

# WEIFU HIGH-TECHNOLOGY CO., LTD.

## SUMMARY OF ANNUAL REPORT 2005

### §1 Important notice

1.1 Board of Directors and Supervisory Committee of Weifu High-Technology Co., Ltd. (hereinafter referred to as the Company) and its directors, supervisors and senior executives hereby confirm that there are no any important omissions, fictitious statements or serious misleading information carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents. The summary of annual report 2005 is abstracted from the annual report; the investors are suggested to read the full text of annual report to understand more details.

1.2 No director stated that they couldn't ensure the correctness, accuracy and completeness of the contents of the Annual Report or have objection for this report.

1.3 All directors of the Company attended meetings of the Board of Directors.

1.4 Domestic Jiangsu Gongzheng Certified Public Accountants and overseas PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. issued the standard unqualified Auditors' Report for the Company.

1.5 Mr. Xu Liangfei, legal representative of the Company, Mr. Han Jiangming, General Manager of the Company, and Ms. Sun Qingxian, Deputy General Manager as well as person in charge of Financing confirm that the Financial Report enclosed in the Annual Report 2005 is true and complete.

### §2 Company Profile

#### 2.1 General information

Short Form of the Stock:	Weifu High-Tech, Su Weifu-B
Stock Code:	000581, 200581
Stock Exchange Listed with:	Shenzhen Stock Exchange
Registered Address & Head Office:	Registered Address: Plot 46, Wuxi National High-Tech Industrial Development Zone Head Office: No.107, Renmin West Road, Wuxi
Postal Code	Postal Code of registered Address: 214028 Postal Code of head Office: 214031
Homepage:	<a href="http://www.weifu.com.cn">http://www.weifu.com.cn</a>
Company's E-Mail	web@weifu.com.cn

#### 2.2 Contact person and method:

	Secretary of the Board	Authorized Representative
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Name:	Zhou Weixin	Gu Yiming
Contact Address:	No.107, Renmin West Road, Wuxi	No.107, Renmin West Road, Wuxi
Tel:	(86) 510-2719579	(86) 510-2719579
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### §3 Summary of Accounting Data and Financial Indexes

#### 3.1 Major accounting data as of year 2005

Unit: RMB'000

Items	2005	2004	Increase/decrease over last year( % )	2003
Income from main operations	2,842,021	2,118,745	33.14%	1,640,793
Total profit	236,141	253,484	-6.84%	275,018
Net profit	183,379	227,287	-19.32%	239,557
Net cash flow from operating activities	-491,007	179,736	-373.18%	8,659
	<b>At the end of 2005</b>	<b>At the end of 2004</b>	<b>Increase/decrease from the end of previous year( % )</b>	<b>At the end of 2003</b>
Total assets	4,482,217	4,195,117	6.84%	2,888,951
Shareholder's equity (excluding minority interests)	2,326,301	2,186,558	6.39%	2,046,544

#### 3.2 Main financial indexes

Unit: RMB

Items	2005	2004	Increase/decrease over last year ( % )	2003
Earnings per share	0.32	0.52	-38.46%	0.55
Earnings per share (note)	0.32	-	-	-
Return on net assets	7.30%	10.39%	-3.09%	11.71%
Net cash flow per share arising from operating activities	-0.87	0.41	-312.20%	0.02
	<b>At the end of 2005</b>	<b>At the end of 2004</b>	<b>Increase/decrease from the end of previous year ( % )</b>	<b>At the end of 2003</b>
Net assets per share	4.10	5.01	-18.16%	4.69
Net assets per share after adjustment	4.10	5.01	-18.16%	4.69

Note: Earnings per share was calculated based on new share capital if share capital was changed from the end of the report period to disclosure date.

