

**ANNOUNCEMENT  
OF  
2004 INTERIM RESULTS**

**WEIFU HIGH-TECHNOLOGY CO., LTD.**

**无锡威孚高科技股份有限公司**

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

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

## Section I. Important Notice

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

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

## Section II. Company Information

### I. Basic information

#### (I) Company Name:

Name in Chinese: 无锡威孚高科技股份有限公司

Name in English: WEIFU HIGH-TECHNOLOGY CO., LTD.

#### (II) Stock Listing and Trading: Shenzhen Stock Exchange

Short Form of the Stock: Weifu High-Tech, Su Weifu-B

Stock Code: 000581, 200581

#### (III) Registered Address: Plot 46, Wuxi National High-Tech Industrial Development Zone

Head Office: No.107, Renmin West Road, Wuxi, Jiangsu, China

Postal Code: 214031

The Company's Internet Website: [http://www. weifu.com.cn](http://www.weifu.com.cn)

E-Mail: [web@ weifu.com.cn](mailto:web@weifu.com.cn)

#### (IV) Legal Representative: Mr. Xu Liangfei

#### (V) Secretary of the Board: Mr. Liu Yonglin

Authorized Representative: Mr. Zhou Weixin and Mr. Gu Yiming

Mailing Address: No.107, Renmin West Road, Wuxi, Jiangsu, China

Tel.: 86-510-2719579

Fax: 86-510-2751025

E-Mail: [wfjt @ public1.wx.js.cn](mailto:wfjt @ public1.wx.js.cn)

#### (VI) Information Disclosure Media:

Securities Times, China Securities, Hong Kong Ta Kung Pao

Internet Website: <http://www.cninfo.com.cn>

Interim Announcement for reference: Securities Department of the Company

## II. Key Financial Data and Indexes

(I) Key accounting data and financial indexes

(Unit: RMB'000)

	At the end of this report period	At the period-end of last year	Increase/decrease at the end of this report period compared with the year-begin (%)
Current assets	1594994.35	1341781.15	18.87
Current Liability	972999.42	559121.33	74.02
Total assets	3443902.99	2886749.54	19.30
Shareholders' equity (excluding minority interests)	2085672.71	2042779.48	2.10
Net assets per share (RMB)	4.7796	4.6813	2.10
Net assets per share after adjustment (RMB)	4.7684	4.6761	1.97

	In the report period (Jan.-Jun. 2004)	At the same period of last year	Increase/decrease in this report period compared with the same period of last year (%)
Net profit	130166.45	110327.73	17.98
Net profit after deducting non-recurring gains and losses	131214.82	111599.92	17.58
Earnings per share (RMB)	0.2983	0.2528	18.00
Return on equity (%)	6.2410	5.7612	0.48
Net cash flow arising from operating activities	72163.59	12805.04	463.56

**Note:** Items of non-recurring gains and losses and amount involved: (Unit: RMB'000)

Non-operating income:	475.88
Income from disposal of fixed assets	371.71
Others	104.17
Non-operating expenses:	1696.63
Losses from disposal of fixed assets	1615.10
Other expenses	81.53
Sub-total of non-recurring gains and losses	-1220.75
Less: Impact on income tax due to non-recurring gains and losses	-182.20
Less: Impact on minority interests due to non-recurring gains and losses	9.81
Impact on the Company due to non-recurring gains and losses	-1048.36

(III) Difference in accounting statement prepared under CAS and IAS and explanation:

The Company's net profit calculated under Chinese Accounting System was RMB 130,166,450.

The Company's net profit calculated under International Accounting Standards was RMB 130,210,450. The difference is due to equity income of RMB 44,000 recognized based on equity.

(IV) In accordant with Regulations on the Information Disclosure of Companies Publicly Issuing Shares (No. 9) released by CSRC, the Company's return on equity and earnings per share as calculated based on net profit after deducting non-recurring gains and losses are as follows:

Unit: RMB'000

Items	Profit in the report period	Return on equity (%)		Earnings per share (RMB)	
		Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from main operation	240968.08	11.5535	11.6735	0.5522	0.5522
Operating profit	107791.31	5.1682	5.2219	0.2470	0.2470
Net profit	130166.45	6.2410	6.3058	0.2988	0.2983
Net profit after deducting non-recurring gains and losses	131214.81	6.2912	6.3566	0.3007	0.3007

### Section III. Share Capital and Shareholders

I. In the report period, the Company's share capital remained unchanged.

II. About shareholder

Unit: share

Total shareholders at the end of report period		49464			
Particulars about the top ten shareholders					
	Increase/decrease in the report period	Shares held at the period-end	Proportion (%)	Shares pledged or frozen	Classification
1. WUXI WEIFU GROUP COMPANY LIMITED	0	121566150	27.86	0	State-owned share
2. ROBERT BOSCH GMBH	0	14144000	3.24	Unknown	Foreign share
3. TONGQIAN SECURITIES INVESTMENT FUNDS	4320064	9018014	2.07	Unknown	A-share
4. GT PRC FUND	2199234	8494172	1.95	Unknown	B-share
5. RONGTONG NEW BLUE CHIP SECURITIES INVESTMENT FUNDS	2132042	7774390	1.78	Unknown	A-share
6. SHANGHAI BAO STEEL CHEMICAL CO.	1264764	7289264	1.67	Unknown	A-share
7. CHINA SOUTH STEADY GROWTH SECURITIES INVESTMETN FUND	5012830	6466372	1.48	Unknown	A-share
8. TIANYUAN SECURITIES	4027592	5634155	1.29	Unknown	A-share

INVESTMETN FUNDS					
9. YUYANG SECURITIES INVESTMETN FUNDS	261957	5525883	1.27	Unknown	A-share
10. YUYUAN SECURITIES INVESTMETN FUNDS	1259783	5200000	1.19	Unknown	A-share
Particulars about the top ten shareholders of circulation share					
Name of shareholder	Circulation shares held at the end of period		Type of share		
1. ROBERT BOSCH GMBH	14144000		B-share		
2. TONGQIAN SECURITIES INVESTMENT FUNDS	9018014		A-share		
3. GT PRC FUND	8494172		B-share		
4. RONGTONG NEW BLUE CHIP SECURITIES INVESTMENT FUNDS	7774390		A-share		
5. SHANGHAI BAO STEEL CHEMICAL CO.	7289264		A-share		
6. CHINA SOUTH STEADY GROWTH SECURITIES INVESTMETN FUND	6466372		A-share		
7. TIANYUAN SECURITIES INVESTMETN FUNDS	5634155		A-share		
8. YUYANG SECURITIES INVESTMETN FUNDS	5525883		A-share		
9. YUYUAN SECURITIES INVESTMETN FUNDS	5200000		A-share		
10. BOSCH WELL-CHOSEN STOCK SECURITIES INVESTMENT FUNDS	3581718		A-share		
Explanation on associated relationship or consistent actions among the above shareholders	Among the top ten shareholders, there exists no associated relationship between Wuxi Weifu Group Company Limited, the first largest shareholder of the Company, and other shareholders, and they do not belong to the consistent actionist regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Company. The Company was unknown whether there exists associated relationship among the other shareholders.				
Explanation on the appointed period of holding shares which strategic investor or general legal person participates in the allotment of new shares	Naught				

III. In the report period, the controlling shareholder of the Company remained unchanged.

## Section IV. Directors, Supervisors and Senior Management

I. About shares held by directors, supervisors and senior management of the Company  
 Shares held by directors, supervisors and senior management remained unchanged in the report period.

II. Change in the directors, supervisors and senior management

On Jan. 16, 2004, the Company held the 13<sup>th</sup> meeting of the 4<sup>th</sup> Board of Directors, the Meeting unanimously agreed to the proposal of General Manager Mr. Han Jiangming, and decided to engage Mr. Wang Yawei and Mr. Deng Xijiang as Chief Engineer and Assistant General Manager of the Company respectively.

On Jun. 15, 2004, the Company held the 2003 Annual Shareholders' General Meeting, the Meeting unanimously agreed that Mr. Deng Xijiang, original Supervisor of the 4<sup>th</sup> Supervisory Committee, resigned from the position of Supervisor of the Company because he was engaged as Assistant General Manager of the Company.

## Section V. Executive Statements

### Operation Review

At present, the Company remains principally engaged in the manufacturing and sales of fuel injection system of diesel engines for vehicles.

In the first half of the year, influenced by such disadvantageous factors as macro-control of the State and "Overfreight limitation" for automobiles etc., the automobile industry faced the situation that structural adjustment was sped up and growth speed of demand was becoming slow. Thus, the structural adjustment in oil pump industry was further sped up and the competition was much more intensified. Aiming at this situation, the Company fully pushed the structural adjustment of oil pumps and emphasized on developing Pump PW2000, Pump IW, Pump PL and Distributing Pump VE as accessories for heavy trucks and light trucks. Therefore, the Company has still kept a reasonable growth under the condition that the total demand volume in the industry had no obvious increase. In the first half year of 2004, the Company realized sales income and net profit amounting to RMB 945.7130 million and RMB 130.1665 million respectively, an increase of 13.47% and 17.98% over the same period of last year respectively.

