WEIFU HIGH-TECHNOLOGY COMPANY LIMITED AND ITS SUBSIDIARIES

(Registered in the People's Republic of China)

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003 TOGETHER WITH AUDITORS' REPORT

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

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REPORT OF THE AUDITORS

TO THE SHAREHOLDERS OF
WEIFU HIGH-TECHNOLOGY COMPANY LIMITED

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.

14 April 2004

Shanghai, The People's Republic of China

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)

	Notes	2003	2002
Sales, net	4,27	1,612,093	1,499,973
Cost of sales		(1,243,990)	(1,131,609)
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		(5,324)	(16,055)
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	-
Government grants	21	8,226	-
Impairment loss of investment	15	-	(12,133)
Profit before tax and minority interests		275,018	216,696
Income tax expense	7(b)	(27,137)	(15,849)
Profit before minority interests		247,881	200,847
Minority interests	25	(8,324)	(3,201)
Net profit		239,557	197,646
Earnings per share	8		
- Basic		RMB 0.55	RMB 0.45
- Diluted		Not applicable	Not applicable

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

WEIFU HIGH-TECHNOLOGY COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2003

(All amounts in RMB thousands)

	Notes	31 December 2003	31 December 2002
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	43,520	43,520
Total non-current assets		1,548,732	1,420,799
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)	487,257	348,165
Total current assets		1,340,219	1,088,135
Total Assets		2,888,951	2,508,934

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	515,771	403,519
Total shareholders' equity		2,046,544	1,894,260
Minority interests	25	77,310	58,519
Non-current liabilities			
Long-term bank borrowings	20(b)	160,000	-
Long-term payables	21	47,538	12,660
Total non-current liabilities		207,538	12,660
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	13,089	15,745
Total current liabilities		557,559	543,495
Total liabilities		765,097	556,155
Total Equity and Liabilities		2,888,951	2,508,934

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

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		(17,408)	(12,078)
Net cash from operating activities		8,659	118,790
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		66,307	27,106
Net cash used in investing activities		(37,242)	(222,060)
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	26(b)	487,257	376,165

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

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

(All amounts in RMB thousands)

		Reserves						
	Share capital	Capital surplus	Statutory surplus reserve fund	Statutory public welfare fund	Discretion-ary surplus reserve fund	Total reserves	Retained earnings	Total equity
	Note 22	Note23(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 – debts waived	-	2,431	-	-	-	2,431	-	2,431
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	436,366	911,496	120,701	60,425	1,785	1,094,407	515,771	2,046,544

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

(All amounts in RMB thousands unless otherwise stated)

1. GENERAL INFORMATION

Weifu High-technology Company Limited (the "Company") was incorporated in the People's Republic of China (the "PRC") on 22 October 1992 as a joint stock limited company. The Company is principally engaged in the manufacture and sale of fuel injection pumps for use in diesel engines and injectors and components for fuel injection pumps. The registered office of the Company is No.46, Wuxi State Hi-tech Industrial Development Zone, Jiangsu Province, and the Company has approximately 3,454 and 3,783 employees as of 31 December, 2003 and 2002 respectively.

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

The Company together with its consolidated subsidiaries are hereinafter collectively referred to as "the Group".

2. ACCOUNTING POLICIES

The principal accounting policies adopted in preparation of these financial statements of the Group are set out below:

(a) Basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS", which includes International Accounting Standards and Interpretations) as published by the International Accounting Standards Board. These consolidated financial statements have been prepared under the historical cost conversion with the exception of fair value measurement of certain financial instruments.

This basis of accounting differs from that used in Group's statutory accounts ("Statutory Accounts") which are prepared in accordance with PRC Accounting Standards for Business Enterprises and the Accounting System for Business Enterprises. The adjustments made to conform the Statutory Accounts of the Group to IFRS are shown in Supplementary Information.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results could differ from those estimates.

(All amounts in RMB thousands unless otherwise stated)

2. ACCOUNTING POLICIES (Continued)

(b) Group accounting

(1) Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up or liabilities undertaken at the date of acquisition plus cost directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of net assets of the subsidiary acquired is recorded as goodwill. See Notes 2(g) for the accounting policy on goodwill.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Company.

The results of operations and net assets of certain subsidiary companies are not material to those of the Group; hence, they have been excluded from consolidation. Investments in subsidiaries that are excluded from consolidated financial statements are accounted for by the equity method.