Items of non-recurring gains and losses

Applicable       Inapplicable

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

√ Applicable      □ Inapplicable

Unit: RMB'000

As reported in the statutory accounts	181,905
Adjustment on income/(loss) from associates	3,050
Reversal of amortisation of goodwill in accordance with IFRS 3	4,590
Amortisation of investment tax credit recognised as deferred income	647
Government grant not recognised as income	-6,785
Provision for deferred tax	5,421
Negative goodwill recognised in income statement	3,018
Unrealized profit result from purchase of goods from the unconsolidated subsidiaries	-6,461
Staff welfare fund appropriated	-615
Effect on minority interests as a result of the above adjustments	-1,391
As restated under IFRS	183,379

## §4 Changes in Share Capital and Particulars about Shareholders

### 4.1 Statement of change in share

Unit: share

	Before the change		Increase / decrease in this time (+, -)			After the change	
	Amount	proportion	Share offering	other	Subtotal	Amount	proportion
I. Unlisted shares	131,966,150	30.24%	39,589,845	0	39,589,845	171,555,995	30.24%
1. Sponsor's shares	121,566,150	27.86%	36,469,845	0	36,469,845	158,035,995	27.86%
Including: State-owned shares	121,566,150	27.86%	36,469,845	0	36,469,845	158,035,995	27.86%
Share held by domestic legal person	0	0.00%	0	0	0	0	0.00%
Share held by foreign legal person	0	0.00%	0	0	0	0	0.00%
Others	0	0.00%	0	0	0	0	0.00%
2. Raised legal person's shares	10,400,000	2.38%	3,120,000	0	3,120,000	13,520,000	2.38%
3. Inner employees' shares	0	0.00%	0	0	0	0	0.00%

4. Preference shares or others	0	0.00%	0	0	0	0	0.00%
II. Listed shares	304,400,000	69.76%	91,320,000	0	91,320,000	395,720,000	69.76%
1. RMB ordinary shares	215,921,900	49.48%	64,776,570	6,290	64,782,860	280,704,760	49.48%
2. Domestically listed foreign shares	88,400,000	20.26%	26,520,000	0	26,520,000	114,920,000	20.26%
3. Overseas listed foreign shares	0	0.00%	0	0	0	0	0.00%
4. Others	78,100	0.02%	23,430	-6,290	17,140	95,240	0.02%
III. Total shares	436,366,150	100.00%	130,909,845	0	130,909,845	567,275,995	100.00%

#### 4.2 Statement of shares held by the top ten shareholders and the top ten shareholders

Unit: share

Total number of shareholders	54821				
Particulars about shares held by the top ten shareholders					
Name of shareholders	Nature of shareholders	Proportion of shares held	Total number shares held	Non-circulating shares held	Pledged or frozen shares
WUXI WEIFU GROUP COMPANY LIMITED	State-owned shareholder	27.86%	158,035,995	158,035,995	
ROBERT BOSCH GMBH	Foreign shareholder	3.24%	18,387,200		
YINFENG SECURITIES INVESTMENT FUNDS	Other	1.96%	11,129,284		
FORTIS HAITONG INCOME INCREASE SECURITIES INVESTMENT FUNDS	Other	1.76%	10,000,000		
CMBSA RE FTIF TEMPLETON ASIAN GRW FD GTI 5496	Foreign shareholder	1.50%	8,508,087		
BOSHI SELECTED STOCKSECURITIES INVESTMENT FUNDS	Other	1.50%	8,489,687		
SYWG BNP PARIBAS SHENGLI SELECTED	Other	1.38%	7,827,461		

