

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)

SUMMARY OF ANNUAL REPORT 2003

§1. IMPORTANT HINTS

- 1.1 The Board of Directors of Weifu High-Technology Co., Ltd. collectively and individually accept full responsibility for the authenticity, accuracy and completeness of the information contained in this report and confirm that there are no false statements and material omissions which would make any statement in this report misleading. The reader is advised that this is a summary for the annual report 2003. For more details, please read the original annual report.
- 1.2 No director expressed an uncertain opinion or a disagreement for the authenticity, accuracy and completeness of the information contained in this report.
- 1.3 All directors of the Company attended meetings of the Board of Directors.
- 1.4 PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. issued the unqualified Auditors' Report for the Company.
- 1.5 Mr. Xu Liangfei, legal representative of the Company, Mr. Han Jiangming, General Manager of the Company, and Ms. Sun Qingxian, Deputy General Manager as well as person in charge of Financing confirm that the Financial Report enclosed in the Annual Report is true and complete.

§2. COMPANY INFORMATION

2.1 General information

| | |
|-----------------------------|--|
| Short Form of the Stock: | Weifu High- Tech, Su Weifu-B |
| Stock Code: | 000581,200581 |
| Stock Exchange Listed with: | Shenzhen Stock Exchange |
| Registered Address: | Plot 46, Wuxi National High-Tech Industrial Development Zone |
| Head Office: | No.107, Renmin West Road, Wuxi |
| Postal Code | 214031 |
| Homepage: | http://www. weifu.com.cn |
| Company's E-Mail | web@weifu.com.cn |

2.2 Contact person and method:

| | Secretary of the Board | Authorized Representative |
|------------------|--------------------------------|--------------------------------|
| Name: | Mr. Liu Yonglin | Mr. Zhou Weixin |
| Contact Address: | No.107, Renmin West Road, Wuxi | No.107, Renmin West Road, Wuxi |
| Tel: | (86) 510-2719579 | (86) 510-2719579 |
| Fax: | (86) 510-2751025 | (86) 510-2751025 |

§3. SUMMARY OF ACCOUNTING AND BUSINESS DATA

3.1 Major accounting data as of year 2003 (In RMB'000)

| Items | 2003 | 2002 | Increase/decrease over last year (%) | 2001 |
|---|-------------------------------|-------------------------------|--|-------------------------------|
| Income from main operations | 1,612,093 | 1,499,973 | 7.47 | 1,019,062 |
| Total profit | 275,018 | 216,696 | 26.91 | 177,889 |
| Net profit | 239,557 | 197,646 | 21.21 | 159,590 |
| Net profit after deducting non-recurring gains and losses | 239,557 | 197,646 | 21.21 | 159,590 |
| | At the end of 2003 | At the end of 2002 | Increase/decrease from the end of previous year (%) | At the end of 2001 |
| Total assets | 2,888,951 | 2,508,934 | 15.15 | 2,178,645 |
| Shareholder's equity (excluding minority interests) | 2,046,544 | 1,894,260 | 8.04 | 1,781,310 |
| Net cash flow from operating activities | 8,659 | 118,790 | -92.71 | 140,373 |

3.2 Key financial indexes (In RMB)

| Items | 2003 | 2002 | Increase/decrease over last year (%) | 2001 |
|--|----------------------|----------------------|--|----------------------|
| Earnings per share | 0.55 | 0.45 | 22.22 | 0.37 |
| Earnings per share (calculated based on new share capital if share capital was changed) | 0.55 | 0.45 | 22.22 | 0.37 |
| Return on net assets (%) | 11.71 | 10.43 | 12.27 | 8.96 |
| Return on net assets calculated based on net profit after deducting non-recurring gains and losses (%) | 11.71 | 10.43 | 12.27 | 8.96 |
| Net cash flow per share arising from operating activities | 0.02 | 0.27 | -92.71 | 0.32 |
| Items | At the end of | At the end of | Increase/decrease | At the end of |

| | 2003 | 2002 | from the end of previous year (%) | 2001 |
|--|------|------|---|------|
| Net assets per share | 4.69 | 4.34 | 8.06 | 4.08 |
| Net assets per share after adjustment | 4.69 | 4.33 | 8.31 | 4.07 |

3.3 Difference in net profit as audited by Chinese Accounting Standard (CAS) and International Accounting Standard (IAS)

Applicable Inapplicable

In RMB'000

| | CAS | IAS |
|-------------------------------|---|---------|
| Net profit | 238,104 | 239,557 |
| Explanation on the difference | Reorganization of investment income (loss) under equity method amounting to RMB 1,452,600 | |