Financial Survey		Unit: RMB'000		
Items	Jan.-Jun. 2004	Increase /Decrease (±%)	Jan.-Jun. 2003	Main reason for change
Main business revenue	945,713.03	13.47	833,473.62	Expansion of sales in main products, especially in Pump PW2000, Pump PL and Pump IW.
Main operating profit	240,968.08	7.85	223,437.29	Increment of sales income
Net profit	130,166.45	17.98	110,327.73	Increment of sales income, cost reduction and increase in investment earnings

Items	2004-06-30	Increase /Decrease (±%)	2003-12-31	Main reason for change
Total Assets	3,443,902.99	19.30	2,886,749.54	Increment in investments
Shareholders' Equity	2,085,672.71	2.10	2,042,779.48	Increase in net profit

### Financial Index

Unit: RMB'000

Items	Jan.-Jun. 2004	Increase /Decrease (±%)	Jan.-Jun. 2003	Main reason for change
Operating expenses	31647.61	-11.32	35686.85	Decrease in service expenses over the same period of last year
Management expenses	85564.58	-3.18	88346.47	Mainly decrease in consumption expenses.
Financial expenses	12114.11	-39.28	19940.18	Decrease in cash discount for goods sales

### Sales Composition

Unit: RMB'000

Categories of industry	Manufacture of other commercial accessories
Main business revenue	945,713.03
Increment over the previous period (±)	13.47
Main business cost	699,573.19
Increment over the previous period (±)	15.62
Profit Margin (%)	26.03
Increment over the previous period (±)	-5.02

Unit: RMB'000

Categories of product	Internal Combustion Engine Components	Catalytic Converter and Buffers
Main business revenue	905,580.95	40,132.08
Increment over the previous period (±)	11.21	109.59
Main business cost	671,178.74	28,394.45
Increment over the previous period (±)	13.82	84.39
Profit Margin (%)	25.88	29.25
Increment over the previous period (±)	-6.18	49.38



Categories of area	Main business revenue	Increment over the previous period (±)
1. Inside the province	318,874.20	56.90
2. Outside the province	626,838.90	—0.54

### Main Subsidiaries

Name	Wuxi Euro-Asia Diesel Fuel Injection Co.	Zhonglian Automobile Electronics Co.
The Company's Interests (%)	48	20
Business Scope (Main Product)	P series injectors and nozzles	Automobile Electronic Control System
Net Profit in the first half of 2004	45,022,000	104,940,000

### Investment

The fully cooperative plan between Germany Bosch Company and the Company has been approved by Ministry of Commerce of the People's Republic of China with SZP (2004) No. 876 Document. Wuxi Euro-Asia Diesel Fuel Injection Co., Ltd. was increased its investment and was restructured into a foreign-funded stock company. Its name was changed as "Bosch Auto Diesel System Co., Ltd." with registered capital amounting to USD 200 million. This company is formally registered at present, where the Company held 31.50% equity. Minus original investment to Euro-Asia Company and interests enjoyed in this company amounting to USD 24.673746 million, the Company totally invested USD 40.357545 million in the report period.

## Section VI. Significant Matters

### I. Administration of the Company

According to the requirement of the Company Law, Securities Law and laws and regulations promulgated by CSRC, the Company continuously consummated the administration structure and every systems of the Company, which basically complied with the relevant requirements of CSRC.

### II. Profit Distribution Proposal 2003 and Distribution Proposal Semi-2004

#### 1. Implementation of Profit Distribution Proposal 2003

2003 Shareholders' General Meeting of the Company held on Jun. 5, 2004 approved 2003 Profit Distribution Proposal 2003: distribute cash dividend to all shareholders at the rate of RMB 2(tax included) for 10 shares. At the beginning of August, dividends were estimated to be distributed.

2. Distribution Proposal Semi-2004 of the Company was: No distribution and no conversion of public reserve to share capital.

### III. Significant lawsuits and arbitrages

There were no significant lawsuits or arbitrages about the Company in the period or

carried down from the previous period.

#### IV. Significant purchase of assets, sale of assets and assets reorganization

In the report period, there was no significant purchase of assets, sale of assets or assets reorganization.

#### V. Significant related transactions

The related transactions between the Company and the first principal shareholder Wuxi Weifu Group Co., Ltd. in the first half of 2004

RMB'000

Items	In the first half of 2004	In the first half of 2003
Purchase of commodities	1,470	351
Sale of commodities	101,220	84,383
Expenses of using land and trademark	2,473	2,264

#### VI. Significant contracts and the implementation

1. In the report period, the Company had never kept as custodian, contracted or leased any other company's assets and vice versa.

2. In the report period, the Company provided current assets loan guarantee amounting to RMB 20 million for the controlling subsidiary Weifu Chanan Oil Pump & Mouth Co., Ltd.; Parent company provided guarantee amounting to RMB 80 million for consolidated controlling subsidiary Nanjing Weifu Jinning Co., Ltd..

3. In the report period, the Company had never entrusted others to manage cash management.

#### VII. Other significant events

The shareholders holding 5% shares of the Company existed no commitment in the period or carried down from the previous period.

#### VIII. Capital occupied by the controlling shareholder and subsidiaries

Dated the report period, the controlling shareholders and subsidiaries didn't occupy capital.

#### IX. Special explanation and independent opinions of external guarantee of the Company provided by independent directors:

In the report period, the Company can strictly implement the regulations of ZJF [2003] No. 56 Document. After we verified the relevant financial information of the Company, now the explanation of the external guarantee of the Company were as follows:

1. Dated the end of the report period, the Company didn't provide guarantee for controlling shareholders and other related parties, which the Company held less than 50% share equity, any non-legal units or individuals;

2. Dated the end of the report period, the amount of guarantee of the parent company for the controlling subsidiary was RMB 100 million;

3. Dated the end of the report period, the Company existed no guarantee out of line.

#### X. Index of other information and public notice

The public notice of the Company was published in Securities Times, China Securities and Ta Kung Pao. The disclosing Internet Website was <http://www.cninfo.com.cn>.

1. On Jan. 16, 2004, Public Notice on the Resolution of 13<sup>th</sup> Meeting of 4<sup>th</sup> Board was published. According to the proposal of General Manager Jiang Ming, Mr. Wang Yawei

was engaged as General Engineer of the Company and Mr. Deng Xijiang as Assistant to General Manager.

2. On Apr. 16, 2004, Public Notice on the Resolution of 14<sup>th</sup> Meeting of 4<sup>th</sup> Board, 2003 Annual Report Summary and 1<sup>st</sup> Quarterly Report of 2004 were published.

3. On May 11, 2004, Public Notice on the Resolution of 15<sup>th</sup> Meeting of 4<sup>th</sup> Board and Holding 2003 Shareholders' General Meeting were published.

4. On Jun. 16, 2004, Public Notice on the Resolution of 2003 Shareholders' General Meeting.

## Section VII. Financial Statement

I. The semi-2004 financial statements of the Company were not audited.

II. Financial statements

## BALANCE SHEET AS OF JUNE 30, 2004

Prepared by Weifu High-Technology Co., Ltd.

Unit: RMB

Assets	Note	Consolidated		Parent Company	
		2003.12.31	2004.6.30	2003.12.31	2004.6.30
<b>Current assets:</b>					
Capital in cash	4.4	487,256,922.04	487,931,282.22	240,010,619.08	311,350,555.68
Short-term investment		-	-	-	-
Notes receivable	4.5	172,382,661.23	180,296,982.46	141,676,208.23	139,390,140.53
Dividend receivable		-	-	-	-
Interest receivable	4.6	146,300.00	-	146,300.00	-
Accounts receivable	4.7	286,897,550.41	424,275,070.88	202,880,453.66	324,141,946.90
Other receivable	4.8	35,220,596.48	45,129,261.04	32,597,784.07	38,703,146.31
Prepayment		5,032,128.90	72,802,740.67	3,504,551.23	9,904,649.29
Subsidy receivable			-		-
Inventory	4.9	354,844,993.47	84,390,185.57	277,829,807.29	291,121,620.27
Charges to be amortized		-	168,830.77	-	168,830.77
Long-term bonds investment one year due			-		-
Other current assets			-		-
<b>Total current assets</b>		1,341,781,152.53	1,594,994,353.61	898,645,723.56	1,114,780,889.75
<b>Long-term investment:</b>					
Long-term equity investment	4.10	567,357,312.98	986,964,220.71	1,048,027,294.52	1,435,659,550.79
Long-term bonds investment		-	-	-	-
Long-term investment, total		567,357,312.98	986,964,220.71	1,048,027,294.52	1,435,659,550.79
<b>Fixed assets:</b>					
Original value of fixed assets	4.11	992,278,929.41	870,129,185.77	742,707,548.95	630,064,215.92
Less: Accumulated depreciation	4.11	293,827,904.99	264,130,134.14	197,507,522.86	164,745,877.83
Fixed assets, net		698,451,024.42	605,999,051.63	545,200,026.09	465,318,338.09
Less: provision for fixed assets devaluation	4.11	26,895,618.35	27,479,285.57	13,256,726.53	15,572,122.27
Fixed assets, net		671,555,406.07	578,519,766.06	531,943,299.56	449,746,215.82
Construction material			-		-
Construction-in-progress	4.12	238,043,810.36	216,567,811.80	224,748,245.11	182,997,480.10
Disposal of fixed assets		251,432.83	251,432.83		-
<b>Total fixed assets</b>		909,850,649.26	795,339,010.69	756,691,544.67	632,743,695.92
<b>Intangible and other assets</b>					
Intangible assets	4.13	67,760,424.63	66,605,412.13	3,506,614.39	3,463,741.49
Long-term expenses to be allocated			-		-
Other long-term assets			-		-

<b>Total intangible assets and other assets</b>		67,760,424.63	66,605,412.13	3,506,614.39	3,463,741.49
Deferred taxation:			-		-
Deferred taxation, credit			-		-
<b>Total assets</b>		2,886,749,539.40	3,443,902,997.14	2,706,871,177.14	3,186,647,877.95
Liability and owner's equity	Note	Consolidated		Parent Company	
		2003.12.31	2004.6.30	2003.12.31	2004.6.30
Current liabilities:					
Short-term borrowings	4.14	195,500,000.00	409,831,300.00	170,000,000.00	324,831,300.00
Notes payables	4.15	24,800,000.00	64,055,000.00	24,800,000.00	62,485,000.00
Accounts payables	4.16	259,297,031.57	319,227,491.05	208,930,560.97	266,019,741.94
Advance collection		3,198,298.35	2,693,723.29	1,644,878.91	1,871,342.63
Wages payables		-	-	-	-
Welfare fees payables		6,121,039.61	4,683,070.62	1,130,569.03	311,445.60
Dividends payables	4.17	416,000.00	87,481,230.00	416,000.00	87,481,230.00
Tax not paid yet	4.18	5,846,020.38	5,559,731.60	-62,506.52	30,441.53
Other accounts not paid yet		232,545.66	603,375.78	93,943.17	409,191.45
Other payables	4.19	60,173,452.11	64,733,369.29	65,982,308.52	61,447,764.13
Advance allocation		3,536,946.12	14,131,124.94	797,680.40	9,560,236.71
Liabilities estimated			-		-
Long-term debts one-year due			-		-
Other current liabilities			-		-
<b>Total current liabilities</b>		559,121,333.80	972,999,416.57	473,733,434.48	814,447,693.99
Long-term liabilities:					
Long-term borrowings	4.20	160,000,000.00	260,000,000.00	160,000,000.00	260,000,000.00
Bonds payables			-	-	-
Long-term payables	4.21	16,880,000.00	16,880,000.00	-	-
Special payables	4.22	30,658,262.00	26,827,478.88	30,358,262.00	26,527,478.88
Other long-term liabilities			-		-
<b>Total long-term liabilities</b>		207,538,262.00	303,707,478.88	190,358,262.00	286,527,478.88
Deferred taxation, debit					
<b>Total liabilities</b>		766,659,595.80	1,276,706,895.45	664,091,696.48	1,100,975,172.87
Minority Shareholders' equity		77,310,462.94	81,523,396.61		-
Shareholders' equity:					
Share capital	4.23	436,366,150.00	436,366,150.00	436,366,150.00	436,366,150.00
Capital reserve	4.24	911,495,850.36	911,495,850.36	911,495,850.36	911,495,850.36
Surplus reserve	4.25	182,912,018.01	182,912,018.01	178,089,154.47	178,089,154.47
Including: Public welfare		60,426,415.56	60,426,415.56	58,818,794.38	58,818,794.38

