,2003 to examine the proposal for cooperation with Robert Bosch GmbH, according to the suggestion by Wuxi Weifu Group Co., the majority shareholder of the Company.

4. (2003-06-13) Resolution of the shareholder's meeting for the year 2003.

## **9. 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 High Technology 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, 216,000,000 of A Shares.

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, Estimations and Consolidation***

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

### **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. In the event of a recovery of the confirmed losses in value of the short-term investment occurred, it shall be restated on the basis of its booking value.

#### 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 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 etc.

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 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 2,000 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
Special Machinery and Equipment	10.5	9.24
Transportation	10	9.7
General Machinery and Equipment	10~16	6.06~9.7
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 (Wuxi Weifu Group Co.)	50 years
Downtown land and trademark use right	30 years
Development Zone Land use right (Nanjing Weifu Jingning)	50 years
Land use right (Weifu Lida)	

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 under the following circumstances: 1) the intangible assets has been replaced by other new technologies, which exposed a substantial negative impact on its profitability for the Company; 2) the intangible assets falling in marketable price dramatically in the accounting period was expected not able to recover its value during the remaining period for amortization; 3) the intangible assets has exceeded the effective period for lawful protection, but still partially being useful; 4) devaluation has occurred under other circumstances with plain evidences.

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.

Provided that no economic return is expected in the accounting period ahead, the remaining value of long-term expenses to be amortized shall be treated as gains or losses in the statement of income in the 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: Value-Added Tax (“VAT”) was charged on top of the selling price at a general rate of 17%.

Business tax: 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 sales tax paid by the Company at a rate of 7%, and Local Educational Expenses was charged at a rate of 1%.

City construction tax was charged on the total amount of the sales tax paid by Weifu Jingning and Weifu Lida at a rate of 7%, and Local Educational Expenses was charged at a rate of 4%.

#### 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***

1)Majority Holding Subsidiary: Subsidiary in which the Company holds more than 50% (excluding 50%) of its total capital or has the power to cast a majority of votes

at meetings of the board of directors or the management committee.

Name	Registered Address	Registered Capital	Equity Interest (%)	Main Business
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
Wuxi Weifu Jida New Material Co.	Wuxi, National Higu-Tech Dev. Zone	5,000,000	70.00	Metal Nano-material
Weifu Changan Pump Factory	Xishan District, Wuxi	21,490,000	85.00	i.c.engine components
Jiangsu Weifu Nanometer Technologies Co.	Huishan District, Wuxi	30,000,000	80.00	Nanometer Materials
Wuxi Weifu Lida Catalytic Convertors Co.	Wuxi, National Higu-Tech Dev. Zone	30,000,000	55.00	Silencer, Catalytic converter

## 2) Change in the scope of consolidation

Name	2002	2003	Reason for change
Nanjing Weifu Jinning Co.	Yes	yes	No change
Weifu Mashan FIE Factory	No	No	No change
Weifu Jida New Material Application and Development Co.	No	No	No change
Weifu Changan Pump Factory	No	No	No change
Jiangsu Weifu Nanometer Technologies Co.	Yes	Yes	No change
Wuxi Weifu Lida Catalytic Convertors Co.	Yes	Yes	No change

In conformity with the Reply to the Request on the Scope of Financial Statements Consolidation Document No.2 (96) CAI HUI ER ZI, Weifu Mashan FIE Co., Weifu Jida New Material Application and Development Co. and Weifu Changan FIE Co. are not consolidated herein, considering their comparatively smaller amounts of total assets, sales income and net profit.

## 3) Cooperative company.

Cooperative company is referred to the company whose operational activities are

jointly controlled by the investors or a few parties in accordance with the related contract. At present, the Company has no cooperative company.

### **5. Notes To Main Consolidated Accounts**

#### 1. Cash capital

Items	2003.06.30	2002.12.31
Cash	162,000	272,000
Cash in bank	289,027,000	237,786,000
Fixed-term deposit in bank	104,574,000	109,786,000
Other cash capital	2,426,000	321,000
<b>Total</b>	<b>396,189,000</b>	<b>348,165,000</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. Short-term investment

RMB 28,000,000 was used for buying back States Bonds as a short-term investment at the end of 2002 by Weifu Nanometer Co. in order to improve the utility of idle funds. Proceed from this transaction of RMB 6,019.63 was realized upon the withdrawal of the principals on January 8, 2003.

#### 3. 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 December 31, 2003.

#### 4. Interest receivables

RMB 835,476.25 (year-beginning) and RMB 666,725 (period-end) of interest receivables are interests due from bank deposit with fixed-term.

#### 5. Account Receivables

	2003.06.30			2002.12.31		
	Amount	Percentage (%)	Provision for bad debts	Amount	Percentage (%)	Provision for bad debts
within 1 year	356,935,000	82.69	17,408,000	236,436,000	82.69	12,190,000
between 1-2 years	15,461,000	4.59	1,435,000	13,130,000	4.59	1,731,000

between 2-3 years	10,794,000	4.85	3,108,000	13,877,000	4.85	5,005,000
between 3-4 years	30,177,000	7.87	24,106,000	22,504,000	7.87	19,635,000
Total	<u>413,367,000</u>	<u>100.00</u>	<u>46,057,000</u>	<u>285,947,000</u>	<u>100.00</u>	<u>38,561,000</u>

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 141,545,079, accounting for 34.24% of the total.

The outstanding amount of this account does not include receivables owned by the related parties.

#### 5. Other receivable

	2003.06.30			2002.12.31		
	Amount	Percentage (%)	Provision for bad debts	Amount	Percentage (%)	Provision for bad debts
within 1 year	45,695,000	98.90	762,000	67,242,000	98.90	41,000
between 1-2 years	215,000	0.52	1,000	356,000	0.52	36,000
between 2-3 years	6,000	0.02	3,000	10,000	0.02	3,000
over 3 years	271,000	0.56	265,000	379,000	0.56	254,000
Total	<u>46,187,000</u>	<u>100</u>	<u>1,031,000</u>	<u>67,987,000</u>	<u>100</u>	<u>334,000</u>

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 subsidiaries and related companies as well as provision for employees. Therefore, no provision for bad debts is prepared.

Receivables owned by the related parties (see "note 7-6").