(All amounts in RMB thousands unless otherwise stated)

2. ACCOUNTING POLICIES (Continued)

(b) Group accounting (Continued)

(1) Subsidiaries (Continued)

As of 31 December 2003, the consolidated financial statements include the financial statements of the Company and its subsidiaries as follows:

Name of consolidated subsidiary company	Place of registration	Principal activities	Registered capital (RMB'000)		Percentage of equity interest	
			2003	2002	Directly	Indirectly
Nanjing Weifu Jingning Company Limited. ("Nanjing Weifu")	Nanjing, PRC	Manufacture and sale of diesel engines, machinery, electronic products and automotive components.	256,000	256,000	80%	-
Wuxi Weifu Leader Catalytic Converter Company Limited ("Weifu Leader")	Wuxi, PRC	Manufacture and sale of catalytic converter, catalyzer and automotive components	260,000	30,000	94.81%	-
Jiangsu Weifu Nanometer Technology Company Limited ("Weifu Nanometer")	Wuxi, PRC	Manufacture and sale of nanometer material and products	30,000	30,000	80%	-

Name of unconsolidated subsidiary company	Place of registration	Principal activities	Registered capital (RMB'000)		Percentage of equity interest	
			2003	2002	Directly	Indirectly
Wuxi Weifu Mashan Fuel Injection Equipment Factory	Wuxi, PRC	Manufacture and sale of fuel injection equipment	12,237	12,237	72.78%	12.22%
Wuxi Weifu Chang'an Fuel Injection Co., Ltd.	Wuxi, PRC	Manufacture and sale of injection equipment for diesel	21,490	21,490	85%	-
Wuxi Weifu Jida New Material Development Co., Ltd.	Wuxi, PRC	Manufacture and development of metallic and non-metallic materials	5,000	5,000	70%	-

(2) Associates

Investments in associates are accounted for by the equity method of accounting. Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not to recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

2 ACCOUNTING POLICIES (Continued)

(c) Foreign currency translation

Items included in the consolidated financial statements of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Group. The consolidated financial statements are presented in RMB, which is the measurement currency of the Group. Transactions in other currencies are translated into Rmb at the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities denominated in other currencies at the consolidated balance sheet date are re-translated at exchange rates prevailing at that date. Non-monetary assets and liabilities in other currencies are translated at historical rates. Exchange differences arising from changes in exchange rates subsequent to the transaction dates are included in consolidated income statement.

(d) Leasehold land

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

(e) Property, plant and equipment and depreciation

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

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

Buildings	30-35 years
Machinery and equipment	10-16 years

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

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

(All amounts in RMB thousands unless otherwise stated)

2. ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment and depreciation (Continued)

When assets are sold or retired, their costs and accumulated depreciation and accumulated impairment losses are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated income statement.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

(f) Construction-in-progress

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

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

(g) Intangible assets

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

(1) Trademarks

Amounts paid for trademarks are capitalised and then amortised on a straight-line basis over the expected useful lives. The expected useful life is 30 years.

Trademarks are reviewed for impairment at each balance sheet date.

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

(All amounts in RMB thousands unless otherwise stated)

2 ACCOUNTING POLICIES (Continued)

(g) Intangible assets (Continued)

(2) Research and development costs

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

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

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

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

In the year ended 31 December 2003, there is no capitalized expenditure on development.

(All amounts in RMB thousands unless otherwise stated)

2 ACCOUNTING POLICIES (Continued)

(g) Intangible assets (Continued)

(3) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition, and is included in intangible assets.

Goodwill is amortized using the straight-line method over its estimated useful life of one to five years. Management determines the estimated useful life of goodwill based on its evaluation of the respective companies at the time of acquisition, considering factors such as existing market share, potential growth and other factors inherent in the acquired companies.

At each balance sheet date the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of goodwill is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

(h) Impairment of long lived assets

Property, plant and equipment and other non-current assets, including investments in associates and intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(i) Investments

The Group classified its investments in debt and equity securities into the following categories: trading, held-to-maturity and available-for-sale. The classification is dependent on the purpose for which the investments were acquired. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

(All amounts in RMB thousands unless otherwise stated)

2 ACCOUNTING POLICIES (Continued)

(i) Investments (Continued)

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets; for the purpose of these consolidated financial statements short term is defined as 3 months. Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within 12 months from the balance sheet date which are classified as current assets; during the period, the Group did not hold any investments in this category. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; and are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Cost of purchase includes transaction costs. Trading and available-for-sale investments are subsequently carried at fair value. For the available-for-sales investments that have a quoted market price in an active market, the fair value is based on quoted bid prices; for available-for-sale investments that does not have a quoted market price, but the fair value can be reliably determined, the fair value is constructed on the basis of the market price of the similar financial instrument or derived from cash flow models; for available-for-sales investments that the fair value can not be reliably determined, are carried at amortised cost, using the effective yield method, less accumulated impairment loss. Realised and unrealised gains and losses arising from changes in the fair value of trading and available-for-sale investments are included in the consolidated income statement in the period in which they arise.