SECURITIES INVESTMENT FUNDS					
LION BALANCE SECURITIES INVESTMENT FUNDS	Other	1.25%	7,116,304		
YULONG SECURITIES INVESTMENT FUNDS	Other	1.00%	5,682,524		
BAO STEEL FINANCE CO., LTD	Other	1.00%	5,681,060		
Particulars about shares held the top ten shareholders of tradable shares					
Shareholders' name		Holding circulated shares		Type	
ROBERT BOSCH GMBH		158,035,995		Domestically listed foreign share	
YINFENG SECURITIES INVESTMENT FUNDS		11,129,284		RMB ordinary share	
FORTIS HAITONG INCOME INCREASE SECURITIES INVESTMENT FUNDS		10,000,000		RMB ordinary share	
CMBLSA RE FTIF TEMPLETON ASIAN GRW FD GTI 5496		8,508,087		Domestically listed foreign share	
BOSHI SELECTED STOCKSECURITIES INVESTMENT FUNDS		8,489,687		RMB ordinary share	
SYWG BNP PARIBAS SHENGLI SELECTED SECURITIES INVESTMENT FUNDS		7,827,461		RMB ordinary share	
LION BALANCE SECURITIES INVESTMENT FUNDS		7,116,304		RMB ordinary share	
YULONG SECURITIES INVESTMENT FUNDS		5,682,524		RMB ordinary share	
BAO STEEL FINANCE CO., LTD		5,681,060		RMB ordinary share	
HTHK/CMG FSGUFP-CMG FIRST STATE CHINA GROWTH FD		5,431,701		Domestically listed foreign share	
Explanations on associate relationship among the above shareholders		BOSHI SELECTED STOCKSECURITIES INVESTMENT FUNDS and YULONG SECURITIES INVESTMENT FUNDS belong to the same fund management company among the top ten shareholders.			

#### 4.3 Particulars about the holding shareholders and actual controller of the Company

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

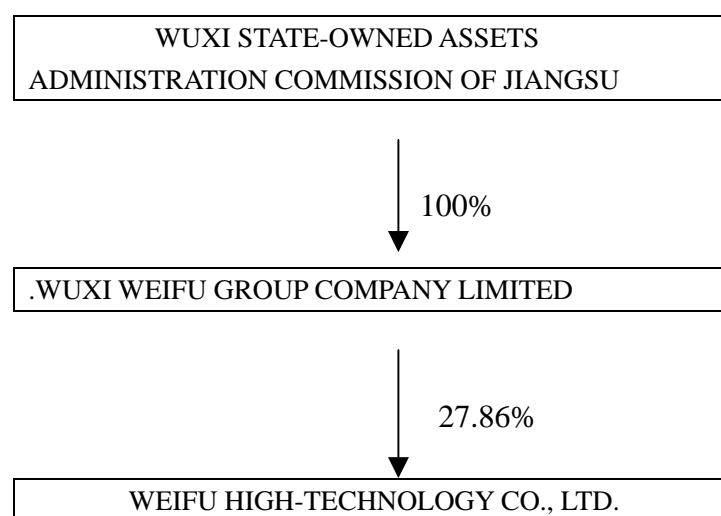
Applicable       Inapplicable

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

A shareholder who has the actual holding right to the Company is Wuxi Weifu Group Company Limited, as well as state-owned sole enterprise, whose legal

representative is Mr. Xu Liangfei. The said company was founded on Dec. 14, 1994, its registered capital was RMB 134,830,000, and it was mainly engaged in Processing and manufacturing of general machinery, instruments and meters, import and export. In the report period, the holding shareholder remained unchanged.

4.3.3 Property right and controlling relationship between the actual controller of the Company and the Company is as follow:



## §5 Director, Supervisor and Senior Executive

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

Name	Title	Sex	Age	Term office	Shares held at the year-begin	Share held at the year-end	Reason of change	Total remuneration drew from the Company in the report period (RMB'0000)	Draw the remuneration from other shareholder units or associates or not
Xu Liangfei	Chairman of the Board	Male	61	Jun.9, 2005-Jun. 8, 2008	12,800	16,640	Share offering	0.00	Yes
Han Jiangming	General Manager	Male	54	Jun.9, 2005-Jun. 8, 2008	12,800	16,640	Share offering	20.20	No
Wang Weiliang	Director	Male	40	Jun.9, 2005-Jun. 8, 2008	8,000	10,400	Share offering	0.00	Yes