§4. SHARE CAPITAL AND SHAREHOLDERS

4.1 Change in share

Unit: share

| | Before the change | Increase / decrease in this time (+, -) | | After the change |
|---------------------------------------|----------------------|--|----------|---------------------|
| | | Other | Subtotal | |
| I. Unlisted shares | | | | |
| 1. Sponsor's shares | 121,566,150 | 0 | 0 | 121,566,150 |
| Including: State-owned shares | 121,566,150 | | 0 | 121,566,150 |
| Share held by domestic legal person | | | 0 | 0 |
| Share held by foreign legal person | | | 0 | 0 |
| Others | | | 0 | 0 |
| 2. Raised legal person's shares | 10,400,000 | | 0 | 10,400,000 |
| 3. Inner employees' shares | | | 0 | 0 |
| 4. Preference shares or others | | | 0 | 0 |
| Total unlisted shares | 131,966,150 | 0 | 0 | 131,966,150 |
| II. Listed shares | | | | |
| 1. RMB ordinary shares | 215,893,100 | 28,800 | 28,800 | 215,921,900 |
| 2. Domestically listed foreign shares | 88,400,000 | | 0 | 88,400,000 |
| 3. Overseas listed foreign shares | | | 0 | 0 |
| 4. Others | 106,900 | -28,800 | -28,800 | 78,100 |
| Total listed shares | 304,400,000 | 0 | 0 | 304,400,000 |
| III. Total shares | 436,366,150 | 0 | 0 | 436,366,150 |

4.2 Statement of shares held by the top ten shareholders and the top ten shareholders of circulating share

| | |
|---|--------|
| Total shareholders at the end of report period | 69,133 |
| Particulars about shares held by the top ten shareholders | |

| Name of Shareholder | Increase / decrease in the report year | Shares held at the year-end (share) | Proportion (%) | Type of shares (Circulating/Non-circulating) | Share held pledged or frozen (share) | Nature of shareholders (State-owned share or foreign shareholder) |
|--|---|-------------------------------------|----------------|--|--------------------------------------|---|
| 1.WUXI WEIFU GROUP COMPANY LIMITED | 0 | 121,566,150 | 27.86 | Non-circulating | 0 | State-owned shareholder |
| 2. ROBERT BOSCH GMBH | 0 | 14,144,000 | 3.24 | Circulating | Unknown | Foreign shareholder |
| 3. HUAAN INNOVATION SECURITIES INVESTMENT FUNDS | -7,308,924 | 9,005,698 | 2.06 | Circulating | Unknown | |
| 4. GT PRC FUND | 6,294,938 | 6,294,938 | 1.44 | Circulating | Unknown | Foreign shareholder |
| 5. SHANGHAI BAOSTEEL CHEMICAL COMPANY LTD. | 6,024,500 | 6,024,500 | 1.38 | Circulating | Unknown | |
| 6. RONGTONG NEW BLUE CHIP SECURITIES INVESTMENT FUNDS | 5,272,848 | 5,642,348 | 1.29 | Circulating | Unknown | |
| 7. YUYANG SECURITIES INVESTMETN FUNDS | 4,139,863 | 5,263,926 | 1.21 | Circulating | Unknown | |
| 8. KINGTAI SECURITIES INVESTMETN FUNDS | -667,113 | 4,976,635 | 1.14 | Circulating | Unknown | |
| 9. TONGQIAN SECURITIES INVESTMETN FUNDS | 2,159,328 | 4,697,950 | 1.08 | Circulating | Unknown | |
| 10. YUYUAN SECURITIES INVESTMETN FUNDS | 1,159,271 | 3,940,217 | 0.90 | Circulating | Unknown | |
| Explanation on associated relationship among the top ten shareholders or consistent action | Among the top ten shareholders, Rongtong New Blue Chip Securities Investment Funds and Tongqian Securities Investment Funds belong to the same funds company; Yuyang Securities Investment Funds and Yuyuan Securities Investment Funds belong to the same funds company. | | | | | |

| Particulars about shares held by the top ten shareholders of circulation share | | |
|--|--|--|
| Shareholders' name (full name) | Holding circulating shares at the year-end (share) | Type of shares (A-share, B-share, H-share and other) |
| ROBERT BOSCH GMBH | 14,144,000 | B-share |
| HUAAN INNOVATION SECURITIES INVESTMENT FUNDS | 9,005,698 | A-share |
| GT PRC FUND | 6,294,938 | B-share |
| SHANGHAI BAOSTEEL CHEMICAL COMPANY LTD. | 6,024,500 | A-share |
| RONGTONG NEW BLUE CHIP | 5,642,348 | A-share |

| | | |
|--|---|---------|
| SECURITIES INVESTMENT FUNDS | | |
| YUYANG SECURITIES INVESTMETN FUNDS | 5,263,926 | A-share |
| KINGTAI SECURITIES INVESTMETN FUNDS | 4,976,635 | A-share |
| TONGQIAN SECURITIES INVESTMETN FUNDS | 4,697,950 | A-share |
| YUYUAN SECURITIES INVESTMETN FUNDS | 3,940,217 | A-share |
| BTFE-VALUE PARTNERS INTELLIGENT FD-CHINA B SHS FD | 3,879,734 | B-share |
| Explanation on associated relationship among the top ten shareholders of circulation share | Among the top ten shareholders, Rongtong New Blue Chip Securities Investment Funds and Tongqian Securities Investment Funds belong to the same funds company; Yuyang Securities Investment Funds and Yuyuan Securities Investment Funds belong to the same funds company. | |

4.3 Particulars about holding shareholders and actual controller of the Company

4.3.1 Particulars about change in holding shareholders and actual controller of the Company

Applicable Inapplicable

4.3.2 Introduction of especial situation for holding shareholder and other actual controller

A shareholder who has the actual holding right to the Company is Wuxi Weifu Group Company Limited, as well as state-owned sole enterprise, whose legal representative is Mr. Xu Liangfei. The said company was founded on Dec. 14, 1994, its registered capital was RMB 134,830,000, and it was mainly engaged in Processing and manufacturing of general machinery, instruments and meters, import and export. In the report period, the holding shareholder remained unchanged.