Retained profit	4.26	424,732,232.29	554,898,686.71	429,555,095.83	559,721,550.25
Distribution dividend planed		87,273,230.00		87,273,230.00	
<b>Total shareholders' equity</b>		2,042,779,480.66	2,085,672,705.08	2,042,779,480.66	2,085,672,705.08
<b>Total liability and shareholders' equity</b>		2,886,749,539.40	3,443,902,997.14	2,706,871,177.14	3,186,647,877.95

**STATEMENTS OF INCOME AND INCOME APPROPRIATION  
FOR THE FIRST HALF OF 2004**

Prepared by Weifu High-Technology Co., Ltd.

Unit: RMB

Items	Note	Consolidated		Unconsolidated	
		2004.1-6	2003.1-6	2004.1-6	2003.1-6
1. Sales Income		945,713,029.27	833,473,615.47	781,572,337.37	694,854,323.23
Less: Business costs	4.27	699,573,185.89	605,072,080.71	623,384,414.09	543,684,702.16
Business taxes and surtax		5,171,764.66	4,964,240.11	3,357,538.32	3,207,670.95
2. Main Business Profit	4.28	240,968,078.72	223,437,294.65	154,830,384.96	147,961,950.12
Plus: Other income		-3,850,462.38	1,219,401.93	-4,508,980.67	640,610.93
Less: Operating expenses		31,647,609.97	35,686,845.35	25,379,734.40	31,548,897.49
Administration expenses		85,564,584.33	88,346,467.54	33,068,333.46	37,869,081.28
Financial expenses		12,114,109.73	19,940,179.25	11,632,851.30	17,790,911.75
3. Operating Profit	4.29	107,791,312.31	80,683,204.44	80,240,485.13	61,393,670.53
Plus: Investment income		43,551,306.42	46,549,874.79	63,704,270.78	59,679,883.85
Subsidy income	4.30	-	-	-	-
Non-operating income		475,873.15	324,069.62	381,380.06	290,371.56
Less: Non-operating expenses	4.31	4,655,155.72	2,013,383.01	43,791.57	2,098,337.90
4. Total Profit	4.32	147,163,336.16	125,543,765.84	139,482,344.40	119,265,588.04
Less: Income tax		12,795,889.98	11,795,655.63	9,315,889.98	8,937,855.63
Minority interests		4,200,991.76	3,420,377.80	-	-
5. Profit, net		130,166,454.42	110,327,732.41	130,166,454.42	110,327,732.41
Plus: Retained profit at the year-beginning		424,732,232.29	313,933,738.35	429,555,095.83	314,439,565.24
Other transferring into		-	-	-	-
6. Distributable Profit		554,898,686.71	424,261,470.76	559,721,550.25	424,767,297.65
Less: Allocation of statutory surplus reserve				-	-
Allocation of statutory public welfare fund				-	-
Allocation of employee welfare and bounty				-	-
Allocation of reserve fund				-	-
Allocation of development fund of enterprise				-	-
Returning into investment from profit				-	-
7. Distributable Profit to shareholders		554,898,686.71	424,261,470.76	559,721,550.25	424,767,297.65
Less: Dividends distributed to preference shares				-	-
Allocation of any discretionary surplus reserve				-	-
Dividends distributed to common shares				-	-
Capitalized dividends				-	-
8. Retained profit		554,898,686.71	424,261,470.76	559,721,550.25	424,767,297.65

**SUPPLEMENTARY STATEMENT OF PROFIT AS OF JAN. –JUN. 2004**

Prepared by Weifu High-Technology Co., Ltd.

Profit in the report period	Return on equity (%)		Earnings per share (RMB/share)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from main operation	11.5535	11.6735	0.5522	0.5522
Operating profit	5.1682	5.2219	0.2470	0.2470
Net profit	6.2410	6.3058	0.2983	0.2983
Net profit after deducting non-recurring gains and losses	6.2912	6.3566	0.3007	0.3007

**Details of non-recurring gains and losses**

<b>Items</b>	<b>Unit: RMB Amount</b>
Non-operating income:	475,873.15
Income from disposal of fixed assets	371,707.15
Others	104,166.00
Non-operating expenses:	1,696,627.82
Losses from disposal of fixed assets	1,615,096.50
Other expenses	81,531.32
Donation expenses	-
Sub-total of non-recurring gains and losses	-1,220,754.67
Less: Impact on income tax due to non-recurring gains and losses	-182,203.42
Less: Impact on minority interests due to non-recurring gains and losses	9,814.67
Impact on the Company due to non-recurring gains and losses	-1,048,365.92



## STATEMENTS OF CASH FLOWS FOR THE FIRST HALF

Prepared by Weifu High-Technology Co., Ltd.

Unit: RMB

Items	Consolidated	Parent company
<b>I. Cash flows from operating activities</b>		
Cash gained on sales and service	872,480,327.16	734,726,558.98
Taxation return	-	-
Cash received from other operating activities	5,999,321.17	3,395,869.48
<b>Sub-total (cash gained on operations)</b>	878,479,648.33	738,122,428.46
Cash used for sales and service	590,114,410.81	516,956,845.67
Cash paid to/for employees	98,088,097.47	65,643,731.19
Tax paid	78,368,815.37	55,307,290.76
Cash used for other operating activities	39,744,731.16	21,571,262.97
<b>Sub-total (out flow of cash)</b>	806,316,054.81	659,479,130.59
<b>Net cash generated from operations</b>	72,163,593.52	78,643,297.87
<b>II. Cash flows from investing operating activities</b>	-	-
Investment return	-	-
Cash received from investment income	600,000.00	600,000.00
Disposal of fixed assets, intangible assets and other long-term assets	254,610.00	85,010.00
Cash received from other investing activities	-	-
<b>Sub-total (cash gained on investment)</b>	854,610.00	685,010.00
Purchase of fixed assets, intangible assets and other long-term assets	206,411,094.91	126,075,471.34
Cash paid for investment	167,267,641.03	124,886,361.63
Cash used in other investing activities	-	-
<b>Sub-total (out flow of cash)</b>	373,678,735.94	250,961,832.97
<b>Net cash generated from investing activities</b>	-372,824,125.94	-250,276,822.97
<b>III. Cash flows from financing activities</b>		
Cash received from absorbing investment	-	-
Cash from borrowings	511,831,300.00	424,831,300.00
Cash received from other financing activities	-	-
<b>Sub-total (cash gained on financing activities)</b>	511,831,300.00	424,831,300.00
Cash paid for liabilities	197,500,000.00	170,000,000.00
Cash paid for dividends or profit distributing, repayment of interest	12,736,407.40	11,857,838.30
Dividends paid	-	-
Cash used in other financing activities	-	-
<b>Sub-total (out flow of cash)</b>	210,236,407.40	181,857,838.30
<b>Net cash generated from financing activities</b>	301,594,892.60	242,973,461.70
<b>IV. Adjustment on foreign exchange</b>	-	-
<b>V. Net increase in cash /cash equivalent</b>	934,360.18	71,339,936.60

**NOTES TO THE STATEMENTS OF CASH FLOWS**  
**AS OF JAN.-JUN. 2004**

Prepared by Weifu High-Technology Co., Ltd.

Unit: RMB

Items	Consolidated	Parent company
1. Net profit subject to adjustment as cash flows		
Profit, net	130,166,454.42	130,166,454.42
Plus: Provision for fixed assets devaluation	-592,467.49	4,028,597.82
Fixed assets depreciation	37,736,031.96	31,062,533.24
Allocations of intangible assets	1,155,012.50	42,872.90
Allocations of long-term expenses to be allocated	-	-
Decrease of expenses to be allocated (less increase)	-168,830.77	-168,830.77
Increase of advance allocation expenses (less decrease)	10,294,178.82	8,762,556.31
Disposal of fixed, intangible and other long-term assets (less gains)	6,921,733.74	1,319,006.42
Losses from obsolete fixed assets	-	-
Financial expenses	11,938,727.00	11,060,157.90
Losses from investment (less gains)	-43,804,728.63	-63,957,692.99
Deferred taxation, credit (less debit)		-
Decrease of inventory (less increase)	-29,052,924.75	-13,291,812.98
Decrease of operating receivables (less increase)	-161,476,785.93	-125,866,192.28
Increase of operating payables (less decrease)	104,846,200.89	95,485,647.88
Other	-	
Losses/gains of minority interests	4,200,991.76	
<b>Net cash generated from operations</b>	<b>72,163,593.52</b>	<b>78,643,297.87</b>
2. Investment and financial activities not related to cash flows		
Capital transferred from debts	-	-
Convertible company bonds due within one year	-	-
Fixed assets leasing for financing		
3. Net increase in cash /cash equivalent		
Balance of cash at period-end	487,931,282.22	311,350,555.68
Less: Balance of cash at period-beginning	486,996,922.04	240,010,619.08
Add: Balance of cash equivalent at period-end	-	-
Less: Balance of cash equivalent at period-beginning	-	-
<b>Net increase in cash /cash equivalent</b>	<b>934,360.18</b>	<b>71,339,936.60</b>

**CHANGES IN SHAREHOLDERS EQUITY**  
**AS OF JAN.-JUN. 2004**

Prepared by Weifu High-Technology Co., Ltd.