Gao Guoyuan	Director	Male	51	Jun.9, 2005- Jun. 8, 2008	6,500	8,450	Share offering	0.00	Yes
Ge Songping	Director	Male	51	Jun.9, 2005- Jun. 8, 2008	0	20,900	Purchase-in	0.00	Yes
Shi Xingyuan	Director	Male	43	Jun.9, 2005- Jun. 8, 2008	2,000	2,600	Share offering	16.20	No
Chen Zhaolin	Director	Male	48	Jun.9, 2005- Jun. 8, 2008	0	0		0.00	Yes
Zhang Xiaoyu	Independent director	Male	61	Jun.9, 2005- Jun. 8, 2008	0	0		5.00	No
Ouyang Minggao	Independent director	Male	47	Jun.9, 2005- Jun. 8, 2008	0	0		5.00	No
Chen Qilong	Independent director	Male	55	Jun.9, 2005- Jun. 8, 2008	0	0		5.00	No
Chen Juchang	Independent director	Male	66	Jun.9, 2005- Jun. 8, 2008	0	0		5.00	No
Chen Xuejun	Chairman of the Supervisory Committee	Male	38	Jun.9, 2005- Jun. 8, 2008	2,000	2,600	Share offering	16.10	No
Li Guodong	Supervisor	Male	56	Jun.9, 2005- Jun. 8, 2008	0	0		0.00	Yes
Zhang Jiming	Supervisor	Male	36	Jun.9, 2005- Jun. 8, 2008	0	0		0.00	Yes
Ou Jianbin	Supervisor	Male	39	Jun.9, 2005- Jun. 8, 2008	0	500	Purchase-in	0.00	Yes
You Jianzhong	Supervisor	Male	38	Jun.9, 2005- Jun. 8, 2008	6,400	8,320	Share offering	4.70	No
Sun Qingxian	Deputy General Manager	Female	52	Jun.9, 2005- Jun. 8, 2008	0	0		16.30	No
Miao Yuming	Deputy General Manager	Male	42	Jun.9, 2005- Jun. 8, 2008	0	0		16.20	No
Wang Yawei	Deputy General Manager	Male	50	Jun.9, 2005- Jun. 8, 2008	0	0		16.80	No
Deng Xijiang	Deputy General Manager	Male	42	Jun.9, 2005- Jun. 8, 2008	4,800	6,240	Share offering	14.40	No
Zhou Weixing	Secretary of the Board	Male	42	Jun.9, 2005- Jun. 8, 2008	1,500	1,950	Share offering	9.50	No
Total	-	-	-	-	56,800	95,240	-	150.40	-

## §6 Report of the Board of Directors

### 6.1 Discussion and analysis of the operation

#### I. Discussion of the Board of Directors

##### 1. Review on operations in the report period

In 2005, influenced by various elements the state's macro regulations and control adjustment, rising petroleum price, tightening administration of overloading, etc., so structure adjustment of automotive industry was further enhanced. Heavy duty truck which takes diesel as power material fully entered adjustment period after experiencing high speed development in 2004 and dropped down to 38% compared with the same period of last year, which resulted in server challenge to production operation of the Company. In order to ensure the sustainable and steady development of the Company, the Board of Director carried out arrangement on time, adjusted products structure of the Company and reasonably allotted various production elements, overcame rising material price and short-term benefit pressure resulting from joint stock and cooperation so as to maintain comparatively steady of economic benefits of the Company.

##### 2. Particulars about core business and operations of the Company

The Company belongs to machinery manufacturer enterprise, mainly engaging in production and sales of diesel & fuel oil injection system products.

The Company realized income from core business and profit from core business respectively amounting to (RMB'000)2,842,021 and (RMB'000) 639,418 in the full year, increased by 34.14% and 35.08% respectively over last year, and realized net profit amounting to (RMB'000) 183,379and decreased by 19.32% over last year.