§5. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

5.1 Particulars about changes in shares held by directors, supervisors and senior executives

| Name | Position | Age | Gender | Office term | Shares held at the year-begin | Shares held at the year-end | Reason for change |
|---------------|---|-----|--------|-----------------------|-------------------------------|-----------------------------|-------------------|
| Xu Liangfei | Chairman of the Board | 59 | Male | Jun. 2002 ~ Jun. 2005 | 12800 | 12800 | |
| Han Jiangming | Vice Chairman of the Board, General Manager | 52 | Male | Jun. 2002 ~ Jun. 2005 | 12800 | 12800 | |
| Li Tonghua | Director | 60 | Male | Jun. 2002 ~ Jun. 2005 | 12800 | 12800 | |

| | | | | | | | |
|----------------|---|----|--------|-----------------------|------|------|--|
| Wang Weiliang | Director | 38 | Male | Jun. 2002 ~ Jun. 2005 | 8000 | 8000 | |
| Gao Guoyuan | Director | 50 | Male | Jun. 2002 ~ Jun. 2005 | 6500 | 6500 | |
| Shi Xingyuan | Director, Deputy General Manager | 41 | Male | Jun. 2002 ~ Jun. 2005 | 2000 | 2000 | |
| Chen Zhaolin | Director | 46 | Male | Jun. 2002 ~ Jun. 2005 | - | - | |
| Zhang Xiaoyu | Independent Director | 60 | Male | Jun. 2002 ~ Jun. 2005 | - | - | |
| Ouyang Minggao | Independent Director | 45 | Male | Jun. 2002 ~ Jun. 2005 | - | - | |
| Chen Qilong | Independent Director | 53 | Male | Jun. 2002 ~ Jun. 2005 | - | - | |
| Chen Juchang | Independent Director | 64 | Male | Jun. 2002 ~ Jun. 2005 | - | - | |
| Chen Xuejun | Chairman of the Supervisory Committee | 36 | Male | Jun. 2002 ~ Jun. 2005 | 2000 | 2000 | |
| Li Guodong | Supervisor | 54 | Male | Jun. 2002 ~ Jun. 2005 | - | - | |
| Zhang Jiming | Supervisor | 34 | Male | Jun. 2002 ~ Jun. 2005 | - | - | |
| Wang Chuan | Supervisor | 54 | Male | Jun. 2002 ~ Jun. 2005 | - | - | |
| Wang Xiaodong | Supervisor | 37 | Male | Jun. 2002 ~ Jun. 2005 | 2000 | 2000 | |
| Deng Xijiang | Supervisor | 40 | Male | Jun. 2002 ~ Jun. 2005 | 4800 | 4800 | |
| You Jianzhong | Supervisor | 36 | Male | Jun. 2002 ~ Jun. 2005 | 6400 | 6400 | |
| Sun Qingxian | Deputy General Manager, Person in charge of Financing | 50 | Female | Apr. 2002 ~ Jun. 2005 | - | - | |
| Miao Yuming | Deputy General Manager | 40 | Male | Apr. 2003 ~ Jun. 2005 | - | - | |
| Liu Yonglin | Secretary of the Board | 60 | Male | Jun. 2002 ~ Jun. 2005 | 8000 | 8000 | |

5.2 Particulars about the position held by directors, supervisors in Shareholding Company

Inapplicable Applicable

| Name | Shareholding Companies | Position | Office term |
|-------------|----------------------------------|-----------------------|-------------|
| Xu Liangfei | Wuxi Weifu Group Company Limited | Chairman of the Board | Till now |

| | | | |
|---------------|--|------------------------------------|----------|
| Li Tonghua | Wuxi Weifu Group Company Limited | Director, Deputy General Manager | Till now |
| Wang Weiliang | Wuxi Weifu Group Company Limited | Director, Deputy General Manager | Till now |
| Gao Guoyuan | Wuxi Weifu Group Company Limited | Director, Deputy General Manager | Till now |
| Chen Zhaolin | Bosch (China) Investment Co., Ltd. | Executive supervisor | Till now |
| Li Guodong | Wuxi Guolian Development (Group) Co. | Manager of Investment & Management | Till now |
| Zhang Jiming | State Investment Machinery and Light Industrial Co. | Business Manager | Till now |
| Wang Chuan | China Auto Industry General Co. Investment and Development Corp. | Section Chief | Till now |