The top 4 other receivables of this account amounted to RMB 39,101,680, a 84.66% of the total.

	Nature	2003-6-30
Weifu Precision Machinery Company	Sales of goods	19,009,049

Weifu Changan FIE Co.	Sales of goods	14,542,900
Weifu Mashan FIE Co.	Sales of goods	2,649,731
4 universities including Nanjing University etc.	Borrowings	2,400,000

Totally RMB 2,400,000 was borrowed by Nanjing University, Southeast University, Nanjing Science and Technology University and Nanjing Industrial University when Weifu Nanometer Co. was jointly sponsored by the Company and these universities, which will be returned annually by using the dividends from Weifu Nanometer Co. according to the related agreement.

## 7. Inventory

	2003.06.30		2002.12.31	
	Amount	Provision for inventory falling in price	Amount	Provision for inventory falling in price
Stock materials	36,630,000	728,000	23,356,000	631,000
Work-in-progress	82,566,000	1,751,000	90,073,000	2,050,000
Finished goods	200,419,000	11,443,000	221,618,000	11,216,000
<b>Total</b>	<b>319,615</b>	<b>13,922</b>	<b>335,047</b>	<b>13,897</b>

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

## 8. Long-term investment in equity

(a). Investment in unconsolidated Companies and enterprises recognized under equity method.

Name	Equity Interest (%)	Investment Amount (2002.12.31)	Increase /decrease in investment	Increase /decrease in equity in the period	Dividend	Increase /decrease in equity total	Investment Amount (2003.06.30)
Weifu Mashan FIE Factory	72.78	10,671,000	-	110,000	-	2,580,000	10,781,000
Wixi Weifu Jida New Material Co.	70	3,340,000	-	-163,000	-	-323,000	3,177,000
Weifu Changan Pump Factory	85	23,815,000	-	1,336,000	-	5,004,000	25,151,000
Wuxi Euro-Asia Diesel Injection	48	173,017,000	-	23,275,000	-	196,282,000	196,292,000

Zhonglian Automobile Electronic Co.	20.03	207,401,000	-	21,156,000	-	108,433,000	228,,557,000
Weifu Precision Manufacturing Co.	29.00	2,056,000-	-	185,000-	-	240,000-	2,241,000
<b>Total</b>		420,300,000	-	45,899,000	-	312,216,000	466,199,000

(b). Difference in equity investment

	2002.12.31	Amortization in this period	Accumulated amortization	2003.6.30
Nanjing Weifu Jingling Co.	594,000	594,000	11,872,000	-

Owner's equity of Nanjing Weifu Jingling Co has been reduced when making provision for bad debt subject to retrospective adjustment on the acquisition date, which leads to a difference 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 to March, 2003.

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

Name	Investment Percentage	2002.12.31	Increase/Decrease in equity	2003.06.30
Wuxi Guolian Securities Co.	1.20%	12,000,000		12,000,000
Guangxi Niuzhou Diesel Engine Co.	1.22%	1,600,000	-	1,600,000
Wuxi United High-Tech Co.	0.01%	750,000		750,000
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
Chaojiang Diesel Engine Operating Co.	9.09%	800,000	-	800,000
Wuxi United High-new-tech Industrial Company	9.09%	200,000	-	200,000
Hejun Initiative Investment Co.	16.93%	33,000,000	-	33,000,000
Nanjing Hengtai Insurance Broker Co.	3.33%	1,000,000	-	1,000,000
Beijing Xingrong Xinyie Investment Consultant	11.11%	100,000	-	100,000



Yiangzhou Power Co.	-	-	2,356,000	2,356,000
Jiangsu Huifeng Insurance Agency Co.	10.00	-	500,000	500,000
Shanghai Yangdong Co., etc.		4,787,000	-	4,787,000
<b>Total</b>		<b>57,687,000</b>		<b>57,687,000</b>

**Notes:** Investments in over 10 companies including Yiangzhou Power Co. amounted to RMB 4,780,000, 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

	<b>2002.12.31</b>	<b>Increment</b>	<b>Decrease</b>	<b>2003.6.30</b>
Hejun Initiative Investment Co.	11,000,000	-	-	11,000,000
Sanliang Industrial Co,etc	3,166,000	-	-	3,166,000

**Notes:**

1. Provision for long-term investment devaluation for Hejun Initiative Investment Co.was prepared in accordance with its financial statements and auditor's report for fiscal 2002;
2. Provision value of RMB 2,030,000 was prepared by Nanjing Weifu Jingling Co. for its investment in Sanliang Industrial Co. in Gushi County, Henan province in 2001. Because of being unable to keep in touch with its investors, the Pufa Machinery Industrial Co.,Ltd, Nanjing Machinaery Foreign Trading Co. and Changjiang Economic Development Co.I n 2002, full provision was made in 2002.

9. Fixed assets and accumulated depreciation

(a) Original value of fixed assets

	2002.12.31	Increase	Re-classification	Decrease	2002.06.30
Buildings	201,601,000	1,241,000		3,800,000	199,042,000
General Equipment	98,799,000	14,163,000	4,826,000	1,097,000	116,691,000
Special Equipment	442,047,000	49,308,000		5,815,000	485,540,000
Transportation Equipment	4,507,000	889,000		190,000	5,206,000
Other	97,357,000	20,388,000	-4,826,000	957,000	11,962,000

<b>Total</b>	844,311,000	85,989,000	-	11,859,000	918,441,000
--------------	-------------	------------	---	------------	-------------

(b) Accumulated depreciation

	2002.12.31	Increase	Re-classification	Decrease	2002.06.30
Buildings	43,804,000	3,596,000		710,000	46,690,000
General Equipment	28,018,000	3,898,000	1,925,000	589,000	33,252,000
Special Equipment	144,524,000	17,594,000		1,616,000	160,502,000
Transportation Equipment	2,113,000	197,000		181,000	2,129,000
Other	28,648,000	4,332,000	-1,925,000	688,000	30,368,000
<b>Total</b>	247,107,000	29,617,000	-	3,784,000	272,940,000
Devaluation of fixed assets	17,662,000				17,455,000
Net book value of fixed assets	579,542,000				628,046,000

The major reason for increase in original value of fixed assets over the period is the increment of machinery and equipment (direct procurement and construction-in-progress transferred)

The original value of fixed assets decreased in the first half of 2003 is mainly because of sales of fixed assets.