Income from core business increased by 34.14% was because subsidiary Wuxi Weifu Automotive Diesel System Co., Ltd in consolidated statement increased income from core business by RMB 736,537,900. Profit from core business increased by 29.86% was because Wuxi Weifu Automotive Diesel System Co., Ltd increased profit from core business realized in the full year. Net profit decreased by 22.62% was due to: ① rising price in raw material; ② Decrease of investment benefits, Bosch Automotive Diesel System Co., Ltd invested by the Company still under construction, the said company contributed investment benefits amounting to RMB 59,034,000 in 2004 and undertook investment losses amounting to RMB 35.1 million.

##### (I) Main operations classified according to products

Unit: RMB'0000

Items	Income from main operations	Cost of main operations	Gross profit ratio (%)	Increase/decrease in income from main operations over the last year (%)	Increase/decrease in cost of main operations over the last year (%)	Increase/decrease in gross profit ratio over the last year (%)
Fittings and accessories of internal combustion engine	266,587.39	206,322.39	22.61	32.33	33.26	-0.54
Catalyst and muffler	12,507.66	9,990.37	20.13	65.57	78.98	-5.98

##### (II) Formation of main operations and its market share

Unit: RMB'0000



Categories	Income from main operations	Market share (%)	Place in the industry
PS 7100	86,002.17	50.35	No. 1
PW 2000	22,262.76		No. 1
PW pump	15,871.13	47.84	No. 1
VE pump	49,706.58	100	No. 1
A pump	16,218.58	54.65	No. 1
I pump (including PL, IW and PM pump)	25,611.89	41.80	No. 2
Single plunger pump	5,695.68	27.59	No. 2
Injector	23,399.98	22.93	No. 1
Precision pump parts	18,603.57	31.09	No. 1

*Data Source: Statistics Association of China's Machinery Industry, Fuel Injection Sub-branch (2005)*  
Statistical Data Collection in Fuel Injection Equipment Industry

### (III) Main suppliers and customers

Unit: RMB'000

The total purchase amount from the top five suppliers	1,257,233	Accounting for total purchase amount %	55.61
The total sales amount to the top five customers	1,376,427	Accounting for total sales amount %	49.32

### 3. Explanation on assets composition and material change in items of profit statement in the report period

(1) Account receivable: amount at period-end amounting to (RMB'000) 765,952 increased 178,654 over period-begin, mainly because subsidiary Wuxi Weifu Automotive Diesel System Co., Ltd in consolidated statement increased account receivable with sales income in 2005.

(2) Account pay in advance: amount at period-end amounting to (RMB'000) 10,217 decreased 22,275 over period-begin, mainly because technological reform transferred into construction in progress after it finished.

(3) Construction in progress: amount at period-end amounting to (RMB'000) 68,878 decreased 35,402 over period-begin, mainly because technological reform transferred into fixed assets after it finished.

(4) Short-term loans: amount at period-end amounting to (RMB'000) 1,088,914 increased 536,084 over period-begin, mainly because Wuxi Weifu Automotive Diesel System Co., Ltd increased capital demands with business expansion.

(5) Account payable: amount at period-end amounting to (RMB'000) 304,473 decreased 534,793 over period-begin, mainly because subsidiary Wuxi Weifu Automotive Diesel System Co., Ltd in consolidated statement paid loans to Germany Bosch Corporation in time in 2005.

(6) Long-term liability within one year: amount at period-end amounting to RMB 145 million increased

RMB110 million over period-begin, mainly because parent company paid off the long-term loans within one year in the report period.

(7) Cost from main operation: amounting to (RMB'000) 2,202,603 increased (RMB'000) 557,220 over the same period of last year, mainly due to increase of income from main operation.

(8) Operation expenses: amounting to (RMB'000) 85,140 increased (RMB'000) 4,869 over the same period of last year, mainly due to subsidiary Wuxi Weifu Automotive Diesel System Co., Ltd in consolidated statement.