(All amounts in RMB thousands unless otherwise stated)

2 ACCOUNTING POLICIES (Continued)

(j) Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(k) Inventories

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

(l) Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

(m) Cash and cash equivalents

For the purposes of the cash flow statement, cash represents cash on hand and deposits with banks, which can be withdrawn on demand. Cash equivalents represent short-term, highly liquid investments, which are readily convertible into known amounts of cash with original maturity period of three months or less and are subject to an insignificant risk of change in value.

2 ACCOUNTING POLICIES (Continued)

(n) Borrowings and borrowing costs

Borrowings are initially recognized at the proceeds received, net of transaction costs incurred. They are subsequently stated at amortised costs using the effective yield method; any difference between net proceeds and redemption value is recognized in the consolidated income statement over the period of the borrowings.

Borrowing costs include interest charges and other costs incurred in connection with arranging borrowings and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are expensed as incurred, except when they are directly attributable to the acquisition, construction or production of the property, plant and equipment that necessarily take a substantial period of time to get ready for its intended use in which case they are capitalized as part of the cost of that asset. Capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and the activities to prepare the asset for its intended use are in progress. Borrowing costs are capitalized at the weighted average cost of the related borrowings until the asset is ready for its intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

(o) Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(p) Pension scheme

Pursuant to the PRC laws and regulations, contributions to the basic old age insurance for the Group's local staff are made monthly to a government agency based on certain percentage of the standard salary set by the provincial government. The government agency is responsible for the pension liabilities relating to such staff on their retirement. The Group accounts for these defined contributions on an accrual basis.

The Group has no obligation for the payment of pension benefits beyond the contribution described above.

(All amounts in RMB thousands unless otherwise stated)

2 ACCOUNTING POLICIES (Continued)

(q) Government grants

Grants from the government are recognised in the consolidated balance sheet at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to the acquisition of property, plant and equipment are set off against their initial cost, resulting in being effectively credited to the consolidated income statement over the periods and in the proportions in which depreciation on these assets is charged.

(r) Provisions

A provision is recognized when, and only when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

When a provision is no longer probable that an outflow of resources embodying economic benefit will be required to settle the obligation, the provision will be reversed.

(s) Revenue recognition

Revenue comprises the invoiced value for the sales of goods net off rebates and discounts, and after eliminating sales within the Group.

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

(i) Sales of goods and raw materials

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

(All amounts in RMB thousands unless otherwise stated)

2 ACCOUNTING POLICIES (Continued)

(s) Revenue recognition (Continued)

(ii) Interest income

Interest income is recognized on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity.

(iii) Dividend income

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

(t) Dividends

Dividends are recorded in the Group's consolidated financial statements as liability in the period in which they are approved by the Group's shareholders.

(u) Segments

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in other economic environments.

The Group conduct the business within one business segment and the Group also operates within one geographical segment because its revenue are primarily generated in the PRC and its assets are located in the PRC.

(v) Subsequent events

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

(w) Contingencies

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

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

(All amounts in RMB thousands unless otherwise stated)

2. ACCOUNTING POLICIES (Continued)

(x) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors and financial risk management

The Group activities expose it to a variety of financial risks, including credit risk, liquidity risk, interest rate risk and foreign exchange risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

(1) Credit risks

The Group has no significant concentration of credit risk with any single counter party or group counter parties. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group has policies that deposits are put in reputable banks.

(2) Liquidity risks

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

(3) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant long-term interest-bearing assets. The Group policy is to maintain all its borrowings in fixed rate instruments. The interest rates of borrowings are disclosed in Note 20.

(4) Foreign exchange risk

The Group has no significant foreign exchange risk due to limited foreign currency transactions.

(All amounts in RMB thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Fair value estimation

(1) Cash and cash equivalent

The carrying amount of cash and cash equivalents approximated their fair value due to these financial instruments either carry a current rate of interest or have a short period of time between the origination of the cash deposits and their expected maturity.

(2) Trade and other receivables and payables

The carrying amount trade and other receivables and payables, which are all subject to normal trade credit terms, approximates their fair value.

(3) Due from and due to related parties

The carrying amount of due from and due to related parties, which are all subject to normal trade credit terms, approximates their fair value.