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

Provision for sealed-up fixed assets falling in value has been prepared in this accounting period.

10. Construction-in progress

	2001.12.31	Increase	Transferred to fixed assets	Decrease	2001.06.30
Auto exhaust convertor	161,983,000	-	-	1,971,000	160,012,000

Type IW pump	3,825,000	-	-	-	3,825,000
Type PW pump	27,759,000	21,868,000	14,320,000	-	34,677,000
2,000,000 sets of new type injectors	3,986,000	49,758,000	647,000	-	53,097,000
Delivery Valve	9,225,000	18,000	9,243,000	-	-
Miscellaneous projects	118,275,000	38,581,000	55,852,000	-	101,004,000
<b>Total</b>	<b>324,423,000</b>	<b>110,225,000</b>	<b>80,062,000</b>	<b>1,971,000-</b>	<b>352,615,000</b>
- Provision for construction-in -progress falling in value	877,000-	-	-	-	877,000
	<b>323,546,000</b>				<b>351,738,000</b>

Provision for construction-in -progress falling in value was prepared for the scrapped construction of Nanjing Weifu Jingling Co.

No capitalized interests occurred during this reporting period.

#### 11. Intangible assets

	Original Amount	Amount (2002. 12. 31)	Amortization In this period	Amount (2003. 06. 30)	Residual years for amortization
Land use right (Wuxi Development Zone)	4,287,000	3,592,000	43,000	3,549,000	41 years and 4 months
Land use right (Wuxi Development Zone see <b>note 1</b> )	1,394,000		7,000	1,387,000	49 years and 9 months
Land use right (Wuxi Development Zone see <b>note 1</b> )	2,513,000		13,000	2,500,000	49 years and 9 months
Land use right (Weifu Jinning)	28,752,000	24,200,000	479,000	23,721,000	24 years and 9 months
Land use right (Nanjing High-new Development Zone, see <b>note 2</b> )	19,500,000		195,000	19,305,000	49 years and 6 months
Trademark use right (Weifu Jinning)	26,356,000	22,799,000	438,000	22,341,000	25 years and 11 months
<b>Total</b>	<b>82,802,000</b>	<b>50,571,000</b>	<b>1,175,000</b>	<b>72,803,000</b>	

#### **Notes:**

1. RMB 1,393,656.44 and RMB 2,513,559.35 were paid by the Company's holding

Company and Weifu Lida Catalytic Converter Co respectively to buy land use right in Wuxi National High-new Technology Development Zone for the expansion of production, which are subject to an amortization period of 50 years respectively.

2. RMB 195,000 was paid for land use right in Nanjing High-new Development Zone for new plant construction by Nanjing Weifu Jingling Co. in this period, which is priced at RMB 19,500,000 totally with an amortization period of 50 years commencing from January 1, 2003 onwards. The remained shall be paid during the year 2004 to 2007.

#### 12. Short-term loans

	<b>2003.06.30</b>	<b>2002.12.31</b>
Guaranteed loan	147,500,000	157,500,000

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

#### 13. Notes payables

RMB 40,542,920.65 of Bank Acceptance Draft in the balance of this account will fall due in 09-12,2003.

#### 14. 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.

#### 15. Dividend payables

	<b>2003.06.30</b>	<b>2002.12.31</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>

Proposal for a cash dividend of RMB¥ 2 for every 10 shares (including taxation) was approved by the shareholders' meeting of 2002 held on 12<sup>th</sup> June, 2002. The amount of dividends to be paid on the B shares will be converted from RMB to Hongkong dollars at the average conversion rate for RMB to Hongkong dollars promulgated by the Bank of Chinese People on the first working day immediately after the day of the

shareholders' meeting convened to approve the payment of the dividends. Payment of dividends for B shares will be made in Hongkong dollars.

#### 16. Tax payables

	<b>2003.06.30</b>	<b>2002.12.31</b>
VAT (see “ <i>Note 1</i> ”)	4,303,000	-5,527,000
City construction tax (see “ <i>Note 2</i> ”)	254,000	-426,000
Enterprise income tax (see “ <i>Note 1</i> ”)	3,475,000	2,084,000
Building tax	68,000	9,000
<b>Total</b>	<b>8,100,000</b>	<b>-3,860,000</b>

#### 17. Other payables

No outstanding amount of payables to major shareholders possessing over 5% (including 5%) of the Company's shares occurred in this account.

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

#### 18. Long-term bank loans

Bank	Duration	Interest rate	Amount	Usage
China Industrial and Commercial Bank	2003. 01- 2005.12	5.49%	35,000	Pump PW2000
China Construction Bank	2003. 03- 2006.03	5.49%	80,000	2,000,000 sets of new type injectors

#### 19. Special payables

Nature	Appropriated from	Amount	Usage
Funds of States Bonds	Wuxi Fiscal Bureau	18,000,000	2,000,000 sets of new type injectors Pump
Funds for Enterprise Technical Up-grading	Wuxi Fiscal Bureau	3,900,000	Technical Up-grading for p roduction line
Funds for R&D	The State Finance Ministry	960,000	Electronic-controlled fuel injection equipment
Funds for Science and Technology	Wuxi Fiscal Bureau	150,000	Pump PW 2000
Support Funds for Industrial Growth	Wuxi Fiscal Bureau	600,000	Pump PW
Funds for Science and Technology	Wuxi Fiscal Bureau	300,000	Basic Applied Technologies and products
Funds for Science and Technology	The State Science and Technology	600,000	Automotive Catalytic Converter

---



---

Ministry

---

Total	24,510,000	
-------	------------	--

---

20. Share capital

	2003.06.30	Increase/Decrease	2002.12.31
<b>Unlisted Shares</b>			
1.Promoter's Shares	121,566,000	-	121,566,000
2.Legal Subscription	10,400,000	-	10,400,000
Sub-total	131,966,000	-	131,966,000
<b>Listed Shares</b>			
1.B Shares	88,400,000	-	88,400,000
2.A Shares	216,000,000	-	216,000,000
Sub-total	304,400,000	-	304,400,000
<b>Total</b>	<b>436,366,000</b>	<b>-</b>	<b>436,366,000</b>

21. Capital reserve

	2003.06.30	Increase/Decrease	2002.12.31
Proceeds from share capital	908,919,000	-	908,919,000
Other capital reserve	146,000	-	146,000
Preparation for equity investment	2,431,000	-	2,431,000
<b>Total</b>	<b>911,496,000</b>	<b>-</b>	<b>911,496,000</b>

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

Other capital reserve derives from non-currency donation that has been subject to disposal.