(9) Administration expenses: amounting to (RMB'000) 248,832 increased (RMB'000) 60,221 over the same period of last year, mainly due to subsidiary Wuxi Weifu Automotive Diesel System Co., Ltd in consolidated statement and Nanjing Weifu Jinning Co., Ltd.

(10) Financial expenses: amounting to (RMB'000) 63,851 increased (RMB'000) 32,595 over the same period of last year, mainly due to increase of liability of consolidated basis.

#### 4. Material change in cash flow composition in the report period

(1) Net cash flow rising from operation activities: amounting to (RMB'000) -491,007 but amounted to (RMB'000) 179,736 in last year. Mainly because huge change occurred in diesel automobile market so as to influence the market of fuel injection system products, account receivable increased (RMB'000) 178,654 over the same period of last year in the report period as well account payable decreased (RMB'000) 534,793 over the same period of last year.

(2) Net cash flow rising from investment activities: amounting to (RMB'000) -110,204 but amounted to (RMB'000) -327,421 in last year. Mainly due to decrease of fixed assets investment in the report period.

(3) Net cash flow rising from finance activities: amounting to (RMB'000) 460,770, but amounted to (RMB'000) 443,590 in last year. Mainly due to return partial loans of bank

#### 5. Utilization of equipments, obtain of orders, sales or backlog of products and change of technology personnel

(1) In the report period, production equipments worked well and operating factor of main equipments was up to 95%.

(2) In the report period, the products inventory of the Company increased (RMB'000) 50,091 at period-begin.

(3) In the report period, technology personnel of the Company remain unchanged.

#### 6. Main operation of holding company and joint stock company

(1) Nanjing Weifu Jinning Co.,Ltd., whose 80% equity was held by the Company, was mainly engaged in the production of diesel and fuel injecting system products (the core product was VE distribution pump) with its registered capital amounting to RMB 256 million. At the end of year 2005 its total assets amounted to RMB 25,600 ten thousand and its net profit was RMB 2,816.07 ten thousand in 2005.

(2) Wuxi Weifu Lida Catalytic Converter Co., Ltd, whose 94.81% equity was held by the Company, was mainly engaged in the production of such products as cleaners and mufflers of tail gas etc. with registered capital amounting to RMB 260 million. At the end of 2005, its total assets amounted to RMB 28,095.64 ten thousand and its net profit was RMB 153.23 ten thousand in 2005.

(3) Bosch Automobile Diesel System Co., Ltd., whose 31.5% equity was held by the Company, It was mainly engaged in the production of electrical control diesel oil system series, and P and S series injectors and nozzles with registered capital amounting to USD 200 million, total capital amounting to RMB 226,832.84 ten thousand at the end of 2005, and it realized net profit amounting to -11,054.50 ten thousand in 2005.

(4) Zhonglian Automobile Electronics Co., whose 20% equity was held by the Company, was mainly

engaged in the production of automobile electronic control system products with registered capital amounting to RMB 600.62 million. Total capital amounted to RMB 108,042.43 ten thousand at the end of 2005 and its net profit was RMB 27,929.08 ten thousand in 2005.

(5) Wuxi Weifu Automotive Diesel System Co., Ltd., whose 70% equity was held by the Company, was mainly engaged in the production of fuel spray series products, with registered capital amounting to RMB 200 million. At the end of 2005, its total assets amounted to RMB 103,162.71 ten thousand and its net profit was RMB 12,035.33 ten thousand in 2005.

## (II) Outlook on future development of the Company

### 1. Analysis on industry trends

The Company belongs to machinery manufacturer enterprise, its products fuel injection system is core part of diesel automotive engine, is typical technology-intensive and capital-intensive industry. At present, comprehensive market share of products of the Company accounting for 50% or so. With gradually strict of the state's emission regulations and real demand of energy saving, bring out new opportunity for development of the Company. Due to existing in the upgrading stage of industry technology platform, the said industry still remains turning point of development.