5.3 Particulars about the annual remuneration of directors, supervisors and senior executives

In RMB'0000

| | |
|---|--|
| Total annual payment | 150.00 |
| Total annual payment of the top three directors drawing the highest payment | 50.00 |
| Total annual payment of the top three senior executives drawing the highest payment | 70.00 |
| Allowance of independent director | 5.00 per person/year |
| Other treatment of Independent Directors | Reimbursement for travel costs upon attending the meetings of the board of directors and shareholders |
| Name of directors and supervisors received no payment or allowance from the Company | Xu Liangfei, Li Tonghua, Wang Weiliang, Gao Guoyuan, Chen Zhaolin, Li Guodong, Zhang Jiming and Wang Chuan |
| Payment | Number of persons |
| RMB 25,000-50,000 | 1 |
| RMB 50,000-100,000 | 2 |
| RMB 100,000-200,000 | 5 |
| RMB 200,000-300,000 | 1 |

§ 6. REPORT OF THE BOARD OF DIRECTORS

6.1 Discussion and analysis to the whole operation in the report period

The year 2003 was a year when the structural adjustment in the car industry in the State was conducted post. On the one hand, the whole car industry still developed in a relatively rapid speed. However, its development was still very unbalanced with detailed reflection as follows: Saloon cars continued to keep a trend of accelerative development while diesel cars developed in a slower way. On the other hand, structural adjustment in car industry was push in an accelerative way and structural adjustment of diesel cars was much more outstanding with its market inclined to two sides, namely being inclined to light trucks and heavy trucks. Aiming at this austere situation, the Board and the Management of the Company has adjusted the marketing strategy timely, firstly, speeding up the development of new products so as to adapt to the need of adjustment to market structure; secondly, carrying out quality standard of international car industry TS16949 with product quality as

the main line; thirdly, further deepening internal management and further fulfilling the measures of reducing the cost. Through the said efforts, the Company has still kept a certain growth in 2003 and totally realized income from main operations and net profit amounting to RMB 1,612.093 million and RMB 239.557 million respectively in the whole year, an increase of 7.47% and 21.21% respectively over the last year.

6.2 Statement of main operations classified according to industries or products

Unit: RMB'0000

| Classified according to industries or products | Income from main operations (RMB) | Cost of main operations (RMB) | Gross profit ratio (%) | Increase/decrease in income from main operations over the last year (%) | Increase/decrease in cost of main operations over the last year (%) | Increase/decrease in gross profit ratio over the last year (%) |
|---|--|-------------------------------|------------------------|---|---|--|
| Manufacture of other universal parts and components | 161,209.30 | 124,399.00 | 22.83 | 7.47 | 9.93 | -7.04 |
| Including: related transactions | 0.00 | 0.00 | - | 0.00 | 0.00 | 0.00 |
| Fittings and accessories of gas engine | 145,258.18 | 106,361.12 | 26.78 | 6.19 | 8.09 | -4.63 |
| Converter and muffler | 5,515.57 | 4,116.02 | 25.37 | 273.30 | 259.39 | 12.85 |
| Materials | 10,435.55 | 13,921.86 | -33.41 | -11.04 | 2.18 | 48.13 |
| Including: related transactions | 0.00 | 0.00 | - | 0.00 | 0.00 | 0.00 |
| Pricing rules for related transactions | Fair market price | | | | | |
| Necessity and durative of related transactions | <p>Other transactions between Weifu Group and the Company</p> <p>The Company has the following agreements with Weifu Group:</p> <p>(a) Agreement on trademark use</p> <p>The Company sells products by using the trademark of Weifu Group and pays trademark use expense with 0.3% of the sales amount, not less than RMB 1.20 million per year. This agreement takes effect from Jan. 1, 1995 with term of ten years.</p> <p>(b) Agreement on lease of land use right</p> <p>The Company leases the land of Weifu Group and pays the lease expense of land use right. The rental for the first year is RMB 327,285 and it increases by 10% per year later. This agreement takes effect from Jan. 1, 1995 with term of ten year.</p> | | | | | |

6.3 Particulars about main operations classified according to areas

Unit: RMB'0000

| Areas | Income from main operations (RMB) | Increase/decrease in income from main operations over the last year (%) |
|---------------------|-----------------------------------|---|
| Inside the Province | 51,629.32 | -3.51 |

| | | |
|----------------------|------------|-------|
| Outside the Province | 109,579.98 | 13.56 |
|----------------------|------------|-------|

6.4 Particulars about the customers of purchase and sales

Unit: RMB'0000

| | | | |
|---|-----------|--|--------|
| Total amount of purchase of the top five suppliers | 38,769.74 | Proportion in the total amount of purchase | 35.92% |
| Total amount of sales of the top five sales customers | 75,849.20 | Proportion in the total amount of sales | 50.31% |

6.5 Operation of share-holding companies (applicable to the situation where investment equity takes over 10% of its net profit)