(4) Borrowings

As at 31 December 2003 the carrying amount of borrowings approximates their fair value as these borrowings bear quoted market interest rates.

(5) Available-for-sale investments

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

(All amounts in RMB thousands unless otherwise stated)

4 Sales

Sales comprised:

	2003	2002
Sales of goods	1,640,793	1,517,462
Less: surtaxes	(7,935)	(6,295)
Less: Cash discount on sales	(20,765)	(11,194)
	1,612,093	1,499,973
Other operating income - Dividend income	407	246

5 Finance costs

	2003	2002
Interest income		
- Bank deposits	4,458	6,999
- Loans to Weifu Group Company Limited (“WFGC”) (Note 27(c))	-	227
	4,458	7,226
Interest on		
- Bank loans	14,463	11,115
Less: amount capitalized in construction-in-progress	(2,516)	-
	11,947	11,115
	(7,489)	(3,889)

(All amounts in RMB thousands unless otherwise stated)

6 Profit from operation

The following items have been included in arriving at profit from operations:

	2003	2002
Depreciation on property, plant and equipment (Note 11)	61,328	45,992
Provide for impairment of property, plant and equipment (Note 11)	9,666	6,537
Loss on disposal of property plant and equipment (Note 26(c))	4,254	11,983
Amortisation of intangible assets		
- Goodwill (Note 12)	594	3,961
- Trademark (Note 12)	876	876
Amortisation of leasehold land (Note 10)	1,472	1,044
Research and development expenditures	28,641	40,248
Repairs and maintenance and overhaul costs of property, plant and equipment	26,536	16,235
Inventory		
- Cost of inventories recognized as expense	1,040,318	890,347
- Provision for inventory obsolescence	5,110	7,799
Impairment charge for bad and doubtful debts and written-off of uncollectable receivables	23,712	4,655
Staff costs		
- Salary and wages	117,472	109,552
- Staff and workers' bonus and welfare fund	16,309	19,892
- Contribution to statutory pension scheme	24,510	23,670
- Provision for housing fund	9,436	6,270

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

The relevant percentages are as follows:

	Percentage
Staff welfare fund	14%
Medical insurance fund(included in Staff welfare fund)	8%
Housing fund	8%~12%
Unemployment fund	2%
Statutory pension fund	21%-22%

(All amounts in RMB thousands unless otherwise stated)

7 Taxation

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

The Company and its subsidiaries are subject to VAT, which is charged on top of the selling price at a general rate of 17%. Input VAT from purchase of raw materials and other production materials can be netted off against ouput VAT from Sales. VAT payable or receivable is the net difference between periodic output and deductible input VAT.

(b) Enterprise Income Tax ("EIT")

(1) Income tax expense in the consolidated income statements comprised:

	2003	2002
Current tax	20,830	15,694
Share of tax of associates	6,307	155
Income tax expense	27,137	15,849

(2) The reconciliation of the applicable tax rate to the effective tax rate is as follows:

	2003	2002
Accounting profit before tax and minority interest	275,018	216,696
Tax calculated at the effective tax rate of 15% (2002: 15%)	41,253	32,504
Utilisation of tax losses of subsidiaries	(359)	-
Tax effect of expenses that are not deductible in determining taxable profit	5,053	8,245
Tax effect of income that are not taxable in determining taxable profit	(18,810)	(18,608)
Income tax exemption	-	(6,292)
	27,137	15,849

The Company, being a high-technology enterprise registered in Wuxi Hi-tech Industrial Development Zone, is subject to EIT at a reduced rate of 15%. Nanjing Weifu, being a high-technology company registered in Nanjing Hi-tech Development Zone is also subject to EIT at a reduced rate of 15%.

(All amounts in RMB thousands unless otherwise stated)

8 Earnings per share

Basic earnings per share is calculated by dividing the net profit by the weighted average number of ordinary shares in issue during the year.

	2003	2002
Net profit	239,557	197,646
Weighted average number of ordinary shares in issue	436,366,150	436,366,150
Basic earnings per share	0.55	0.45

The diluted earnings per share was not calculated, because no potential dilutive shares existed during the year.

9 Dividend per share

At the meeting of the board of directors dated 14th April, 2004, a dividend in respect of 2003 of RMB 0.2 per share amounting to a total dividend of RMB 87,273,230 was proposed (Note 30). These consolidated financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ended 31 December 2004.

The dividends declared in respect of 2002 and 2001 were RMB 87,273,230 and 87,273,230, respectively.