Unit: RMB

Items	Balance at the begin of the period	Increase in this year	Decrease in this year			Balance at the end of the period
			Switching back due to assets price recovery	Switching out due to other reason	Total	
I. Total of provision for bad debts	56,338,945.28	1,837,121.31		-3,516,022.53	3,516,022.53	54,660,044.06
Including: Accounts receivable	55,366,723.20	1,835,266.12		-3,516,022.53	3,516,022.53	53,685,966.79
Other receivable	972,222.08	1,855.19		-	-	974,077.27
II. Total of provision for falling price of short-term investment	-	-		-	-	-
Including: Stock investment	-	-		-	-	-
Bond investment	-	-		-	-	-
III. Provision for falling price of inventory	19,007,227.85	703,879.01		-1,196,146.36	1,196,146.36	18,514,960.50
Including: Merchandise inventory	15,552,525.39				-	15,552,525.39
Work in process	2,072,565.95	703,879.01		1,196,146.36	1,196,146.36	1,580,298.60
Raw material	1,382,136.51				-	1,382,136.51
IV. Total of provision for devaluation of long-term investment	14,166,436.95				-	14,166,436.95
Including: Long-term equity investment	14,166,436.95				-	14,166,436.95
Long-term debts investment	-				-	-
V. Total of provision for devaluation of fixed assets	26,895,618.35	2,315,395.74		-1,731,728.52	1,731,728.52	27,479,285.57
Including: Building	-				-	-
Machinery and equipment	26,895,618.35	2,315,395.74		1,731,728.52	1,731,728.52	27,479,285.57
VI. Provision for devaluation of intangible assets	-				-	-
Including: Patent right	-				-	-
Trademark right	-				-	-
VII. Provision for devaluation of construction in progress	-				-	-
VIII. Provision for devaluation of commission loan	-				-	-
IX. Total	116,408,228.43	4,856,396.06		-6,443,897.41	6,443,897.41	114,820,727.08

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

## Notes to the Financial Statements

### *1. Company Profile*

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

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

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

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

In the mid-term of 1999, resolution for an interim dividend made by 3 bonus shares for every 10 shares was passed by the Board of Directors and shareholders’ meeting of the Company respectively. Accordingly, total share capital of the Company amounted to RMB 394,466,150, including RMB 120,166,150 for the State legal person, RMB 10,400,000 for the social legal persons, RMB 88,400,000 for the Company’s B shares investors, RMB 156,000,000 for A shares investors and RMB 19,500,000 for the Company’s employees.

In the year 2000, based on the total number of share capital of 303,435,500 shares upon A Shares Issue in June, 1998, the Company has offered a right issue for subscription at the price of RMB ¥10 per share among its all shareholders by allocating 3 shares for every 10 shares, totally 41,900,000 shares. As a result, the Company’s total share capital reached 436,366,150 shares, including 121,566,150 shares of the State legal person, 10,400,000 of social legal persons, 88,400,000 of B Shares, 216,000,000 of A Shares.

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

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

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

### 1) Accounting Period

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

### 2) Reporting Currency

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

### 3) Accounting Principle and Pricing Basis

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

### 4) Cash Equivalent

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

### 5) Foreign Currency Translation

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

### 6) Short-term Investment

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

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

At the end of the period, short-term investment shall be accounted for in accordance with the lower amount between the marketable price and the actual payment, and the Company shall make provisions for short-term investment devaluation in accordance with the differences in the case that the marketable price is lower than the actual payment. In the event of a recovery of the confirmed losses in value of the short-term investment occurred, it shall be restated on the basis of its booking value.

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

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

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

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

#### 8) Inventory

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

Stock materials are accounted for at the planned cost daily. The differences in cost in

each period shall be delivered to historical cost at the end of accounting period. Finished goods are stated at actual cost and calculated using the weighted average method.

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

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

#### 9) Long-term Investment

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

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

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

**Difference in equity investment:** Investment in equity is valued at the initial investment cost when it is accounted for under the equity method. Difference in equity investment refers to the difference between the initial investment cost and the owner's enjoyable equity in the investee company. The difference that the initial investment cost exceeds the owner's enjoyable equity in the investee company is

amortized according to the investment period if the investment period is stipulated in the contract; this period is not stipulated in the investment contract, the amortization period shall not exceed 10 years; the difference that the initial investment cost is lower than the owner's enjoyable equity is reckoned into capital reserve.

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

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

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

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

#### 10) Fixed Assets and Depreciation

The fixed assets refer to housing, buildings, machinery and equipment, means of transportation and other equipment, instrument and tools related to production and operation as well as other assets not in connection with production and operation with a unit value more than RMB 2,000 spanning over 2 years of useful life.

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



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

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

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

#### 11) Construction-in-progress

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

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

#### 12) Intangible Assets

**Valuation of intangible assets:** Intangible assets are valued at the actual cost at the time of acquisition, which shall be accounted for in the following ways: 1) based on the actual payments; 2) based on the value recognized by all investment parties; 3) based on the book value of claims receivables plus the related taxation payables where the intangible assets are acquired through accepting the debtor's material assets as an repayment of the debts, or converted from the claim receivables; 4) based on the book value of the assets exchanged for intangible assets plus the related taxation payables where the intangible assets are acquired through non-currency assets transactions; 5) based on the such expenses as registered charges, layer fees, etc. where the intangible assets are acquired through self-development and lawful

application.

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

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

Land use right (Wuxi Weifu Group Co.)	50 years
Land and trademark use right (Weifu Jinning, a controlling subsidiary)	30 years

At the end of the accounting period, the future profitability of various intangible assets shall be examined. Provision for intangible assets shall be made in the event the recoverable amount of the intangible assets is lower than its book value under the following circumstances: 1) the intangible assets has been replaced by other new technologies, which exposed an substantial negative impact on its profitability for the Company; 2) the intangible assets falling in marketable price dramatically in the accounting period was expected not able to recover its value during the remaining period for amortization; 3) the intangible assets has exceeded the effective period for lawful protection, but still partially being useful; 4).devaluation has occurred under other circumstances with plain evidences.

### 13) Long-term Expenses to Be Amortized

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

Provided that no economic return is expected in the accounting period ahead, the remaining value of long-term expenses to be amortized shall be treated as gains or

losses in the statement of income in the period.

#### 14) Revenue Recognition

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

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

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

#### 15) Income Taxation

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

#### 16) Principle of Consolidation

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

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

interests.

### **3. Taxation**

#### 1) Sales Tax

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

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

#### 2) Sales Tax Surplus

The Company was charged city construction tax and education expense surplus according to 7% and 1% of value-added tax and total operating tax payable respectively.

Except that Precision Image Plant (not enterprise legal person) of Weifu Jinning, a subsidiary of the Company, was charged city construction tax according to 5% of value-added tax and total operating tax payable, others were charged city construction tax and education expense surplus according to 7% and 4% of value-added tax and total operating tax payable respectively.

Jiangsu Weifu Nanometer Technologies Co. (hereinafter referred to as Weifu Nanometer) and Wuxi Weifu Lida Catalytic Convertors Co. (hereinafter referred to as Weifu Lida), subsidiaries of the Company, were charged city construction tax and education expense surplus according to 7% and 4% of value-added tax and total operating tax payable respectively.

#### 3) Enterprise Income Tax (“EIT”)

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

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

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

Ended June 30, 2004, particulars about controlling subsidiaries of the Company were as follows:

Name	Registered Address	Registered Capital	Equity Interest (%)	Main Business
Nanjing Weifu Jinning Co.	Nanjing	256,000,000	80.00	i.c.engine components
Weifu Mashan FIE Factory	Mashan District, Wuxi	12,237,000	72.78	i.c.engine components
Wixi Weifu Jida New Material Co.	Wuxi, National Higu-Tech Dev. Zone	5,000,000	70.00	Metal Nano-material
Weifu Changan Pump Factory	Xishan District, Wuxi	21,490,000	85.00	i.c.engine components
Jiangsu Nanometer Technologies Co.	Weifu Huishan District, Wuxi	30,000,000	80.00	Nanometer Materials
Wuxi Weifu Lida Catalytic Convertors Co.	Wuxi, National Higu-Tech Dev. Zone	260,000,000	94.81	Silencer, Catalytic converter

## 2. Change in consolidation scope of financial statement

Investee	2003	2004	Reason for change
Nanjing Weifu Jinning Co.	Yes	Yes	Unchanged
Weifu Mashan FIE Factory	No	No	Unchanged
Weifu Jida New Material Application and Development Co.	No	No	Unchanged
Weifu Chang'an Pump Factory	No	No	Unchanged
Jiangsu Weifu Nanometer Technologies Co.	Yes	Yes	Unchanged
Wuxi Weifu Lida Catalytic Convertors Co.	Yes	Yes	Unchanged

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

## 3. Cooperative company

Cooperative company is referred to the company whose operational activities are jointly controlled by the both investors or a few parties in accordance with the related

contract.

Notes To Main Consolidated Financial Statement

(Unless special explanation, the unit of the following items is RMB'000)

4. Cash capital

Items	Dec. 31, 2003	Jun. 30, 2004
Cash	134	116
Current deposit in bank	428,266	452,232
Fixed deposit in bank	58,661	
Other cash capital	196	35,583
<b>Total</b>	<b>487,257</b>	<b>487,931</b>

[Note 1] All categories of cash capital have no unsecured and frozen portion, which is limited to be converted to cash with potential risks of recoverable.

5. Note receivables

The Company has note receivables of RMB 180,296,982.46, all in the form of Bank Acceptance Draft with the expiration date before December 31, 2004.

6. Interest receivables

Interest receivables of RMB 666,725 at the period-begin are interests due from bank fixed deposit calculated based on the accrual method.