Applicable Inapplicable

| | | |
|--|----------------|--|
| Name of the share-holding company | | Zhonglian Automobile Electronics Co. |
| Investment earnings contributed in the period | | 8328.3739 |
| Proportion in net profit of the listed company | | 34.77% |
| Share-holding company | Business scope | Fittings and accessories of gas engine |
| | Net profit | 41,669.8416 |
| Name of the share-holding company | | Wuxi Euro-Asia Diesel Fuel Injection Co. |
| Investment earnings contributed in the period | | 7,293.4881 |
| Proportion in net profit of the listed company | | 30.45% |
| Share-holding company | Business scope | Fittings and accessories of gas engine |
| | Net profit | 15,194.7668 |

6.6 Explanation on reasons of material changes in main operations and its structure

Applicable Inapplicable

6.7 Explanation on reasons of material changes in profitability capability of main operations (gross profit ratio) than that in the last year

Applicable Inapplicable

6.8 Analysis to reasons of material changes in operating results and profit structure compared with the previous year

Applicable Inapplicable

Analysis to reasons of material changes in the whole financial position than that in the last year

Applicable Inapplicable

6.9 Explanation on the past, current and future important effects of the material changes in production and operation environment, macro-policies and regulations on the Company's financial position and operating results

Applicable Inapplicable

6.10 Completion of the profit estimation

Applicable Inapplicable

6.11 Completion of the business plan

Applicable Inapplicable

6.12 Application of the raised proceeds

Applicable Inapplicable

Unit: RMB'0000

| Total amount of raised proceeds | 40,506.00 | Total amount of raised proceeds used in the report year | 17,763.00 | Total amount of raised proceeds used accumulatively | 40,506.00 |
|--|--|---|------------------------|---|--|
| Committed projects | Planned amount of input | Change projects or not | Actual amount of input | Accrued amount of earnings | Compliance with planned progress and estimated earnings or not |
| Project of "Converters and cleaners of automobile tail gas with annual output of 2 million sets" | 40,506.00 | No | 22,743.00 | 260.29 | Yes |
| Total | 40,506.00 | - | 22,743.00 | 260.29 | - |
| Explanation on not reaching planned progress and earnings (in detailed projects) | Naught | | | | |
| Explanation on reasons and procedures of change (in detailed projects) | In 2000, the Company implemented the project on shares allotment and totally raised the proceeds amounting to RMB 405.06 million, which would be used in the project of "Converters and cleaners of automobile tail gas with annual output of 2 million sets" according to commitment in the Prospectus. Ended the end of year 2002, the Company had invested RMB 227.43 million accumulatively. The investment of fixed assets has been finished and there was still raised proceeds amounting to RMB 177.63 million left, which would be mainly used in supplementing the working capital. In order to exert the use results of the raised proceeds in a better way, after approved by the 2 nd Temporary Shareholders' General Meeting for 2002 held on July 18, 2002, the Company decided to change to invest the rest capital amounting to RMB 177.63 million in the said raised proceeds into "Technical reform project of PW2000 pump with annual output of 100,000 pieces". The said resolutions of the Temporary Shareholders' General Meeting were published on Securities Times, China Securities and Ta Kung Pao dated July 19, 2002. | | | | |

Particulars about the changed projects

Applicable Inapplicable

Unit: RMB'0000

| | | | | | |
|--|--|--|------------------------|----------------------------|--|
| Total amount of capital of changed investment projects | 17,763.00 | | | | |
| Projects after change | Corresponding projects committed originally | Planned input amount of changed projects | Actual amount of input | Accrued amount of earnings | Compliance with planned progress and estimated earnings or not |
| Technical reform project of PW2000 pump with annual output of 100,000 pieces | Project of “Converters and cleaners of automobile tail gas with annual output of 2 million sets” | 17,763.00 | 17,763.00 | 1,059.95 | Yes |
| Total | - | 17,763.00 | 17,763.00 | 1,059.95 | - |
| Explanation on not reaching planned progress and earnings (in detailed projects) | Naught | | | | |

6.13 Application of the proceeds not raised through shares offering

Applicable Inapplicable

6.14 Explanation of the Board of Directors on the “Non-standard Opinion” made by the Certified Public Accountants

Applicable Inapplicable

6.15 Business plan as of the next year of the Board of Directors (If it has)

Applicable Inapplicable

Profit estimation of the next year (If it has)

Applicable Inapplicable

6.16 The preplan on the profit distribution and capitalization of capital public reserve of the Board of Directors

Profit distribution preplan for 2003
As audited by Jiangsu Gongzheng Certified Public Accountants Co., Ltd., the Company realized net profit totally RMB 238,104,400 in 2003, plus the retained profit at the end of 2002 amounting to RMB 313,933,700, the distributable profit for shareholders is RMB 552,038,200. According to the regulation of Articles of Association of the Company, after appropriating 10% as public reserve totaling 26,688,500 and 5% as welfare fund totaling RMB 13,344,200, the distributable profit for shareholders of the statutory account audited as Chinese Accounting System is RMB 512,005,500. The Board of Directors decided to distribute RMB 2 cash bonus (including tax) per ten shares based on the total share capital amounting to 436,366,150 shares at the end of 2003. The left distributable profit is carried forward to next year.