(All amounts in RMB thousands unless otherwise stated)

10 Leasehold land

	2003	2002
Cost		
Beginning of year	33,038	33,038
Additions	23,386	-
End of year	56,424	33,038
Accumulated amortisation		
Beginning of year	5,246	4,202
Charge for the year	1,472	1,044
End of year	6,718	5,246
Net book value		
End of year	49,706	27,792
Beginning of year	27,792	28,836

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

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

(All amounts in RMB thousands unless otherwise stated)

11 Property, plant and equipment

	2003			
	Buildings	Machinery and equipment	Construction-in-progress	Total
Cost				
Beginning of year	197,385	647,339	325,953	1,170,677
Additions	5,866	2,180	237,058	245,104
Purchase from WFGC (Note 27(c))	-	459	-	459
Disposals	(1,487)	(24,571)	(163,494)	(189,552)
Transfer	1,130	161,715	(162,845)	-
End of year	202,894	787,122	236,672	1,226,688
Accumulated depreciation				
Beginning of year	42,802	210,863	-	253,665
Charge for the year	5,521	55,807	-	61,328
Disposals	(36)	(14,608)	-	(14,644)
End of year	48,287	252,062	-	300,349
Impairment loss				
Beginning of year	-	11,104	2,407	13,511
Additions	-	9,666	-	9,666
Disposals	-	(433)	(2,407)	(2,840)
End of year	-	20,337	-	20,337
Net book value				
End of year	154,607	514,723	236,672	906,002
Beginning of year	154,583	425,372	323,546	903,501

For the year ended 31 December, 2003, borrowing cost capitalised as property, plant and equipment amounted to approximately Rmb 2,516,000 (2002: Nil), capitalisation rate is 5.49% per annum (2002: Nil).

(All amounts in RMB thousands unless otherwise stated)

11. Property, plant and equipment (Continued)

	2002			
	Buildings	Machinery and equipment	Construction-in-progress	Total
Cost				
Beginning of year	106,649	457,673	378,429	942,751
Additions	28,000	9,122	99,664	136,786
Purchase from WFGC (Note 27(c))	41,245	84,862	-	126,107
Acquisition of a subsidiary	5,740	8,338	2,735	16,813
Disposals	(6,595)	(45,185)	-	(51,780)
Transfer	22,346	132,529	(154,875)	-
End of year	197,385	647,339	325,953	1,170,677
Accumulated depreciation				
Beginning of year	29,048	164,510	-	193,558
Charge for the year	3,796	42,196	-	45,992
Purchase from WFGC (Note 27(c))	10,611	26,334	-	36,945
Acquisition of a subsidiary	550	2,746	-	3,296
Disposals	(1,203)	(24,923)	-	(26,126)
End of year	42,802	210,863	-	253,665
Impairment loss				
Beginning of year	-	8,072	-	8,072
Additions	-	4,130	2,407	6,537
Acquisition of a subsidiary	-	794	-	794
Disposals	-	(1,892)	-	(1,892)
End of year	-	11,104	2,407	13,511
Net book value				
End of year	154,583	425,372	323,546	903,501
Beginning of year	77,601	285,091	378,429	741,121

(All amounts in RMB thousands unless otherwise stated)

12 Intangible assets

	2003		
	Trademarks	Goodwill	Total
Cost			
Beginning of year	26,356	13,459	39,815
Additions	-	10,467	10,467
End of year	26,356	23,926	50,282
Accumulated amortization			
Beginning of year	3,577	12,865	16,442
Charge for the year	876	594	1,470
End of year	4,453	13,459	17,912
Net book value			
End of year	21,903	10,467	32,370
Beginning of year	22,779	594	23,373

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

In December 2003, the Company increased its investment in Weifu Leader with a total amount of RMB 230,000,000. After the capital injection , the Company held 94.81% equity interest in Weifu Leader. The excess of the cost of the investment over the fair value of the Company's share of the net assets of Weifu leader at the capital injection date amounted to RMB 10,467,374, which is recognised as goodwill and included in the consolidated financial statements.