7. Account Receivables

	Dec. 31, 2003				
	Amount (RMB'000)	Proportion (%)	Provision for bad debts (RMB'000)	Proportion of provision (%)	Net amount (RMB'000)
within 1 year	295,951	86.47	17,510	5.92	278,441
between 1-2 years	8,889	2.60	3,941	44.34	4,948
between 2-3 years	8,943	2.61	7,005	78.33	1,938
between 3-4 years	10,976	3.21	9,728	88.63	1,248
between 4-5 years	3,435	1.00	3,112	90.60	323
Over 5 years	<u>14,070</u>	<u>4.11</u>	<u>14,070</u>	<u>100.00</u>	=
	<u>342,264</u>	<u>100.00</u>	<u>55,366</u>	<u>16.18</u>	<u>286,898</u>

	June 30, 2004				
	Amount (RMB'000)	Proportion (%)	Provision for bad debts (RMB'000)	Proportion of provision (%)	Net amount (RMB'000)
within 1 year	411,987	86.20	20,668	5.01	391,319

between 1-2 years	25,474	5.33	2,547	10.00	22,927
between 2-3 years	8,071	1.69	2,421	30.00	5,650
between 3-4 years	7,151	1.49	3,576	50.00	3,575
between 4-5 years	4,021	0.84	3,217	80.00	804
Over 5 years	<u>21,257</u>	<u>4.45</u>	<u>21,257</u>	<u>100.00</u>	=
	<u>477,961</u>	<u>100.00</u>	<u>53,686</u>	<u>11.23</u>	<u>424,275</u>

[Note 1] The outstanding amount of this account does not include debts owned by major shareholders possessing more than 5% (including 5%) of the Company's shares.

[Note 2] Provisions for bad debts have been made for the outstanding amounts of receivables according to the Company's financial policies. Accounts receivable of provision for bad debts in total is mainly accounts receivables over 5 years, and according to the relevant information of the client's actual financial situations and cash flows and the client's repayment status, the possibility of withdrawal for accounts receivable of these clients is small, thus, the said accounts receivable are fully appropriated based on wariness principle.

[Note 3] The top five outstanding amounts of accounts receivable amounted to RMB 201,320,185.54, accounting for 42.12% of the total.

[Note 4] The outstanding amount of accounts receivable does not include receivables owned by the related parties.

[Note 5] Accounts receivable of RMB 2,909,233.15 is write off in this year, which was that the Company confirmed the accounts receivable that was unable to be drew back certainly as bad debt losses with approval of the Board and then wrote off the provision for bad debts appropriated originally.

## 8. Other receivable

	Dec. 31, 2003				
	Amount (RMB'000)	Proportion (%)	Provision for bad debts (RMB'000)	Proportion of provision (%)	Net amount (RMB'000)
within 1 year	29,723	82.12	216	0.73	29,507
between 1-2 years	6,138	16.96	558	9.09	5,580
between 2-3 years	23	0.06	7	30.43	16
between 3-4 years	225	0.62	113	50.22	112
between 4-5 years	36	0.10	30	83.33	6
over 5 years	<u>48</u>	<u>0.14</u>	<u>48</u>	<u>100.00</u>	=
Total	<u>36,193</u>	<u>100.00</u>	<u>972</u>	<u>2.69</u>	<u>35,221</u>

Jun. 30, 2004

	Amount (RMB'000)	Proportion (%)	Provision for bad debts (RMB'000)	Proportion of provision (%)	Net amount (RMB'000)
within 1 year	40,943	88.80	312	0.77	40,631
between 1-2 years	4,955	10.75	496	10.00	4,459
between 2-3 years	50	0.11	15	30.00	35
between 3-4 years	6	0.02	4	50.00	2
between 4-5 years	9	0.02	7	-	2
over 5 years	<u>140</u>	<u>0.30</u>	<u>140</u>	<u>100.00</u>	-
Total	<u>46,103</u>	<u>100.00</u>	<u>974</u>	<u>0.49</u>	<u>45,129</u>

[Note 1] The outstanding amount of this account does not include debts owned by major shareholders possessing more than 5% (including 5%) of the Company's shares.

[Note 2] The majority of other receivables are due from subsidiaries and related companies as well as provision for employees. Therefore, no provision for bad debts is prepared.

[Note 3] Receivables owned by the related parties (see "note 6-6").

[Note 4] The top 5 other receivables of this account amounted to RMB 37943961.97, taking 82.30% of the total.

	Nature	Jun. 30, 2004
Weifu Chang'an FIE Co.	Sales of goods	26,353,395
4 universities including Nanjing University etc. [note 5]	Advance investment fund for	4,400,000
Wuxi Euro-Asia Diesel Injection	Sales of goods	3,613,431
Provision for employees		2,278,804
Weifu Mashan FIE Co.	Sales of goods	1,298,332

Arrears of RMB 2,400,000 from Nanjing University, Southeast University, Nanjing Science and Technology University and Nanjing Industrial University was that the Company paid the investment funds of RMB 600,000 instead of the above each universities when Weifu Nanometer Co. was jointly sponsored by the Company and the aforesaid four universities, which will be returned annually by using the dividends from Weifu Nanometer Co. according to the related agreement. RMB 2,000,000 owed by Jiangsu Province Technology & Science Center was the Company's advance money for.

## 9. Inventory

	Dec. 31, 2003		Jun. 30, 2004	
	Amount	Provision for inventory falling in price	Amount	Provision for inventory falling in price
Stock materials	26,770	1,382	47,141	1,382



Work-in-progress	105,451	2,073	107,039	1,580
Finished goods	241,631	15,552	248,725	15,553
Total	373,852	19,007	402,905	18,515

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

#### 10. Long-term equity investment

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

Name	Investment proportion (%)	Amount at the	Increase	Increase	Share	Increase	Amount at the
		period-begin	/decrease	/decrease	capital	/decrease	
		in investment	in equity	in equity	transferred	in equity	period-end
		in the period	in the period	in the period	from equity	total	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Weifu Mashan FIE Factory	72.78	10,780		91		2,669	10,871
Weifu Chang'an Pump Factory	85	28,546		1,050		9,449	29,596
Wixi Weifu Jida New Material Co.	70	2,443		-233		-1,290	2,210
Zhonglian Automobile Electronic Co.	20.03	223,535		20,988		124,399	244,523
Weifu Precision Manufacturing Co.	29	2,305	-	274		579	2,579
Weifu International Trade Co. [Note 1]	45		2,250				2,250
Weifu Environmental Protection Catalyst Co.	49		2,4500				24,500
Bosch Auto Diesel System Co., Ltd.	31.5		54,9108				549,108
Wuxi Euro-Asia Diesel Injection	48	245,760	-12,0681	21,610	94,394	52,295	52,295
		513,369	45,5177	43,780	94,394	188,101	917,932

[Note 1] In order to quicken the Company's development, build the flat of international trade, as discussed and decided by the Board of Directors, the Company jointly invested to establish Wuxi Weifu International Trade Co., Ltd. with Wuxi Weifu Group Co., Ltd. and Wuxi Weifu Lida Catalyst Cleaning Equipment Co., Ltd. ("Weifu Lida"). Registered capital of the said company is RMB 5 million, Weifu High Technology invest RMB 750,000, taking 15% of registered capital, while Wuxi

Weifu Lida Catalyst Cleaning Equipment Co., Ltd. invest RMB 1,500,000, taking 30% of registered capital.

[Note 2] In order to introduce the foreign catalyst technology, the Company established the joint venture company, namely Wuxi Weifu Environmental Protection Catalyst Co., Ltd. with total registered capital of RMB 50 million, of which, Weifu Lida invest RMB 24.5 million, taking 49% of registered capital. The investment way is: RMB 14,535,500 million in cash and RMB 9,964,500 of production and testing equipment of catalyst.

[Note 30] Bosch Auto Diesel System Co., Ltd., a foreign investment limited company, was changed from Wuxi Euro-Asia Diesel Injection through stock expansion. Registered capital of the said company after change is RMB 0.2 billion with par value of USD 1 per share. Of which, Weifu High Technology Co., Ltd. subscribed for 60,000,000 shares in total, taking 30% of registered capital; the way of subscription: based on the original investment amount of RMB 120,681,387.55 (converted into USD 14,496,000), the Company transferred the equity (converted into USD 10,177,746) before June 30, 2003 into registered capital, invested RMB 183,750,000 (converted into USD 22,200,072) of deliberation value after evaluation taking net value amounting to RMB 199,641,623.86 of practicality of fixed assets, and invest RMB 124,136,361.63 (equaled to USD 14,998,473) in cash. Nanjing Weifu Jinning Co., Ltd. subscribed for 3,000,000 shares with RMB 26,145,779.40 (equaled to USD 3,159,000), taking 1.5% of registered capital.

(2) Difference in long-term equity investment

	Amount at the period-begin	Increase in this period	Amortization in this period	Accumulated amortization	Amount at the period-end
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Weifu Lida [Note 1]	10,467		1,047	1,047	9,420
Bosch Auto Diesel System Co., Ltd. [Note 2]	-	15,892			15,892
	10,467	15,892	1,047	1,047	25,312

[Note 1] Difference in long-term equity investment of Weifu Lida: in view of the demand of market development, the Board of Directors of Weifu Lida decided to increase registered capital of RMB 230,000,000. As examined and approved by the Board of Directors and Shareholders' General Meeting of the Company, the Company exclusively increased investment amounting to RMB 230,000,000, made the Company's investment cost as at Dec. 31, 2003 is more than the corresponding share of owner's equity, the said difference occurred would be amortized with the straight-line method within five years since Jan. 1, 2004.

[Note 2] Difference in long-term equity investment of Bosch Auto Diesel System Co., Ltd. is balance between RMB 199,641,623.86 (net value of practicality of fixed assets) and RMB 183,750,000 (deliberation value after evaluation, equaled to USD 22,200,072), the said difference would be amortized with the straight-line method with five years since July 1, 2004.