§ 7. Significant Events

- 7.1 Purchase of assets
 Applicable Inapplicable
- 7.2 Sales of assets
 Applicable Inapplicable
- 7.3 Important guarantee
 Applicable Inapplicable
- 7.4 Related credits and liabilities current
 Applicable Inapplicable

Unit: RMB'0000

| Related parties | Supply funds to related parties | | Related parties supplied funds to the Company | |
|--|---------------------------------|---------|---|----------|
| | Occurred amount | Balance | Occurred amount | Balance |
| Wuxi Weifu Group Co., Ltd. | 19,144.73 | 0.00 | 22,984.77 | 36.82 |
| Wuxi Weifu Jida New Material Application Development Co., Ltd. | 26.55 | 0.00 | 28.77 | 21.08 |
| Wuxi Weifu Mashan Fuel Injection Co. | 6,354.60 | 0.00 | 6,522.10 | 72.15 |
| Wuxi Weifu Chang'an Fuel Injection Co. | 9,662.84 | 0.00 | 10,359.20 | 156.23 |
| Wuxi Europe Asia Diesel Fuel Injection Co., Ltd. | 14,190.02 | 0.00 | 13,440.86 | 919.63 |
| Wuxi Weifu Exact Machinery Manufacture Limited | 5,592.53 | 116.52 | 7,259.33 | 0.00 |
| Total amount | 54,971.27 | 116.52 | 60,595.03 | 1,205.91 |

- 7.5 Entrusted assets
 Applicable Inapplicable

- 7.6 Implementation of commitment items
 Applicable Inapplicable

1. The Company paid RMB 266,696,000 for construction of workshop and purchase of equipment in 2003.

2. Land use right of High-tech (Weifu Jinning) is the land use right of 200,000 sq.m. locating in Nanjing High-tech Industrial Development Zone that Weifu Jinning purchased according to Transfer Contract of State-owned Land Use Right signed with Nanjing High-tech Economic Development Corporation in Dec. 2002.

- 7.7 Significant lawsuit and arbitration
 Applicable Inapplicable

- 7.8 Particulars about the performance of obligations of Independent Directors
 Performance of obligations of Independent Directors

Conformity to the requirements by the Guideline for setting up Independent Director System among Listed Companies and Administration rules on Listed Companies, the Company has engaged 4 independent directors and established the expert committees

involving strategy, auditing, nomination, remuneration and results assessment, among which independent directors held the post of Director Commissioner in the committees of auditing, nomination, remuneration and results assessment. Ever since they took office, the Company's independent directors have consciously performed their duties to express independent opinions with regard to the significant policy decision upon attending the Board meetings and relevant meetings.

§8. Report of the Supervisory Committee

I. Work of the Supervisory Committee

The Supervisory Committee held two meetings in the report period:

1. The 4th meeting of the 4th Supervisory Committee was held on Apr. 16, 2003 and the examined topics were Work Report of the Supervisory Committee in 2002, 2002 Annual Report of the Company and its Summary, Report of Financial Settlement and Profit Distribution Preplan for 2002 of the Company and the 1st Quarterly Report in 2002 of the Company;
2. The 5th meeting of the 4th Supervisory Committee was held on Aug. 15, 2003 and the examined topics were Semiannual Report in 2003 of the Company and its Summary and Report of Profit Distribution Preplan in the 1st Half Year of 2003.

II. The Supervisory Committee expressed independent opinion for the following events:

1. Operation according to law. In 2003, the members of the Supervisory Committee were present at every meeting of the Shareholders' General Meeting and the Board of Directors and supervised over the decision-making and operation of the Company. The Supervisory Committee believes that every decision-making procedure of the Company this year were in accordance with laws, regulations and Articles of Association of the Company, the internal control system of the Company was perfect. When the Company's directors and senior executives executed authorities, there found neither behavior of breaking laws, regulations and Articles of Association of the Company nor abusing authorities and damaging the interest of the Company and the Shareholders.
2. Check of the Company's financing. The members of the Supervisory Committee attended every meeting of the Board of Directors this year and examined annual, semiannual and quarterly report and other documents submitted by the Board of Directors. The Supervisory Committee believes that the financial report in every period reflected objectively and truly the financial situation and operation result of the Company.
3. Usage of raised capital. The Supervisory Committee believes the invested projects in the latest raised capital of the Company were implemented according to relevant resolutions of the Shareholders' General Meeting in accordance with relevant statutory procedure.
4. Related transaction. The Supervisory Committee believes the related transaction occurred in the report period could incarnate the principle of market trading and did not damage the interest of the Company.

§ 9. Financial Report

9.1 Auditor's opinion

We have audited the accompanying consolidated balance sheet of Weifu High-Technology Company Limited (hereinafter referred to as "the Company") and its subsidiaries (hereinafter

together with the Company referred to as “the Group”) as of 31 December 2003 and the related consolidated statements of income, and cash flows for the year then ended. These consolidated financial statements set out on pages 2 to 42 are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2003 and the consolidated results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd.