Preparation for equity investment is the confirmed capital reserve of Weifu Lida Catalytic Converter Co. in accordance with the related percentage of investment by the Company.

22. Surplus reserve

	2003.06.30	Increase/Decrease	2002.12.31
Statutory surplus reserve	94,013,000	-	94,013,000

Public welfare reserve	47,082,000	-	47,082,000
Additional surplus reserve	1,784,000	-	1,784,000
<b>Total</b>	<b>142,879,000</b>	<b>-</b>	<b>142,879,000</b>

### 23. Unappropriated profit

	<b>2003.06.30</b>
Unappropriated profit (year-beginning)	313,934,000
Net profit in this accounting period	110,328,000
<b>Total</b>	<b>424,261,000</b>

Pursuant to a resolution of the 7<sup>th</sup> meeting of the 4<sup>th</sup> board of directors dated April 16, 2003, the board of directors of the Company proposed to appropriate 10% and 5% of net profit for the year ended 31st December, 2002 to Statutory Surplus Reserve Fund and Statutory Public Welfare Fund respectively, and to distribute a cash dividend of RMB 2 for every 10 shares (including taxation), which was subject to approval in the shareholders meeting held on June 12, 2003.

### 24. Sales income

The amount of sales income from the Company's top 5 clients was RMB 347,134,000, a 38.43% of the total.

### 25. Sales Tax Surplus

	<b>2003.01-06</b>	<b>2002.01-06</b>
Business Tax	5,000	-
City construction tax	3,917,000	3,231,000
Local Educational Expenses	1,042,000	821,000
<b>Total</b>	<b>4,964,000</b>	<b>4,052,000</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 4% for Weifu Jingling and Weifu Lida respectively.

### 26. Operating expenses

Operating expenses in this period increased by RMB 12,471,957 compared with the

same period of 2002. This is mainly because of the increased compensation fees, traveling expenses and transportation charges with the growth of sales. Another reason responsible for this increase is the implementation of new policy for allocating wages and bonus for salesmen monthly.

#### 27. Management expenses

Management expenses occurred in this period increased by RMB 30,395,153.50 compared with that of the same period of 2002. This is mainly because of the increased new product R&D expenses as well as preparing provision for bad debts according to the outstanding amount of receivables as of June 30, 2003.

#### 28. Financing expenses

	2003.01-06	2002.01-06
Interest paid	5,495,000	6,666,000
Draft discount paid	2,851,000	3,006,000
Sales discount paid	13,586,000	10,176,000
Commission paid	113,000	126,000
Other expenses	-	-
Less: gains on interest	2,065,000	4,123,000
gain on buying-back State bonds	6,000	-
procurement discount income	34,000	1,806,000
<b>Total</b>	<b>19,940,000</b>	<b>14,045,000</b>

Gains on interest include gain from fixed-term bank deposit.

Gain on buying back States Bonds of RMB 6,019.63 on January 8<sup>th</sup>, 2003, which was carried out by Weifu Nanometer Co. on December 31, 2002.

Procurement discount income of RMB 34,148.14 occurred during this period. This is the cash discount received by Nanjing Weifu Jingling Co. owing to making payment in advance to its raw material suppliers.

Financial expenses occurred in this period increased by RMB 5,894,876 compared with that of the same period of 2002.

#### 29. Investment income

	2003.01-06	2002.01-06
Profit from minority companies	46,783,000	24,553,000
Other income recognized under equity method	360,000	5,000



Income from equity transfer and liquidation	-	186,000
Difference in long-term equity investment	-593,000	-1,365,000
<b>Total</b>	<b>46,550,000</b>	<b>23,379,000</b>

Difference in long-term equity investment:

	<b>2003.01-06</b>	<b>2002.01-06</b>
Nanjing Weifu Jingling Co.	-593,000	-1,187,000
Weifu Lida Catalytic Converter Co.	-	-178,000
<b>Total</b>	<b>-593,000</b>	<b>-1,365,000</b>

Investment return in this period increased RMB 5,894,876, representing a 99.11% growth over the same period of 2002. This is mainly from Wuxi Euro-Asia Diesel Injection Co. and Zhonglian Automotive Electronic Co.

### 30. Non-operating Income

	<b>2003.01-06</b>	<b>2002.01-06</b>
Gains from disposal of fixed assets	250,000	297,000
Payables unable to be paid	2,000	-
Other	72,000	26,000
<b>Total</b>	<b>324,000</b>	<b>323,000</b>

### 31. Non-operating expenses

	<b>2003.01-06</b>	<b>2002.01-06</b>
Price Adjustment Funds	790,000	529,000
Losses from disposal of fixed assets (see "Note 1")	922,000	1,230,000
Provision for fixed assets falling in value	-95,000	1,050,000
Donation (see "Note 2")	250,000	1,101,000
Other	146,000	174,000
<b>Total</b>	<b>2,013,000</b>	<b>4,084,000</b>

#### Notes:

1. Losses from disposal of fixed assets occurred mainly because of the disposal of old fashion equipment;
2. Donation of RMB 250,000 is mainly the contribution to Xinjiang afflicted area.

### 32. Cash received from other operating activities

<b>2003.01-06</b>	
Fiscal subsidies	10,950,000
Gains on interest from banks	2,071,000
Other	611,000
<b>Total</b>	<b>13,632,000</b>

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

#### 1) Accounts Receivables

	2003.06.30			2002.12.31		
	Amount	Percentage (%)	Provision for bad debts	Amount	Percentage (%)	Provision for bad debts
within 1 year	283,550,000	89.64	14,178,000	185,349,000	85.73	9,635,000
between 1-2 years	6,864,000	2.17	686,000	9,340,000	4.32	934,000
between 2-3 years	7,775,000	2.46	2,332,000	12,190,000	5.64	4,334,000
over 3 years	18,132,000	5.73	13,082,000	9,311,000	4.31	8,023,000
<b>Total</b>	<u>316,321,000</u>	<u>100.00</u>	<u>30,278,000</u>	<u>216,190,000</u>	<u>100.00</u>	<u>22,926,000</u>

#### 2). Other Receivables

	<b>2003-06-30</b>	<b>2002-12-31</b>
within 1 year	107,547,000	115,686,000

The majority of other receivables are due from subsidiaries, provision for employees as well as investment on other shareholders behalf to Weifu Nanometer Co.