(All amounts in RMB thousands unless otherwise stated)

12 Intangible assets (Continued)

	2002		
	Trademarks	Goodwill	Total
Cost			
Beginning of year	26,356	11,872	38,228
Additions	-	1,587	1,587
End of year	26,356	13,459	39,815
Accumulated amortization			
Beginning of year	2,701	8,904	11,605
Charge for the year	876	3,961	4,837
End of year	3,577	12,865	16,442
Net book value			
End of year	22,779	594	23,373
Beginning of year	23,655	2,968	26,623

(All amounts in RMB thousands unless otherwise stated)

13 Investments in associates

	2003	2002
Beginning of year	384,787	273,872
Addition in investments in associates	-	21,577
Share of results before tax	162,785	116,573
Share of tax of associates (Note 7(b))	(6,307)	(155)
Dividend received	(65,900)	(27,080)
End of year	475,365	384,787

As of 31 December 2003, the Group had the following associates:

Name	Place of registration	Principal activities	Carrying amount		Percentage of equity interest	
			31 Decembe 2003	31 December 2002	Directly	Indirectly
Wuxi Europe Asia Diesel Fuel Injection Co., Ltd. (" Wuxi Europe Asia")	Wuxi, PRC	Manufacture and sale of nozzles holders for diesel fuel injection	245,198	172,264	48%	-
Zhonglian Automobile Electronics Co., Ltd.	Shanghai, PRC	Manufacture and sale of automobile electronic equipment	227,862	210,467	20%	-
Wuxi Weifu Mechanism Manufacturing Co., Ltd. ("Weifu Mechanism Manufacturing")	Wuxi, PRC	Manufacture and sale of diesel fuel injection, automotive components	2,305	2,056	28.98%	-
			475,365	384,787		

There were no changes in the interests held in the associates in 2003 and 2002.

14 Investments in unconsolidated subsidiaries

	2003	2002
Beginning of the Year	37,826	26,157
Addition of investments in unconsolidated subsidiaries	-	7,306
Share of results	3,943	4,363
Disposals	-	-
End of year	41,769	37,826

(All amounts in RMB thousands unless otherwise stated)

14 Investments in unconsolidated subsidiaries (Continued)

As of 31 December 2003, the Group had the following unconsolidated subsidiaries:

Name	Place of registration	Principal activities	Carrying amount		Percentage of equity interest	
			31 Decmber 2003	31 December 2002	Directly	Indirectly
Wuxi Weifu Mashan Fuel Injection Equipment Factory	Wuxi, PRC	Manufacture and sale of fuel injection equipment	10,780	10,671	72.78%	12.22%
Wuxi Weifu Chang' an Fuel Injection Co., Ltd.	Wuxi, PRC	Manufacture and sale of injection equipment for diesel	28,546	23,815	85%	-
Wuxi Weifu Jida New Material Development Co., Ltd.	Wuxi, PRC	Manufacture and development of metallic and non-metallic materials	2,443	3,340	70%	-
			41,769	37,826		

15 Available-for-sale investments

	2003	2002
At beginning of year	57,686	48,911
Additions	-	13,855
Disposals	-	(5,080)
At end of year	57,686	57,686
Less: Impairment losses	(14,166)	(14,166)
	43,520	43,520

Available-for-sale investments were investments in unlisted legal person shares, including approximately RMB 45,750,000 (2002: RMB 45,750,000) of investments in financial institutions.

16 Inventories, net

	31 December 2003	31 December 2002
Raw materials	24,475	23,054
Work in progress	106,294	90,932
Finished goods	243,083	221,061
	373,852	335,047
Less: Provision for obsolescence	(19,007)	(13,897)
	354,845	321,150

(All amounts in RMB thousands unless otherwise stated)

17 Trade and other receivables, net

	31 December 2003	31 December 2002
Notes receivable	172,382	66,767
Accounts receivable	342,264	285,948
Other receivables	33,613	12,968
	548,259	365,683
Less: Provision for doubtful accounts	(56,339)	(38,896)
	491,920	326,787

18 Trade and other payables

	31 December 2003	31 December 2002
Notes payables	24,800	80,000
Trade payables	259,297	243,592
Other payables	49,047	33,622
	333,144	357,214

19 Accruals and other current liabilities

	31 December 2003	31 December 2002
Accrued expenses	3,537	3,326
Welfare payable	6,121	3,691
Advance from customer	3,198	5,496
Other levies payables	233	3,232
	13,089	15,745

(All amounts in RMB thousands unless otherwise stated)

20 Borrowings

(a) Short-term bank borrowings

	31 December 2003	31 December 2002
Unsecured bank borrowings	136,500	16,500
Secured bank borrowings	59,000	141,000
	195,500	157,500

Short-term bank borrowings bear interest at rates ranging from 4.536% to 5.040% (2002: 4.779% to 5.310%) per annum, of which RMB 59,000,000 were guaranteed by a related company – Weifu Group Co., Ltd.("WFGC") (2002: RMB 91,000,000 were guaranteed by WFGC and RMB 50,000,000 by a third party).

(b) Long-term bank borrowings

	31 December 2003	31 December 2002
Secured bank borrowings	160,000	-
Less: Amounts due within one year	-	-
	160,000	-

Long-term bank borrowings are guaranteed by WFGC and bear interest at rate 5.49% per annum. The long-term borrowings are repayable within the period from year 2005 to year 2006.