(3) Other equity investment (long-term equity investment recognized under cost method)

Name	Investment proportion	Amount at the period-begin	Increase/Decrease in this period	Amount at the period-end
	%	RMB'000	RMB'000	RMB'000
Wuxi Guolian Securities Co.	1.20	12,000	-	12,000
Guangxi Liufa Co., Ltd.	1.22	1,600	-	1,600
Shanghai-Nanjing Expressway Communication Bank, Wuxi Branch	0.02	594	-	594
Changchai Group, Financing Co.	0.01	750	-	750
Chaoyang Diesel Engine Operating Co.	9.09	200	-	200
Hejun Initiative Investment Co.	16.93	33,000	-	33,000
Nanjing Hengtai Insurance Broker Co.	3.33	1,000	-	1,000
Beijing Xingrong Xinye Investment Consultant	11.11	100	-	100
Jiangsu Huifeng Insurance Agency Co.	10.00	500	-	500
Yangdong Co., Ltd.		2,356	-	2,356
Shangchai Yangdong Co., Ltd.		4,787		4,787
etc. [Note 1]				
Wuxi Shenglong Technology Co. [Note 2]	<u>20.00</u>		<u>200</u>	<u>200</u>
<b>Total</b>		<u>57,687</u>	<u>200</u>	<u>57,887</u>

[Note 1] Over 10 investee companies including Yangdong Co., Ltd. amounted to RMB 4,787,000, which were invested by Nanjing Weifu Jinning Co. Details of those companies will not be listed herein considering their smaller production scale.

[Note 2] Wuxi Shenglong Technology Co., Ltd. is invested by Weifu Lida in cash amounting to RMB 200,000, taking 20% of registered capital.

(4) Provision for devaluation of long-term investment

	Amount at the period-begin	Increase in this period	Decrease in this period	Amount at the period-end
	RMB'000	RMB'000	RMB'000	RMB'000
Hejun Initiative Investment Co. [Note 1]	11,000	-	-	11,000
Sanliang Industrial Co. etc. [Note 2]	<u>3,166</u>	=	=	<u>3,166</u>

[Note 1] Provision for devaluation of long-term investment for Hejun Initiative Investment Co. was prepared in accordance with its financial statements and auditor's report for fiscal 2002. The reflection from accounting statement of Hejun Initiative Investment Co., the Company's retractable amount of long-term investment is lower than book value, keep the unanimousness with year 2002, thus, the provision for devaluation is not adjusted.

[Note 2] Henan Province Gushi Sanliang Industrial Co. is invested by Nanjing Weifu Jinning Co.. In 2001, Sanliang Industrial Co. fully appropriated provision for devaluation amounting to RMB 2.03 million. Because of being unable to keep in touch with its investors, namely Pufa Machinery Industrial Co., Ltd., Nanjing Machinery Industry Foreign Trading Co. and Changjiang Economic Development Co. so, Sanliang Industrial Co. fully appropriated provision for devaluation in 2002. In 2004, the situation of the aforesaid companies remained unchanged, thus, the provision for devaluation is not adjusted.

#### 11. Fixed assets and accumulated depreciation

	Amount at the period-begin	Increase in this period	Decrease in this period	Amount at the period-end
	RMB'000	RMB'000	RMB'000	RMB'000
Original value of fixed assets				
Buildings	209,478	447	7	209,918
General Equipment	114,732	9,770	24,708	99,794
Special Equipment	540,688	152,678	241,332	452,034
Transportation Equipment	5,715	526	2	6,239
Other	<u>121,666</u>	<u>9,706</u>	<u>29,228</u>	<u>102,144</u>
	992,279	173,127	275,277	870,129
Accumulated depreciation of fixed assets				
Buildings	49,531	2,978	6	52,503

General Equipment	33,444	5,023	7,180	31,287
Special Equipment	172,588	23,460	52,469	143,579
Transportation Equipment	2,231	345	1	2,575
Other	<u>36,034</u>	<u>7,157</u>	<u>9,005</u>	<u>34,186</u>
	<u>293,828</u>	<u>38,963</u>	<u>68,661</u>	<u>264,130</u>
Devaluation of fixed assets depreciation	<u>26,896</u>	<u>2,315</u>	<u>1,732</u>	<u>27,479</u>
Net amount of fixed assets	<u>671,555</u>			<u>578,520</u>

[Note 1] Original value of fixed assets has increase by RMB 173,127,659.43, the major reason for increase in original value of fixed assets is due to construction-in-progress-transferring in amounting to RMB 166,372,949.91 and direct outsourcing.

[Note 2] Decrease of original value of fixed assets is mainly because the Company invested original value of fixed assets of RMB 2,477,403,757.15 and RMB 10,836,174.34 in Bosch Auto Diesel System Co., Ltd. and Wuxi Weifu Environmental Protection Catalyst Co. respectively, except for this, the rest was sale and rejection.

[Note 3] The above fixed assets were not used for mortgage or acquired through financing lease.

## 12. Construction-in-progress

	Amount at the period-begin	Increase in this period	Transferred to fixed assets	Decrease	Amount at the period-end
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
New Zone of South of Wuxi	8,340	28,400		12,904	23,836
PW pump 2000	95,989	46,350	42,037	34,545	65,757
2,000,000 sets of new type injectors	68,589	67,609	89,198	47,000	-
Delivery valve	-	1,121	-	-	1,121
Fuel-injection valve	6,599	889	7,488	-	-
Suzhou Bosch-transferring	-	55,021		546	54,475
Miscellaneous projects	58,527	87,773	27,650	47,271	71,379

	238,044	287,163	166,373	142,266	216,568
Provision for construction-in-progress falling in value	-	-	-	-	-
	238,044				216,568

[Note 1] Capital source of construction-in-progress: delivery valve, fuel-injection valve, Suzhou Bosch-transferring and miscellaneous projects are projects of self-raised funds, capital source of the other projects is national debt technology renovation special capital or raised funds.

[Note 2] No capitalized interests occurred during this reporting period.

### 13. Intangible assets

	Original Amount	Amount at the period-begin	Increase in this period	Amortization in this period	Amount at the period-end	Residual years for amortization
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Land use right (Wuxi Hi-tech)	4,308	3,506	-	43	3,463	40 years and 4 months
Land use right (Weifu Jinning)	28,752	23,242	-	479	22,763	23 years and 9 months
Hi-tech land use right (Weifu Jinning)	19,500	19,110	-	195	18,915	48 years and 6 months
Trademark use right (Weifu Jinning)	26,356	21,902	-	438	21,464	24 years and 5 months
	78,916	67,760	-	1,155	66,605	

[Notes] Hi-tech land use right (Weifu Jinning) is that Weifu Jinning acquired the land use right of 200,000 sq. m. located in Nanjing Hi-tech Technology Industrial Development Zone with total amount of RMB 19,500,000 according to the Contract on Acquiring State-owned Land Use Right signed with Nanjing Hi-tech Technology Economic Development Corp. in Dec. 2002. The aforesaid intangible assets were obtained by means of outsourcing.

### 14. Short-term loans

	Dec. 31, 2003	Jun. 30, 2004
	RMB'000	RMB'000
Guaranteed loan (RMB)	75,500	75,500
Credit loan (RMB)	120,000	214,831
	195,500	409,831

[Note] No short-term loans which have fallen due but not been repaid occurred in this account.

15. Notes payables

Balance of notes payables as at the end of June 2004 was RMB 64,055,000, which the Company opened bank acceptance draft, and it will fall due in July to Dec., 2004.

16. Accounts payables

[Note 1] The outstanding amount of this account does not include payables to major shareholders possessing more than 5% (including 5%) of the Company's shares.

[Note 2] Accounts payables overdue 3 years amounted to RMB 2,768,195.08, the other party does not demand settlement.

17. Dividend payables

	Dec. 31, 2003	Jun. 30, 2004
	RMB'000	RMB'000
Legal person shareholders	416	26,601
Public shareholders		60,880
<b>Total</b>	<b>416</b>	<b>87,481</b>

18. Tax payables

	Dec. 31, 2003	Jun. 30, 2004
VAT	172	535
Tax for maintaining and building cities	93	191
Income tax	5,506	4,728
Housing property tax	<u>75</u>	<u>106</u>
	<u>5,846</u>	<u>5,560</u>

[Note] In the report period, revenue policy of VAT, tax for maintaining and building cities and income tax performed referred to Note 3 Taxable.

19. Other payables

[Note 1] Outstanding amount of payables to major shareholders possessing over 5% (including 5%) of the Company's shares occurred in this account.

	Jun. 30, 2004
	RMB'000
Weifu Group	893,278

[Note 2] A large amount of other payables are listed as follows:

	Quality and content	Jun. 30, 2004
		RMB
Housing subsidy	Employee's housing subsidy	8200000

Enterprise insurance	Insurance payable	5675994
Endowment Insurance	Insurance payable	4488043
Weifu precision machinery	Sales of goods	4238161
Nanjing Steamship Engine Group Co., Ltd. (over 3 years)	Loan	4000000

Housing subsidy: Weifu Jinning appropriated employee's housing subsidy according to the resolution of the Board of Directors.

Enterprise insurance: According to implement plan of endowment insurance and employee save endowment insurance supplemented by the Company, the employees paid the endowment insurance based on 2% of the average monthly pay of last year from the next year when new employees entered the Company, the Company supplemented based on 1% of the average monthly pay of last year; the employees will receive once only when they retired.

Endowment insurance: employee endowment general funds should be paid but no paid.

Nanjing Steamship Engine Group Co., Ltd.: Weifu Jinning borrowed RMB 8,000,000 from Nanjing Steamship Engine Group Co., Ltd. in Aug. 1997, the both parties promised to amortize. Now, Weifu Jinning has repaid RMB 4,000,000.

## 20. Long-term loans

	Dec. 31, 2003	Jun. 30, 2004
	RMB'000	RMB'000
Guarantee loan (RMB)	160,000	260,000

[Note] The aforesaid loan was guaranteed by Weifu Group.

## 21. Long-term accounts payable

	Items	Jun. 30, 2004
		RMB'000
Nanjing Hi-tech Technology Development Corp. [Note 1]	Hi-tech land use right	15,000
Nanjing Finance Bureau [Note 2]	Financial supporting fund	1,880
		16,880

[Note 1] Long-term accounts payable of Nanjing Hi-tech Technology Development Corp. is that Weifu Jinning acquired the land use right of 200,000 sq. m. located in Nanjing Hi-tech Technology Industrial Development Zone with total amount of RMB 19,500,000. In accordance with the relevant agreement, Weifu Jinning repaid RMB 2,500,000 before 2003, repaid RMB 2,000,000 in 2004, and will repay RMB 15,000,000 from year 2005 to 2007.

[Note 2] To encourage Weifu Jinning to enter Nanjing New & High Technology Industry Development Zone, financial supporting capital is allotted by New & High branch of Finance Bureau of Nanjing for supporting use. Provided that the operation period in the zone is less than 10 years, financial supporting capital will be



reimbursed.