#### 3). Long-term investment in equity

<b>2003.01-06</b>	
Consolidated subsidiaries (see "Note 1")	246,770,000
Unconsolidated subsidiaries and enterprises	466,199,000
Difference in long-term investment in equity	-
Other long-term investment in equity	52,900,000
Provision for long-term investment falling in value	-11,000,000
<b>Total</b>	<b>754,869,000</b>

**Note:** Consolidated subsidiaries

Name	Equity Interest (%)	Investment Amount (2002.12.31)	Increase /decrease in investment	Increase /decrease in equity in the period	Increase /decrease in equity total	Investment Amount (2003.06.30)
Weifu Jingling Co.	80	208,172,000	-	13,779,000	43,311,000	221,951,000
Weifu Lida Catalytic Converter Co.	55	599,000	-	357,000	-1,588,000	956,000
Weifu Nanometer Co.	80	23,944,000	-	-81,000	-137,000	23,863,000
		232,715,000	-	14,055,000	41,586,000	246,770,000

4). Investment income

	2003.01-06	2002.01-06
Consolidated subsidiaries	14,055,000	12,993,000
Unconsolidated subsidiaries and enterprises	45,859,000	24,553,000
Other investment return	360,000	5,000
Income from equity transfer and liquidation	-	186,000
Difference in long-term equity investment	-594,000	-1,365,000
<b>Total</b>	<b>59,680,000</b>	<b>36,372,000</b>

**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 Lida	Development	Silencer,	subsidiary	Limited Co.	Mr.Xu Liangfei

Catalytic Convertor	Zone,Wuxi	Catalytic Convertor			
Weifu Nanometer .	Wuxi,Huishan	Nano-material	subsidiary	Limited Co.	Mr.Xu Liangfei
Weifu Jingling	Nanjing Development Zone	Fuel Injection Equipment	subsidiary	Limited Co.	Mr.Xu Liangfei

(b).Changes in registered capitals of above parties

Name	2002.12.31	Increment/Decrease	2003.06.30
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 Lida Catalytic Convertor	30,000,000	-	30,000,000
Weifu Nanometer Co.	30,000,000	-	30,000,000
Nanjing Weifu Jingling Co.	256,000,000	-	256,000,000

(c). Changes in equity interests of above parties

Name	2002. 12. 31		Increment	Decrease	2003. 06. 30	
	Amount	%			Amount	%
Wuxi Weifu Group Co.,Ltd	121,566,000	27.86	-	-	121,566,000	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	18,267,000	85.00	-	-	18,267,000	85.00
Weifu Lida Catalytic Convertor	16,500,000	55.00	-	-	16,500,000	55.00
Weifu Nanometer Co.	24,000,000	80.00	-	-	24,000,000	80.00
Nanjing Weifu Jingling Co.	204,800,000	80.00	-	-	204,800,000	80.00

(d). Other related parties

Name	Relationship with the Company
Zhonglian Automobile Electronic Co.	Associated company
Wuxi Europe-Asia Diesel Injection Co.	Associated company
Weifu Precision Machinery Co.	Associated company

(e). Related parties transactions

1). Material procurement

<b>Name</b>	<b>2003.01-06</b>	<b>2002.01-06</b>
Wuxi Weifu Group Co.,Ltd	351,000	40,725,000
Mashan FIE Factory	28,565,000	28,152,000
Changan FIE Factory	47,160,000	43,800,000
Wuxi Eurp-Asia Diesel Injection Co.	62,965,000	30,021,000
Weifu Precision Machinery Co.	34,392,000	-

2).Sales of products

<b>Name</b>	<b>2002.01-06</b>	<b>2001.01-06</b>
Wuxi Weifu Group Co.,Ltd	84,383,000	108,945,000
Mashan FIE Factory	6,033,000	5,450,000
Changan FIE Factory	3,804,000	2,940,000
Wuxi Eurp-Asia Diesel Injection Co.	33,138,000	1,699,000
Weifu Precision Machinery Co.	10,127,000	-

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%.

Significant transactions with WFGC for the period ended June 30, 2003 and 2002 are as follows:

	2003.01-06	2002.01-06
	RMB	RMB
Purchasing fixed assets	179,000	-
Processing expenses	-	13,318,000
Procurement discount income	-	1,806,000
Fees for use of land and trademark	-	1,800,000
Transfer the equity in Weifu Lida	-	4,309,000

Above transactions were all conducted at the normal commercial prices.

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

	2003. 06. 30	2002. 12. 31
	RMB	RMB
<b>Other receivables</b>		
Wuxi Weifu Group Co.		38,032,000
Weifu Mashan FIE	2,650,000	954,000
Weifu Changan FIE	14,543,000	5,401,000
Weifu Precision Machinery Co.	19,009,000	17,833,000
<b>Other payables</b>		
Wuxi Weifu Group Co.	7, 441, 000	-
Weifu Changan FIE		-
Wuxi Eurp-Asia Diesel Injection Co.	15, 960, 000	16, 688, 000

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

	Net profit		Net assets	
	2003. 01-06	2002. 01-06	2003. 12. 31	2002. 12. 31
<b>As reported in the statutory accounts of the Company</b>	110, 328, 000	102, 202, 000	1, 915, 003, 000	1, 804, 675, 000
Provision for bad debts	-	-	-	-
adjustment for intangible assets without future benefit	-	-	-	-

recognition of investment income	195,000	60,000	2,508,000	2,313,000
(loss) under equity accounting				
dividends	-	-	87,273,000	87,273,000
<b>As restated to IAS</b>	110,523,000	102,262,000	2,004,784,000	1,894,261,000

### ***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 2002, the Company collected a cash dividend of RMB 65,900,000 from the Zhonglian Automobile Electronic Co.Ltd.
2. Proposal for the dividends distribution has been implemented fully till August 1,2003.