21 Long-term payables

	31 December 2003	31 December 2002
Deferred government grants (i)	30,658	12,660
Leasehold land payables (ii)	15,000	-
Long-term government borrowings	1,880	-
	47,538	12,660

(All amounts in RMB thousands unless otherwise stated)

21 Long-term payables (continued)

(i) Government grants represent funds received relating to acquisition and construction of property, plant and equipment as well as expenditures relating to certain research and development projects. The movement of government grants for the year ended 31 December 2003 were as follows:

	2003	2002
Beginning of year	12,660	-
Receipt during the year	28,740	12,660
Amount earned and recognized as income	(8,226)	-
Amount allocated to set off against initial costs of related construction-in-progress.	(2,516)	-
End of year	30,658	12,660

(ii) The Group acquired a leasehold land in Nanjing Hi-tech Development Zone at the cost of RMB 19,500,000, of which 15,000,000 will be repayable within the period from year 2005 to year 2007.

22 Ordinary shares

As of 31st December 2003 and 2002, the details of share capital (par value of RMB 1 each) were as follows:

	Number of shares		Amount	
	31 December 2003	31 December 2002	31 December 2003	31 December 2002
State-owned legal person shares	121,566,150	121,566,150	121,566	121,566
Legal person shares	10,400,000	10,400,000	10,400	10,400
Employee shares	24,000,000	24,000,000	24,000	24,000
A shares	192,000,000	192,000,000	192,000	192,000
B shares	88,400,000	88,400,000	88,400	88,400
	436,366,150	436,366,150	436,366	436,366

The B Shares rank pari passu in all respects with the A Shares.

(All amounts in RMB thousands unless otherwise stated)

23 Reserves

(a) Capital surplus

	31 December 2003	31 December 2002
Share premium	908,919	908,919
Other capital surplus	2,577	2,577
	911,496	911,496

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

(i) share premium arising from the issue of shares in excess of par value;
(ii) surpluses arising from revaluation of assets; and
(iii) Other items in accordance with the Company's articles of association and relevant regulations in the PRC.

Capital surplus can be utilised to offset prior years' losses or for the issuance of bonus shares.

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

(b) Statutory reserves

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

(All amounts in RMB thousands unless otherwise stated)

23 Reserves (Continued)

(c) Statutory public welfare fund

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

24 Retained earnings

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

As of 31 December 2003, the earnings available for distribution were RMB 512,005,000 (2002: RMB 401,207,000)

25 Minority interests

	2003	2002
Beginning of year	58,519	45,102
Acquisition of a subsidiary	-	2,227
Increase of minority interests arising from the capital increase of the subsidiary	10,467	-
Cash injection from minority shareholders	-	6,000
Share of net profit of subsidiaries	8,324	3,201
Increase in subsidiaries' capital surplus	-	1,989
End of year	77,310	58,519

(All amounts in RMB thousands unless otherwise stated)

26 Cash generated from operations

(a) Reconciliation from net profit to cash generated from operations:

	2003	2002
Net profit	239,557	197,646
Adjustments for:		
Minority interest	8,324	3,201
Income tax	27,137	15,849
Provision for doubtful debts and write-off of uncollectible accounts receivable	23,712	4,655
Provision for inventory obsolescence	5,110	7,799
Loss on disposal of property, plant and equipment	4,254	11,983
Depreciation of property, plant and equipment	61,328	45,992
Provision for impairment loss of property, plant and equipment	9,666	6,537
Amortization of intangible assets	1,470	4,837
Amortization of leasehold land	1,472	1,044
Government grants earned and recognized as income	(8,226)	-
Share of results of associates before tax	(162,785)	(116,573)
Income from unconsolidated subsidiaries	(3,943)	(4,363)
Income for trading investments	(6)	-
Provision for impairment loss of available-for-sale investments	-	12,133
Dividend income	(407)	(246)
Interest expense	11,947	11,115
Interest income	(4,458)	(7,226)
Changes in working capital (excluding the effects of acquisition of subsidiaries)	214,152	194,383
Increase in Inventories	(38,805)	(125,957)
Increase in trade and other receivables	(182,405)	(36,128)
Decrease (Increase) in prepayments	3,135	(8,049)
Decrease (Increase) in due from related parties	16,668	(51,088)
Increase (decrease) in trade and other payables	(30,081)	189,632
Increase (decrease) in due to related companies	54,908	(481)
Increase (decrease) taxes payable	6,284	(8,412)
Decrease in accrual and other current liabilities	(3,326)	(11,917)
Cash generated from operations	40,530	141,983