9.2

WEIFU HIGH-TECHNOLOGY COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

(All amounts in Renminbi (“RMB”) thousands, except for earnings per share)

| | <u>Notes</u> | <u>2003</u> | <u>2002</u> |
|--------------------------|--------------|--------------------|--------------------|
| Sales, net | 4,27 | 1,612,093 | 1,499,973 |
| Cost of sales | | <u>(1,243,990)</u> | <u>(1,131,609)</u> |
| Gross profit | | 368,103 | 368,364 |
| Other operating income | 4 | 407 | 246 |
| Distribution costs | | (78,217) | (91,929) |
| Administrative expenses | | (177,422) | (148,844) |
| Other operating expenses | | <u>(5,324)</u> | <u>(16,055)</u> |

| | | | |
|---|------|-----------------------|-----------------------|
| Profit from operations | 6 | 107,547 | 111,782 |
| Finance cost, net | 5 | (7,489) | (3,889) |
| Share of results of associates before tax | 13 | 162,785 | 116,573 |
| Income from unconsolidated subsidiaries | 14 | 3,943 | 4,363 |
| Income from trading investments | | 6 | - |
| <u>Government grants</u> | 21 | 8,226 | - |
| Impairment loss of investment | 15 | <u>-</u> | <u>(12,133)</u> |
| Profit before tax and minority interests | | 275,018 | 216,696 |
| Income tax expense | 7(b) | <u>(27,137)</u> | <u>(15,849)</u> |
| Profit before minority interests | | 247,881 | 200,847 |
| Minority interests | 25 | <u>(8,324)</u> | <u>(3,201)</u> |
| Net profit | | <u><u>239,557</u></u> | <u><u>197,646</u></u> |
| Earnings per share | 8 | | |
| - Basic | | <u>RMB 0.55</u> | <u>RMB 0.45</u> |
| - Diluted | | <u>Not applicable</u> | <u>Not applicable</u> |

WEIFU HIGH-TECHNOLOGY COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

AS OF 31 DECEMBER 2003

(All amounts in RMB thousands)

| | <u>Notes</u> | <u>31 December 2003</u> | <u>31 December 2002</u> |
|------------------------------------|--------------|-----------------------------|-----------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Leasehold land | 10 | 49,706 | 27,792 |
| Property, plant and equipment, net | 11 | 906,002 | 903,501 |
| Intangible assets | 12 | 32,370 | 23,373 |
| Investments in associates | 13 | 475,365 | 384,787 |

| | | | |
|--|-------|-------------------------|-------------------------|
| Investments in unconsolidated subsidiaries | 14 | 41,769 | 37,826 |
| Available-for-sale investments | 15 | <u>43,520</u> | <u>43,520</u> |
| Total non-current assets | | <u>1,548,732</u> | <u>1,420,799</u> |
| Current assets | | | |
| Inventories, net | 16 | 354,845 | 321,150 |
| Due from related parties | 27(e) | 1,165 | 55,865 |
| Prepayments | | 5,032 | 8,168 |
| Trade and other receivables, net | 17 | 491,920 | 326,787 |
| Trading investments | 26(b) | - | 28,000 |
| Cash and bank deposits | 26(b) | <u>487,257</u> | <u>348,165</u> |
| Total current assets | | <u>1,340,219</u> | <u>1,088,135</u> |
| Total Assets | | <u><u>2,888,951</u></u> | <u><u>2,508,934</u></u> |

WEIFU HIGH-TECHNOLOGY COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (CONTINUED)

AS OF 31 DECEMBER 2003

(All amounts in RMB thousands)

| | Notes | 31 December 2003 | 31 December 2002 |
|--------------------------------|-------|---------------------|---------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' equity | | | |
| Ordinary shares | 22 | 436,366 | 436,366 |
| Reserves | 23 | 1,094,407 | 1,054,375 |
| Retained earnings | 24 | <u>515,771</u> | <u>403,519</u> |
| Total shareholders' equity | | 2,046,544 | 1,894,260 |
| Minority interests | 25 | <u>77,310</u> | <u>58,519</u> |
| Non-current liabilities | | | |
| Long-term bank borrowings | 20(b) | 160,000 | - |
| Long-term payables | 21 | <u>47,538</u> | <u>12,660</u> |
| Total non-current liabilities | | <u>207,538</u> | <u>12,660</u> |
| Current liabilities | | | |
| Trade and other payables | 18 | 333,144 | 357,214 |
| Current-tax liabilities | | 5,846 | (3,860) |

| | | | |
|--|-------|-------------------------|-------------------------|
| Due to related parties | 27(e) | 9,564 | 16,688 |
| Dividend payable | | 416 | 208 |
| Short-term bank borrowings | 20(a) | 195,500 | 157,500 |
| Accruals and other current liabilities | 19 | <u>13,089</u> | <u>15,745</u> |
| Total current liabilities | | <u>557,559</u> | <u>543,495</u> |
| Total liabilities | | <u>765,097</u> | <u>556,155</u> |
| Total Equity and Liabilities | | <u><u>2,888,951</u></u> | <u><u>2,508,934</u></u> |

WEIFU HIGH-TECHNOLOGY COMPANY LIMITED AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2003**