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

## **DOCUMENTS FOR REFERENCE**

1. Interim Announcement with the signature of Chairman of the Board;
2. Financial Statements signed and sealed by the Company's legal representative, principal treasurer and accountant;
1. All originals of released documents and announcements disclosed on the newspapers designated by the State Securities Regulatory Commission in this reporting period;
4. Article of Association of the Company;
5. Other documentations.

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

August 15,2003

**Enclosure: Financial Statements**

**BALANCE SHEET AS OF JUNE 30, 2003 (RMB ¥)**

*(With comparative figures for the beginning of 2003)*

Assets	Consolidated		Unconsolidated	
	2003.6.30	2002.12.31	2003.6.30	2002.12.31
Current assets:				
Capital in cash	396,189,494.82	348,165,396.30	304,265,723.50	262,431,290.59
Short-term investment	-	28,000,000.00	-	-
Notes receivable	97,997,175.49	66,766,959.00	86,444,005.00	60,021,000.00
Dividend receivable		220,000.00		220,000.00
Interest receivable	666,725.00	835,476.25	666,725.00	835,476.25
Accounts receivable	367,310,169.50	247,386,387.95	286,042,573.22	193,263,623.25
Other receivable	45,155,837.45	67,653,372.79	107,546,856.09	115,685,785.78
Prepayment	7,604,406.35	8,168,305.88	7,405,406.35	7,155,384.92
Subsidy receivable		-		-
Inventory	305,693,092.59	321,149,893.75	232,338,002.69	253,940,882.26
Charges to be amortized	299,841.60	-	299,841.60	-
Long-term bonds investment one year due		-		-
Other current assets		-		-
<b>Sub-total</b>	<b>1,220,916,742.80</b>	<b>1,088,345,791.92</b>	<b>1,025,009,133.45</b>	<b>893,553,443.05</b>
Long-term investment				
Long-term equity investment	510,644,334.01	464,414,459.22	754,868,734.23	695,508,850.38
Long-term bonds investment	-	-	-	-
Long-term investment, total	510,644,334.01	464,414,459.22	754,868,734.23	695,508,850.38
Fixed assets				
Original value of fixed assets	918,440,555.83	844,311,396.31	678,501,368.42	613,290,815.70
Less: Accumulated depreciation	272,940,069.17	247,106,645.69	179,999,850.43	159,560,923.43
Fixed assets, net	645,500,486.66	597,204,750.62	498,501,517.99	453,729,892.27
Less: provision for fixed assets devaluation	17,454,364.20	17,662,667.95	4,232,568.91	4,232,568.91
Fixed assets, net	628,046,122.46	579,542,082.67	494,268,949.08	449,497,323.36
Construction material	-	-	-	-
Construction-in-progress	351,738,292.34	323,545,880.42	332,806,521.08	302,932,569.22
Disposal of fixed assets	331,329.88-	412,643.04	-	-



<b>Sub-total</b>	<b>980,115,744.68</b>	<b>903,500,606.13</b>	<b>827,075,470.16</b>	<b>752,429,892.58</b>
Intangible and other assets				
Intangible assets	72,803,135.24	50,570,522.43	4,936,175.85	3,592,360.99
Long-term expenses to be allocated	-	-	-	-
Other long-term assets		-		-
<b>Sub-total</b>	<b>72,803,135.24</b>	<b>50,570,522.43</b>	<b>4,936,175.85</b>	<b>3,592,360.99</b>
Deferred taxation				
Deferred taxation, credit				
<b>Total</b>	<b>2,784,479,956.73</b>	<b>2,506,831,379.70</b>	<b>2,611,889,513.69</b>	<b>2,345,084,547.00</b>

**LIABILITY AND OWNER'S EQUITY**

Current liabilities:				
Short-term borrowings	147,500,000.00	157,500,000.00	122,000,000.00	132,000,000.00
Notes payables	40,542,920.65	80,000,000.00	40,542,920.65	80,000,000.00
Accounts payables	268,967,375.19	243,592,221.50	224,301,741.49	200,015,156.16
Advance collection	2,851,249.03	5,495,984.81	1,635,296.95	3,536,464.25
Wages payables	-	-	-	-
Welfare fees payables	4,581,034.41	3,690,565.02	-	282,648.39
Dividends payables	87,481,230.00	87,481,230.00	87,481,230.00	87,481,230.00
Tax not paid yet	8,100,131.95	-3,860,120.60	3,524,298.25	-7,865,372.66
Other accounts not paid yet	524,034.81	3,232,155.94	337,092.16	3,139,809.72
Other payables	89,491,453.22	50,518,991.87	69,746,513.08	29,159,554.70
Advance allocation	17,988,425.10	3,326,359.00	8,707,632.26	-
Liabilities estimated	-	-	-	-
Long-term debts one-year due	-	-	-	-
Other current liabilities		-		-
<b>Sub-total</b>	<b>668,027,854.36</b>	<b>630,977,387.54</b>	<b>558,276,724.84</b>	<b>527,749,490.56</b>
Long-term liabilities:				
Long-term borrowings	115,000,000.00	-	115,000,000.00	-
Bonds payables	-	-	-	-
Long-term payables	-	-	-	-
Special payables	24,510,000.00	12,660,000.00	23,610,000.00	12,660,000.00
Other long-term liabilities		-	-	
<b>Sub-total</b>	<b>139,510,000.00</b>	<b>12,660,000.00</b>	<b>138,610,000.00</b>	<b>12,660,000.00</b>

Deferred taxation			-	
Deferred taxation, debit				
<b>Sub-total (Liabilities)</b>	<b>807,537,854.36</b>	<b>643,637,387.54</b>	<b>696,886,724.84</b>	<b>540,409,490.56</b>
Minority Shareholders' equity	61,939,313.52	58,518,935.72		
Shareholders' equity:				
Share capital	436,366,150.00	436,366,150.00	436,366,150.00	436,366,150.00
Capital reserve	911,495,850.36	911,495,850.36	911,495,850.36	911,495,850.36
Surplus reserve	142,879,317.73	142,879,317.73	142,373,490.84	142,373,490.84
including: Public welfare	47,082,182.13	47,082,182.13	46,913,573.17	46,913,573.17
Unappropriated profit	424,261,470.76	313,933,738.35	424,767,297.65	314,439,565.24
<b>Sub-total(Shareholders' equity)</b>	<b>1,915,002,788.85</b>	<b>1,804,675,056.44</b>	<b>1,915,002,788.85</b>	<b>1,804,675,056.44</b>
<b>Total</b>	<b>2,784,479,956.73</b>	<b>2,506,831,379.70</b>	<b>2,611,889,513.69</b>	<b>2,345,084,547.00</b>