## 22. Special accounts payable

	2003-12-31	Increase in the period	Offsetting expenses	2004-06-30
	RMB'000	RMB'000	RMB'000	RMB'000
T-Bonds discount capital	30,358		6,131	24,227
Allotment from technology renovation of finance	300	2,300		2,600
	<u>30,658</u>	<u>2,300</u>	<u>6,131</u>	<u>26,827</u>

## 23. Share capital

	2003-12-31	Increase or decrease in the period	2004-06-30
	RMB'000	RMB'000	RMB'000
Non-circulating share capital			
- Share capital of the sponsor	121,566	-	121,566
- Raised legal person's shares	10,400	-	10,400
	<u>131,966</u>	<u>-</u>	<u>131,966</u>
Circulating share capital			
-Domestically listed foreign shares (B-share)	88,400	-	88,400
-Domestically listed ordinary shares (A-share)	216,000	-	216,000
	<u>304,400</u>	<u>-</u>	<u>304,400</u>
	<u>436,366</u>	<u>-</u>	<u>436,366</u>

## 24. Capital Reserve

	2003-12-31	Increase or decrease in the period	2004-06-30
	RMB'000	RMB'000	RMB'000
Capital premium [Note 1]	908,919	-	908,919
Other capital reserve [Note 2]	146	-	146

Equity investments reserve	2,431	-	2,431
	<u>911,496</u>	<u>-</u>	<u>911,496</u>

[Note 1] Capital premium refers to the part of exceeding share capital when the Company issues B-shares and A-shares;

[Note 2] Other capital reserve refers to the donation that the Company accepts non-cash assets. The assets have been coped with.

[Note 3] Equity investment reserve refers to the capital reserve of Weifu Lida confirmed by the Company according to the investment proportion.

#### 25. Surplus Public Reserve

	2003-12-31	Withdrawn in the period	2004-06-30
	RMB'000	RMB'000	RMB'000
Statutory surplus public reserve	120,702	-	120,702
Statutory public welfare reserve	60,426	-	60,426
Arbitrary surplus public reserve	1,784	-	1,784
	<u>182,912</u>	<u>-</u>	<u>182,912</u>

#### 26. Undistributed profit

	2003-12-31	2004-06-30
	RMB'000	RMB'000
Undistributed profit in the period beginning	313,934	424,732
Add: Net profit in the period	238,104	130,167
Profit available for distribution	552,038	554,899
Less: Statutory surplus public reserve withdrawn	26,689	-
Statutory public welfare reserve withdrawn	13,344	-
Dividends of ordinary shares	87,273	-
Undistributed profit in the period end	<u>424,732</u>	<u>554,899</u>

[Note] On Apr. 14, 2004, the 14<sup>th</sup> meeting of the 4<sup>th</sup> Board of the Company examined and approved Profit Distribution Preplan 2003. The Company withdraws statutory surplus public reserve and statutory public welfare reserve respectively according to 10% and 5% of the net profit of the year, and the Company will distribute cash dividend (tax included) to all shareholders at the rate of 2 RMB for 10 shares based on the profit available for distribution after withdrawing public reserve. On Jun. 5, 2004, the proposal was approved by 2003 Shareholders' General Meeting.

#### 27. Income from core business

The income from core business in the first half of 2004 increases RMB 12,239,413.80 compared with the same period of 2003, with an increase of 13.47%. The Company

belongs to the auxiliary enterprises of automobile industry. With the increase of sales in automobile industry, the sales of oil pump and oil mouth produced by the Company increases, and especially Weifu Lida increases RMB 20,974,957.71 compared with the same period, with an increase of 109.54%.

The total income of the top 5 customers of the income from core business is RMB 411,104,680.65, accounting for 43.47% of the total income from core business.

#### 28. Tax and associate charges

	Jan.-Jun., 2003	Jan.-Jun., 2004
	RMB'000	RMB'000
City maintenance and construction tax	3,917	4,083
Education associate charge	1,042	1,081
Business tax	5	7
	<u>4,964</u>	<u>5,171</u>

[Note] See the city maintenance and construction tax, education associate charge and taxes policies implemented in the report period, Please refer to the Note 3 Tax.

#### 29. Financial expenses

	Jan.-Jun., 2003	Jan.-Jun., 2004
	RMB'000	RMB'000
Loan interest expenses	5,495	11,904
Draft discount interest	2,851	3,430
Cash discount of sales	13,586	4,903
Commission expenses	113	46
Other expenses	-	1
Less: Bank deposit interest income [Note 1]	2,065	2,012
Repurchase of T-bonds	6	-
T-bonds discount		6131
Cash discount of purchase [Note 2]	34	27
	<u>19,940</u>	<u>12,114</u>

[Note 1] Interest income of bank deposit includes interest income of time deposit.

[Note 2] Cash discount of purchase refers to cash discount offered by the supplier of the raw materials of Weifu Lida because Weifu Lida pays the commodities in advance.

[Note 3] Financial expenses of the first half of 2004 decreases RMB 7,826,069.52

compared with the same period of 2003, with a decrease of 64.60%. The main decrease lies in cash discount of sales. The main reason of the decrease in cash discount of sales is that in 2004 the Company doesn't require the customers to pay for the commodities outside the credit period.

### 30. Investment income

	<u>Jan.-Jun., 2003</u>	<u>Jan.-Jun., 2004</u>
	RMB'000	RMB'000
Income of unconsolidated subsidiaries and affiliated companies	46783	43998
Other long-term equity investment income	360	6009
Balance of long-term equity investment [Note 1]	-593	-1047
	<u>46550</u>	<u>43551</u>

[Note 1] List of balance of long-term equity investment:

	<u>Jan.-Jun., 2003</u>	<u>Jan.-Jun., 2004</u>
	RMB'000	RMB'000
Weifu Jinning	-593	-
Weifu Lida	-	-1,047
	<u>-593</u>	<u>-1,047</u>

### 31. Non-operating income

	<u>Jan.-Jun., 2003</u>	<u>Jan.-Jun., 2004</u>
	RMB'000	RMB'000
Fix assets in liquidation	250	372
Accounts payable unable to be paid	2	5
Others	72	99
	<u>324</u>	<u>476</u>

### 32. Non-operating expenses

	<u>Jan.-Jun., 2003</u>	<u>Jan.-Jun., 2004</u>
	RMB'000	RMB'000
Adjustment fund of the market price	790	865
Loss of disposing fixed assets [Note 1]	922	1615

Impairment loss for the fixed assets	-95	2094
Expenses of donation [Note 2]	250	-
Others	146	81
	<u>2,013</u>	<u>4,655</u>

[Note 1] The loss of disposing fixed assets in the first half of 2004 mainly refers to the losses amounting to RMB 1615096.50 caused on selling and disposing the old equipments by the Company.

[Note 2] The expenses of donation in 2003 mainly refer to RMB 250,000 donated to Huocheng County of Xinjiang.

### 33. Cash received from other activities related to operating activities

	<u>Jan.-Jun., 2004</u>
	RMB'000
Subsidies of finance project received	2,550
Interest income from bank deposit	2,203
Other	1,246
	<u>5,999</u>

#### a) Cash paid for other activities related to operating activities

	<u>Jan.-Jun., 2004</u>
	RMB'000
Cash amount in administrative expenses	12,527
Cash amount in operating expenses	10,160
Cash amount in other accounts payable	4,544
Others	12,514
	<u>39,745</u>

### 13. Notes to the main items in the financial statements of the parent company

2003-12-31

	<u>Amount</u>	<u>Proportion (%)</u>	<u>Bad debts reserve</u>	<u>Reserve proportion</u>	<u>Net amount</u>
	RMB'000	%	RMB'000	%	RMB'000
In one year	211,988	89.30	13,252	6.25	198,736
1-2 years	3,933	1.66	1,674	42.56	2,259
2-3 years	6,009	2.53	4,918	81.84	1,091

3-4 years	9,602	4.04	8,901	92.70	701
4-5 years	1,617	0.68	1,524	94.25	93
Over 5 years	4,247	1.79	4,247	100.00	-
	<u>237,396</u>	<u>100.00</u>	<u>34,516</u>	<u>14.54</u>	<u>202,880</u>

2004-06-30

	Amount	Proportion (%)	Bad debts reserve	Reserve proportion	Net amount
	RMB'000	%	RMB'000	%	RMB'000
In one year	318,855	88.72	15,943	5.00	302,912
1-2 years	17,119	4.76	1,711	10.00	15,408
2-3 years	3,362	0.94	1,009	30.00	2,353
Over 3 years	20,039	5.58	16,570	82.69	3,469
	<u>359,375</u>	<u>100.00</u>	<u>35,233</u>	<u>9.80</u>	<u>324,142</u>

2. Other accounts receivable

	2003-12-31	2004-06-30
	RMB'000	RMB'000
In one year	28,638	34,743
1-2 years	4,400	4,400
	<u>33,038</u>	<u>39,143</u>
Less: bad debts reserve	440	440
	<u>32,598</u>	<u>38,703</u>

[Note] The balance of other accounts receivable of the Company in the end of June in 2004 mainly composes of payments receivable for goods of the subsidiaries and related parties, till money borrowed by employees, investment incurred for other shareholders of Weifu etc.. The Company withdraws 10% bad debts reserve amounting to RMB 440,000 for other accounts receivable of 1-2 years.