(All amounts in RMB thousands unless otherwise stated)

26 Cash generated from operations (Continued)

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

	31 December 2003	31 December 2002
Cash on hand	134	272
Bank deposits	487,123	347,893
	487,257	348,165
Trading investments with maturity within three months	-	28,000
Cash and cash equivalents	487,257	376,165

(c) Other information

Proceeds from sale of property, plant and equipment comprise

	2003	2002
Net book value	172,068	23,762
Less: Loss on sale of property plant and equipment	(4,254)	(11,983)
Increase in trade and other receivables	(6,428)	(10,824)
Increase in due from related parties	(24,000)	(211)
Decrease in trade and other payables	-	(530)
Proceeds from sale of property plant and equipment	137,386	214

(All amounts in RMB thousands unless otherwise stated)

27 Related party transactions

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

(a) Name of related companies and relationship

Name	Relationship
WFGC	Shareholder which owns a 27.86% equity share of the Company
Wuxi Europe Asia	Associated company
Zhonglian Automobile Electronics Company Limited	Associated company
Weifu Mechanism Manufacturing	Associated company

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

(1) Trademark licensing agreement

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

(2) Land use right leasing agreement

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

(All amounts in RMB thousands unless otherwise stated)

27 Related party transactions (Continued)

(c) Significant transactions with WFGC for the year ended 31 December 2003 are as follows:

Except as disclosed in Note 20, significant transactions with WFGC for the year ended 31 December, 2003 are as follows:

	2003	2002
Purchases of materials	1,125	83,305
Sales of products	163,630	182,800
Purchases of property, plant and equipment	459	89,162
Interest income		
- From the amounts due from WFGC, net	-	227
- Cash discount on material purchases	-	151
Processing expenses	-	4,181
Fees for use of land and trademark	4,063	3,914

(d) Significant transactions with other related companies for the year ended 31 December, 2003 are as follows:

	2003	2002
Purchase of materials from		
- Weifu Mechanism Manufacturing	62,046	22,749
- Wuxi Europe Asia	114,879	86,526
Sales of products to		
- Weifu Mechanism Manufacturing	18,002	7,495
- Wuxi Europe Asia	64,210	43,735

(All amounts in RMB thousands unless otherwise stated)

27 Related party transactions (Continued)

(e) Balances with related parties

	31 December 2003	31 December 2002
Due to related parties		
- WFGC	368	-
- Wuxi Europe Asia	9,196	16,688
	9,564	16,688
Due from related parties		
- WFGC	-	38,032
- Weifu Mechanism Manufacturing	1,165	17,833
	1,165	55,865

The amounts due to/from related companies arose from the above transactions and were unsecured, interest-free and had no fixed repayment terms.

28 Contingent liabilities

As of 31st December, 2003, the Group had no significant contingent liabilities.

29 Commitments

As of 31st December, 2003, the Group had the following significant commitments:

(a) Commitment to acquire property, plant and equipment amounting to approximately RMB 215,570,000 (2002: RMB 270,000,000);

(b) Commitment to invest approximately RMB 250,000,000 on the project of mechanical diesel fuel injection system;

(c) Commitment to increase its investment in Wuxi Europe Asia together with Robert Bosch GmbH, and the registered capital of Wuxi Europe Asia will increase from USD 30,200,000 to USD 200,000,000;

(d) Commitment to invest in Weifu Environmental Catalysts (Wuxi) Co.,Ltd. in an amount of approximately RMB 24,500,000.

(All amounts in RMB thousands unless otherwise stated)

30 Subsequent events

At the meeting of the board of directors dated 14 April 2004, a dividend in respect of 2003 of RMB 0.2 per share amounting to a total dividend of RMB 87,273,320 was proposed (Note 9).

31 Approval of financial statements

The consolidated financial statements were approved for issuance by the board of directors of the Company on 14 April, 2004.

WEIFU HIGH-TECHNOLOGY COMPANY LIMITED AND ITS SUBSIDIARIES
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2003

(All amounts in RMB thousands unless otherwise stated)

Impact of IFRS adjustments on profit after taxation and minority interests and net assets

	Net profit		Shareholders' equity	
	2003	2002	31 December 2003	31 December 2002
As reported in the statutory accounts	238,104	204,033	2,042,779	1,891,947
Adjustment for income from associates	1,453	(6,387)	3,765	2,313
As restated under IFRS	239,557	197,646	2,046,544	1,894,260