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

### STATEMENTS OF INCOME AND INCOME APPROPRIATION FOR THE FIRST HALF OF 2003

(Amounts expressed in RMB ¥)

Items	Consolidated	Consolidated	Consolidated	Unconsolidated	Unconsolidated	Unconsolidated
	2003.4-6	2003.1-6	2002.1-6	2003.4-6	2003.1-6	2002.1-6
1. Sales Income	342,508,115.46	833,473,615.47	754,219,055.84	297,245,212.78	694,854,323.23	652,859,794.41
Less: Business costs	239,368,132.55	605,072,080.71	562,055,618.52	228,816,957.80	543,684,702.16	511,580,631.42
Business taxes and surtax	1,307,010.37	4,964,240.11	4,052,222.73	558,964.34	3,207,670.95	2,755,318.38
2. Main Business Profit	101,832,972.54	223,437,294.65	188,111,214.59	67,869,290.64	147,961,950.12	138,523,844.61
Plus: Other income	-1,099,356.62	1,219,401.93	3,851,183.64	-1,357,979.45	640,610.93	3,238,167.87
Less: Operating expenses	15,701,622.97	35,686,845.35	23,214,888.36	13,216,507.59	31,548,897.49	19,822,359.48
Administration expenses	47,874,123.78	88,346,467.54	57,951,314.04	23,612,211.76	37,869,081.28	28,445,757.28
Financial expenses	17,136,598.23	19,940,179.25	14,045,303.37	16,009,841.43	17,790,911.75	13,519,116.86
3. Operating Profit	20,021,270.94	80,683,204.44	96,750,892.46	13,672,750.41	61,393,670.53	79,974,778.86
Plus: Investment income	40,393,838.70	46,549,874.79	23,379,019.06	44,720,127.51	59,679,883.85	36,371,695.69
Subsidy income	-	-	-	-	-	-
Non-operating income	237,942.61	324,069.62	322,727.14	224,698.95	290,371.56	186,035.93
Less: Non-operating	1,421,287.62	2,013,383.01	4,083,621.10	1,506,257.50	2,098,337.90	2,954,029.56

expenses						
4.Total Profit	59,231,764.63	125,543,765.84	116,369,017.56	57,111,319.37	119,265,588.04	113,578,480.92
Less: Enterprise income tax	5,571,115.63	11,795,655.63	11,376,194.45	4,637,855.63	8,937,855.63	11,376,194.45
Minority shareholders' equity	1,187,145.26	3,420,377.80	2,790,536.64			
5.Profit,net	52,473,463.74	110,327,732.41	102,202,286.47	52,473,463.74	110,327,732.41	102,202,286.47
Plus: Unappropriated profit year beginning		313,933,738.35	228,283,218.03		314,439,565.24	228,283,218.03
6.Distributable Profit		424,261,470.76	330,485,504.50		424,767,297.65	330,485,504.50
Less: Allocation of statutory surplus reserve		-	-		-	-
Allocation of statutory public welfare fund		-	-		-	-
7.Distributable Profit to Shareholders		424,261,470.76	330,485,504.50		424,767,297.65	330,485,504.50
Less: Allocation of any discretionary surplus reserve						
Dividends distributed to common shares						
Capitalized dividends						
8. Unappropriated profit		424,261,470.76	330,485,504.50		424,767,297.65	330,485,504.50

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

### STATEMENTS OF CASH FLOWS FOR THE FIRST HALF OF 2003

(Amounts expressed in RMB ¥)

Items	Consolidated	Unconsolidated
<b>A. Cash flows from operating activities</b>		
Cash gained on sales and service	713,017,362.49	637,187,388.02
Taxation return		
Cash received from other operating activities	13,631,781.71	11,358,840.95
<b>Sub-total (cash gained on operations)</b>	<b>726,649,144.20</b>	<b>648,546,228.97</b>
Cash used for sales and service	510,544,341.03	509,280,529.99
Cash paid to/for employees	91,346,727.17	55,607,124.40
Tax paid	65,998,749.82	44,374,928.83
Cash used for other operating activities	45,954,285.71	17,409,407.08
<b>Sub-total (out flow of cash)</b>	<b>713,844,103.73</b>	<b>626,671,990.30</b>

<b>Net cash generated from operations</b>	12,805,040.47	21,874,238.67
<b>B. Cash flows from investing operating activities</b>		
Investment return		
Dividend or profit received	546,019.63	540,000.00
Disposal of fixed assets, intangible assets and other long-term assets	322,900.98	312,500.98
Cash received from other investing activities		
<b>Sub-total (cash gained on investment)</b>	868,920.61	852,500.98
Purchase of fixed assets, intangible assets and other long-term assets	93,180,472.50	81,082,211.16
Cash paid for investment	-	-
Cash used in other investing activities	-	-
<b>Sub-total (out flow of cash)</b>	93,180,472.50	81,082,211.16
<b>Net cash generated from investing activities</b>	-92,311,551.89	-80,229,710.18
<b>C. Cash flows from financing activities</b>		
<b>Cash gained on equity interest investment</b>	-	-
Cash from borrowings	181,500,000.00	165,000,000.00
Cash received from other financing activities	-	-
<b>Sub-total (cash gained on financing activities)</b>	181,500,000.00	165,000,000.00
Cash paid for liabilities	76,500,000.00	60,000,000.00
Financing expenses	5,469,390.06	4,810,095.58
Dividends paid	-	-
Cash used in other financing activities	-	-
<b>Sub-total (out flow of cash)</b>	81,969,390.06	64,810,095.58
<b>Net cash generated from financing activities</b>	99,530,609.94	100,189,904.42
<b>D. Adjustment on foreign exchange</b>	-	-
<b>E. Net increase in cash /cash equivalent</b>	20,024,098.52	41,834,432.91