(All amounts in RMB thousands)

| | Notes | 2003 | 2002 |
|---|-------|-----------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash generated from operations | 26(a) | 40,530 | 141,983 |
| Interest paid | | (14,463) | (11,115) |
| Income tax paid | | <u>(17,408)</u> | <u>(12,078)</u> |
| Net cash from operating activities | | <u>8,659</u> | <u>118,790</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchase of a subsidiary, net of cash and bank acquired | | - | (2,975) |
| Purchase of leasehold land | | (5,836) | - |
| Purchase of property, plant and equipment | | (239,552) | (225,948) |
| Proceeds from disposals of property, plant and equipment | 26(c) | 137,386 | 214 |
| Increase in investments in associates | 13 | - | (21,577) |
| Increase in available-for-sale investments | 15 | - | (13,855) |
| Increase in investments in unconsolidated subsidiaries | 14 | - | (7,306) |
| Proceeds from disposals of available-for-sale investments | | - | 5,080 |
| Proceeds from disposals of trading investments | | 6 | - |
| Interest received | | 4,447 | 17,201 |
| Dividends received | | <u>66,307</u> | <u>27,106</u> |
| Net cash used in investing activities | | <u>(37,242)</u> | <u>(222,060)</u> |

**CASH FLOWS FROM FINANCING
ACTIVITIES:**

| | | |
|---|----------|-----------|
| Net increase (decrease) in short-term bank borrowings | 38,000 | (10,000) |
| Increase in long-term bank borrowings | 160,000 | - |
| Repayments of long-term bank borrowings | - | (1,500) |
| Dividends paid | (87,065) | (87,273) |
| Cash injection from minority shareholders | - | 6,000 |
| Cash received from government grants | 28,740 | 12,660 |
| Net cash from financing activities | 139,675 | (80,113) |
| Net increase (decrease) in cash and cash equivalents | 111,092 | (183,383) |
| Cash and cash equivalents at beginning of year | 376,165 | 559,548 |
| Cash and cash equivalents at end of year | 487,257 | 376,165 |

WEIFU HIGH-TECHNOLOGY COMPANY LIMITED AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2003**

(All amounts in RMB thousands)

| | Share capital | Capital surplus | Reserves | | | Total reserves | Retained earnings | Total equity |
|--|---------------|-----------------|--------------------------------|-------------------------------|-------------------------------------|----------------|-------------------|--------------|
| | | | Statutory surplus reserve fund | Statutory public welfare fund | Discretion-ary surplus reserve fund | | | |
| | Note 22 | Note 23(a) | Note 23(b) | Note 23(c) | | Note 24 | | |
| Balance as at 1 January, 2002 | 436,366 | 908,919 | 73,272 | 36,711 | 1,785 | 1,020,687 | 324,257 | 1,781,310 |
| Dividends declared after 1 January, 2002 from retained earnings as of 31st December, 2001 (Note 9) | - | - | - | - | - | - | (87,273) | (87,273) |
| Donation received | - | 146 | - | - | - | 146 | - | 146 |
| Increase in Subsidiary' s capital surplus | - | 2,431 | - | - | - | 2,431 | - | 2,431 |

| | | | | | | | | | |
|-----------------------------|----------------|----------------|----------------|---------------|--------------|------------------|----------------|------------------|--|
| – debts waived | | | | | | | | | |
| Net profit for 2002 | - | - | - | - | - | - | 197,646 | 197,646 | |
| Appropriations: | | | | | | | | | |
| - statutory surplus reserve | | | | | | | | | |
| fund | - | - | 20,741 | - | - | 20,741 | (20,741) | - | |
| - statutory public welfare | | | | | | | | | |
| fund | - | - | - | 10,370 | - | 10,370 | (10,370) | - | |
| Balance as at 31 December, | | | | | | | | | |
| 2002 | 436,366 | 911,496 | 94,013 | 47,081 | 1,785 | 1,054,375 | 403,519 | 1,894,260 | |
| Dividends declared after 1 | | | | | | | | | |
| January, 2003 from | | | | | | | | | |
| retained earnings as of 31 | | | | | | | | | |
| December, 2002 (Note 9) | - | - | - | - | - | - | (87,273) | (87,273) | |
| Net profit for 2003 | - | - | - | - | - | - | 239,557 | 239,557 | |
| Appropriations: | | | | | | | | | |
| - statutory surplus reserve | | | | | | | | | |
| fund | - | - | 26,688 | - | - | 26,688 | (26,688) | - | |
| - statutory public welfare | | | | | | | | | |
| fund | - | - | - | 13,344 | - | 13,344 | (13,344) | - | |
| Balance as at 31 December, | | | | | | | | | |
| 2003 | <u>436,366</u> | <u>911,496</u> | <u>120,701</u> | <u>60,425</u> | <u>1,785</u> | <u>1,094,407</u> | <u>515,771</u> | <u>2,046,544</u> | |

9.3 Explanation on change of accounting policy, accounting assessment and settlement method compared with the latest annual report.

1. Accounting assessment has no change.

2. Settlement method has no change.

9.4 The consolidation scope has no change compared with the latest annual report.

**Board of Directors of
Weifu High Technology Co., Ltd.
Apr. 16, 2004**