3. Long-term equity investment

	2004-06-30
	RMB'000
Consolidated subsidiaries [Note 1]	502,662
Unconsolidated subsidiaries and affiliated companies [Note 2]	865,786
Balance of long-term equity investment [Note 3]	25,312
Other long-term equity investment [Note 4]	52,900
Impairment loss for long-term investment [Note 5]	-11,000
	<u>1,435,660</u>

[Note 1] Consolidated subsidiaries

Name of the investee	Investment proportion	Amount in the period beginning	Increase/decrease investment amount in the period	Increase/decrease equity amount in the period	Accumulated increase/decrease equity	Amount in the period end
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Weifu Jinning	80%	236,952		15,881	74,193	252,833
Weifu Lida	94.81%	221,563	-	4,506	3992	226,069
Weifu Nanometer	80%	23,775		-15	-240	23,760
		482,290	-	20,372	77,945	502,662

[Note 2] Unconsolidated subsidiaries and affiliated companies

Name of the investee	Investment proportion	Amount in the period beginning	Increase/decrease investment amount in the period	Increase/decrease equity amount in the period	Equity converted into share capital	Accumulated increase/decrease equity	Amount in the period end
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Weifu Mashan	72.78%	10,78		5		2,66	10,87
Weifu Changan	85%	28,54		1,05		9,44	29,55
Weifu Jida	70%	2,44		-23		-1,25	2,21
Zhonglian Automobile Electronic Company Limited	20.03%	223,53		20,98		124,35	244,52
Wuxi Weifu Precise Machinery Manufacturing Co., Ltd.	29%	2,30		27		57	2,57
Wuxi Weifu International Trade Co., Ltd.	15%			75			75
Bosch Automobile Diesel Oil System Co., Ltd.	30%		522,96				522,96
Wuxi Euro-Asian Diesel Oil Spray Co., Ltd.	48%	245,76	-120,68	21,61	94,35	52,25	52,25
		513,36	403,03	43,78	94,39	188,10	865,78

[Note 3] Balance of long-term equity investment

	Amount in the period beginning	Increase in the period	Amortization in the period	Accumulated amortization	Amount in the period end
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Weifu Lida	10467		1047	1047	9420
Bosch Automobil Diesel Oil system Co., Ltd.	-	15892			15892
	<u>10467</u>	<u>15892</u>	<u>1047</u>	<u>1047</u>	<u>25312</u>

[Note 4] Other long-term equity investment (long-term equity investment accounted by cost method)

Name of investee	Investment proportion	Amount in the period beginning	Increase/decrease in the period	Amount in the period end
	%	RMB'000	RMB'000	RMB'000
Gulian Securities Co., Ltd.	1.20	12,000	-	12,000
Guangxi Liufa Co., Ltd.	1.22	1,600	-	1,600
Jiangsu Ninghu Express Way Co Ltd.	0.02	594	-	594
Wuxi Branch of Communicatio Bank	0.01	750	-	750
Finance Company of Changch Group		800	-	800
Zhaoyang Diesel Operating Co., Ltd	9.09	200	-	200
Hejun Venture Capital Co., Ltd.	16.93	33,000	-	33,000
Nanjing Hengtai Insurance Broker Co., Ltd.	3.33	1,000	-	1,000
Beijing Xinrong Industri Investment Consultant Company	11.11	100	-	100
Jiangsu Huifeng Insurance Agenc Co., Ltd.	10.00	500	-	500
Yangdong Co., Ltd.		2,356	-	2,356
		<u>52,900</u>	<u>-</u>	<u>52,900</u>

[Note 5] Impairment loss for long-term investment

	Amount in the period beginning	Increase in the period	Decrease in the period	Amount in the period end
	RMB'000	RMB'000	RMB'000	RMB'000
Hejun Venture Capital Co., Ltd.	11,000	-	-	11,000



#### 4. Investment income

	Jan.-Jun., 2003	Jan.-Jun., 2004
	RMB'000	RMB'000
Consolidated subsidiaries	14,055	20,371
Unconsolidated subsidiaries and affiliated companies	45,859	43,780
Other long-term equity investment income	360	600
Income of transferring equity and clearing	-	
Impairment loss for long-term investment	-	
Balance of long-term equity investment	-594	-1,047
	59,680	63,704

#### 14. The relationship of the related parties and transactions (Unit: RMB' 000)

##### 1. The related parties existing controlling relationship

Name of enterprise	Registered address	Core business	Relationship with the Company	Economic type	Legal representative
Weifu Group	Wuxi city	Machine processing	Parent Company	Wholly owned by the state	Xu Liangfei
Weifu Mashan	Mashan, Wuxi	i.c.engine components	Subsidiary	Company Limited	Xu Liangfei
Weifu Jida	Development District, Wuxi	Metal Nano-material	Subsidiary	Company Limited	Xu Liangfei
Weifu Changai	Changan, Xishan	i.c.engine components Silencer,	Subsidiary	Company Limited	Xu Liangfei
Weifu Lida	New District, Wuxi	Catalytic converter	Subsidiary	Company Limited	Xu Liangfei
Weifu Narometer	Huishan District, Wuxi	Nanometer Materials	Subsidiary	Company Limited	Xu Liangfei
Weifu Jingning	Nanjing Development District	Oil pump and oil mout	Subsidiary	Company Limited	Xu Liangfei

## 2. Registered capital of the related parties existing controlling relationship and the changes

Name of enterprise	Amount in the	Increase in the	Decrease in the	Amount in the
	period beginning	period	period	period end
	RMB'000	RMB'000	RMB'000	RMB'000
Weifu Group	134,830	-	-	134,830
Weifu Mashan	12,237	-	-	12,237
Weifu Jida	5,000	-	-	5,000
Weifu Changan	21,490	-	-	21,490
Weifu Lida	260,000	-	-	260,000
Weifu Narometer	30,000	-	-	30,000
Weifu Jingning	256,000	-	-	256,000

## 3. Share capital of the related parties existing controlling relationship and the changes

Name of enterprises	Amount in the period beginning		Increase in the period	Decrease in the period	Amount in the period end	
	Amount	%			Amount	%
	RMB'000		RMB'000	RMB'000	RMB'000	
Weifu Group	121,566	27.86	-	-	121,566	27.86
Weifu Mashan	8,906	72.78	-	-	8,906	72.78
Weifu Jida	3,500	70.00	-	-	3,500	70.00
Weifu Changan	18,267	85.00	-	-	18,267	85.00
Weifu Lida	246,500	94.81	-	-	246,500	94.81
Weifu Narometer	24,000	80.00	-	-	24,000	80.00
Weifu Jingning	204,800	80.00	-	-	204,800	80.00

## 4. Type of the related parties without existing controlling relationship

Name of enterprises	Relationship with the Company
Zhonglian Automobile Electronic Co., Ltd.	Affiliated company
Wuxi Euro-Asian Diesel Oil Spray Co., Ltd.	Affiliated company
Weifu Precise Machinery	Affiliated company
Wuxi Weifu International Trade Co., Ltd.	Affiliated company
Wuxi Weifu Environmental Catalyzer Co., Ltd.	Affiliated company

## 5. The transactions between the Company and the related parties

### (1) Purchase of commodities

Name of enterprises	Jan.-Jun., 2003	Jan.-Jun., 2004
	RMB'000	RMB'000
Weifu Group	351	1,470
Weifu Mashan	28,565	33,274
Weifu Changan	47,160	57,721
Wuxi Euro-Asian Diesel Oil Spray Co., Ltd.	62,965	57,496
Weifu Precise Machinery	34,392	48,307

(2) Sale of commodities

Name of enterprises	Jan.-Jun., 2003	Jan.-Jun., 2004
	RMB'000	RMB'000
Weifu Group	84,383	101,220
Weifu Mashan	6,033	7,114
Weifu Changan	3,804	5,706
Wuxi Euro-Asian Diesel Oil Spray Co., Ltd.	33,138	50,018
Weifu Precise Machinery	10,127	12,815

(3) Other transaction of the Company and Weifu Group

The following agreements with Weifu Group:

(a). The agreement of using trademark

The Company sells products using the trademark of Weifu Group, and pays 0.3% of the total sales amount for using trademark. The amount every year would be no less than RMB 1,200,000. The agreement takes effect from May 1, 1995 with the duration of 10 years.

(b). The leasing agreement of land using right

The Company paid leasing expenses for land using right because the Company rented the land of Weifu Group. The rent of the 1<sup>st</sup> year is RMB 327,285, afterwards increasing 10% every year. The agreement takes effect from Mar. 1, 1995 with the duration of 50 years.

The significant transactions of the company and Weifu Group in the first half of 2004 and the corresponding of 2003 are as follows:

	Jan.-Jun., 2003	Jan.-Jun., 2004
	RMB'000	RMB'000
Purchasing fixed assets	179	-
Selling fixed assets	-	-
Expenses for using land and trademark	2,264	2,473

The prices of related transactions between the Company and the related parties would be transacted according to the ordinary commercial price.

6. The Balance of accounts receivable and payable of the related parties

	2003-12-31	2004-06-30
	RMB'000	RMB'000
<b>Other accounts receivable:</b>		
Weifu Mashan	-	1,298
Weifu Changan	-	26,353
Weifu Precise Machinery	1,165	
Wuxi Euro-Asian Diesel Oil Spray Co., Ltd.		3,613
<b>Other accounts payable</b>		
Weifu group	368	893
Weifu Mashan	721	-
Weifu Changan	1,562	-
Weifu Jida	211	438
Weifu Precise Machinery		4,238
Wuxi Euro-Asian Diesel Oil Spray	9,196	

Note 7. Impact of IAS adjustments on net profit and net assets

	Net profits		Net assets	
	Jan. -Jun., 2003	Jan.-Jun., 2004	Dec.31, 2003	Jun.30, 2004
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts accounted according to Chinese Accounting System	110,328	130,166	2,042,779	2,085,673
Adjustment according to International Accounting Standards				
Investment income confirmed by using equity method	195	44	3,765	3,809
Amounts accounted according to International Accounting Standards	110,523	130,210	2,046,544	2,089,482

Note 8. Contingencies

Ended Jun.30, 2004, the Company provided loan guarantee for Weifu Changan amounted to RMB 20 million.

Note 9. Commitments

Note 10. Subsequent Non-adjustment Event on the Balance Sheet Date

1. On Aug. 6, 2003 profit distribution accomplished.
2. 2003 Cash distribution amounting to RMB 70 million from Zhonglian Automobile

Electronic Co., Ltd. has been received.

3. Ended Aug. 10, 2004, RMB 3.01 million in notes payable has been paid.

Note 11. Other Significant Event

There is no other significant event.

### Section VIII. Documents For Reference

1. Text of semi-annual report with the signature of Chairman of the Board;
2. Financial Statements signed and sealed by the Company's legal representative, principal treasurer and accountant;
3. All originals of released documents and announcements disclosed on China Securities, Securities Times and Ta Kung Pao in this reporting period;
4. Articles of Association of the Company.

**Chairman of the Board: Xu Liangfei**  
**Board of Directors of**  
**Weifu High-Technology Co., Ltd.**  
August 13, 2004