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

## NOTES TO THE STATEMENTS OF CASH FLOWS

*(Amounts expressed in RMB ¥)*

Items	Consolidated	Unconsolidated
<b>A. Net profit subject to adjustment as cash flows</b>		
Profit, net	110,327,732.41	110,327,732.41
Plus: Provision for fixed assets devaluation	9,990,895.53	7,379,894.86
Fixed assets depreciation	28,495,822.38	23,040,238.17
Allocations of intangible assets	1,174,602.99	49,841.58
Allocations of long-term expenses to be allocated	-	-
Decrease of expenses to be allocated (less increase)	-299,841.60	-299,841.60
Increase of advance allocation expenses (less decrease)	14,662,066.10	8,707,632.26
Disposal of fixed, intangible and other long-term assets (less gains)	6,460,489.36	699,317.43
Losses from obsolete fixed assets	-	-
Financial expenses	5,463,370.43	4,810,095.58
Losses from investment (less gains)	-46,643,417.38	-59,679,883.83
Deferred taxation, credit (less debit)	-	-
Decrease of inventory (less increase)	15,456,801.16	21,602,879.57
Decrease of operating receivables (less increase)	-190,008,017.78	-115,093,029.21
Increase of operating payables (less decrease)	51,450,124.87	20,329,361.45
Other	2,760,491.59	-
Losses/gains of minority interests	3,513,920.41	
<b>Net cash generated from operations</b>	12,805,040.47	21,874,238.67
<b>B. Investment and financial activities not related to cash flows</b>	-	-
<b>C. Net increase in cash /cash equivalent</b>		
Balance of cash at period-end	396,189,494.82	304,265,723.50
Less: Balance of cash at period-beginning	348,165,396.30	262,431,290.59
Balance of cash equivalent at period-end	-	-
Less: Balance of cash equivalent at period-beginning	28,000,000.00	-
<b>Net increase in cash /cash equivalent</b>	20,024,098.52	41,834,432.91

## CHANGES IN SHAREHOLDERS EQUITY (CONSOLIDATED)

*(Amounts expressed in RMB ¥)*

Items	2003-06-30	2002-12-31

<b>SHARE CAPITAL</b>	436,366,150.00	436,366,150.00
Balance at period-beginning	-	-
Increment in the period		
Including: Capital reserve added		
Surplus reserve added		
Profit distributed		
Share capital increased		
Decrease in the period	-	-
Balance at period-end	436,366,150.00	436,366,150.00
<b>CAPITAL RESERVE</b>		
Balance at period-beginning	911,495,850.36	908,918,600.36
Increment in the period	-	-
Including: Share capital premium		
Non-currency donations		
Currency donations		
Preparation for equity investment		2,431,000.00
Funds allocated		
Difference in foreign currency converted		
Other capital reserve	-	146,250.00
Decrease in the period	-	-
Including: capitalized shares		
Balance at period-end	911,495,850.36	911,495,850.36
<b>SURPLUS RESERVE</b>		
Balance at period-beginning	95,797,135.60	75,056,438.00
Increment in the period	-	20,740,697.60
Including: Allocation from net profit	-	20,740,697.60
Allocation of statutory surplus reserve	-	20,740,697.60
Allocation of any discretionary surplus reserve		
statutory public welfare fund added		
Decrease in the period	-	-
Including: making-up for losses		
Capitalization		
Cash dividends		
Shares dividends		
Balance at period-end	95,797,135.60	95,797,135.60
Including: statutory surplus reserve	94,012,541.12	94,012,541.12
<b>PUBLIC WELFARE FUNDS</b>		
Balance at period-beginning	47,082,182.13	36,711,833.33
Increment in the period	-	10,370,348.80
Including: Allocation from net profit	-	10,370,348.80

Decrease in the period	-	-
Including: welfare paid collectively		
Balance at period-end	47,082,182.13	47,082,182.13
<b>UNAPPROPRIATED PROFIT</b>		
Unappropriated profit year beginning	313,933,738.35	228,283,218.03
Net profit of the period	110,327,732.41	204,034,796.72
Profit distribution	-	118,384,276.40
Unappropriated profit at period-end	424,261,470.76	313,933,738.35

**PREVISIONS FOR ASSETS FALLING IN VALUE  
FOR THE FIRST HALF OF 2003 (CONSOLIDATED)**

*(Amounts expressed in RMB ¥)*

ITEMS	2002.12.31	Increment	Decrease	2003.6.30
<b>PROVISION FOR BAD DEBTS,TOTAL</b>	38,895,872.80	8,219,437.73	27,377.31	47,087,933.22
Including: Account receivables	38,561,404.55	7,523,293.08	27,377.31	46,057,320.32
Other receivables	334,468.25	696,144.65	-	1,030,612.90
<b>PROVISION FOR SHORT-TERM INVESTMENT FALLING IN PRICE,TOTAL</b>	-	-	-	-
Including: Stocks investments				-
Bonds investments				-
<b>PROVISION FOR INVENTORY FALLING IN PRICE,TOTAL</b>	13,897,359.19	322,875.94	298,749.79	13,921,485.34
Including: Stock goods	11,216,445.64	226,058.88		11,442,504.52
Work-in-progress	2,050,059.96		298,749.79	1,751,310.17
Raw materials	630,853.59	96,817.06		727,670.65
<b>PROVISION FOR LONG-TERM INVESTMENT FALLING IN VALUE,TOTAL</b>	14,166,436.95	-	-	14,166,436.95
Including: long-term investment in equity	14,166,436.95			14,166,436.95
long-term investment in debentures				-
<b>PROVISION FOR FIXED ASSETS FALLING IN VALUE,TOTAL</b>	17,662,667.95	-	208,303.75	17,454,364.20
Including: Building				-
Machinery and equipment	17,662,667.95		208,303.75	17,454,364.20
<b>PROVISION FOR INTANGIBLE ASSETS FALLING IN VALUE,TOTAL</b>	-	-	-	-
Including: Patents				

Trade mark rights		
<b>PROVISION FOR CONSTRUCTION-IN-PROGRESS FALLING IN VALUE,TOTAL</b>	876,938.49	876,938.49
<b>PROVISION FOR LOANS ENTRUSTED FALLING IN VALUE,TOTAL</b>		-