### 2. Future developing strategy of the Company

According to arrangement of implementation of the state's emission regulations and real demand of energy saving, it estimated that China would performance nation's No.III Emission Regulation in 2007. The Company started to fully cooperate with German Bosch in order to meeting implementation of the nation's No.III Emission Regulation and demand of energy saving in 2004, so as to establish joint stock enterprise, to produce products satisfying the nation's No.III Emission Regulation or above, at present investment and various technology all set. Through cooperation with Bosch Corporation, the Company's own technology platform also obtained upgrading, shortening the distance with international multinational corporation and laying the foundation for further development of the Company.

### 3. Capital demand for future development of the Company, financing and utilization plan

Because projects of future development of the Company had been put in, so there is no capital demand in the near future, capitalized expenses in every year could be solved through its own accumulation; nowadays the Company establishes close relationship with bank so that current assets demanding for production could be completely solved through bank.

### 4. Risks existed in future development

Fuel Injection System industry and automotive industry both severely influenced by nation's policy, in 2005 influenced by nation's overload administration and macro regulations & adjustment, the market of heavy duty truck started to slippery slope so that the whole said market glided down to 38%, time of duration was unprecedented, which brought difficulty to production operation of the Company in 2005.

The continuous rising of the raw material increased the cost of the Company and influenced the operation achievements of the Company.

The shortage of the energy and rising of price directly influenced the needs of commercial vehicles, thus influenced the sales of the Company.

According to the aforesaid risks and disadvantages, the Company took the following measures:

(1) In regarding of the changes of the national policy, the Company will strengthen the analysis to the tendency of the changes of the national macro-policy, timely grasp the policy guide and establish the correspondent countermeasures.

Transform the marketing idea, strengthen the quality senses, and strive for winning customers with

products of high quality and service.

(2) Further perfect the work of Invitation to Tender (Submission of Tender) on Material Purchase, establish the long-term stable strategic partnership with the suppliers of high quality, and reduce the cost on the purchase of the raw material.

(3) Perfect the product designing, further reduce the energy consumption to meet the demands on energy-saving of the customer on the basis of improving the reliability of products.

## 6.2 Statement of main operations classified according to industries or products

Unit: RMB'0000

Classified according to industries						
Classified according to industries or products	Income from main operations	Cost of main operations	Gross profit ratio from main operation (%)	Increase/decrease in income from main operations over the last year (%)	Increase/decrease in cost of main operations over the last year (%)	Increase/decrease in gross profit ratio from main operation over the last year (%)
Manufacture of other universal parts and components	279,095.05	216,312.76	22.49%	33.53%	34.86%	-0.77%
Classified according to products						
Fittings and accessories of gas engine	266,587.39	206,322.39	22.61%	32.33%	33.26%	-0.54%
Converter and muffler	12,507.66	9,990.37	20.13%	65.57%	78.98%	-5.98%

## 6.3 Particulars about main operations classified according to areas

Unit: RMB'0000

Areas	Income from main operations (RMB)	Increase/decrease in income from main operations over the last year (%)
Inside the Province	72,189.39	74.97%
Outside the Province	206,905.67	23.23%

## 6.4 Application of the raised proceeds

Applicable       Inapplicable

## Particulars about the changed projects

Applicable       Inapplicable

## 6.5 Application of the proceeds not raised through shares offering

Applicable       Inapplicable

Unit: RMB'0000

Name of project	Amount of project	Progress of project	Proceeds of project
Increasing capital and shares of Wuxi Weifu Mashan Fuel Injection Equipment Co., Ltd.	3,276.40	Completed	Profitable
Increasing capital and	3,851.10	Completed	Profitable

shares of Wuxi Weifu Chang'an Fuel Injection Equipment Co., Ltd.			
Wuxi Weifu Autocam Precision Machinery Co., Ltd.	4,852.00	completed 15% of investment amount	Project in progress
Total	11,979.50	-	-

6.6 Explanation of the Board of Directors on the "Qualified Opinion" made by the CPAs

Applicable       Inapplicable

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

Applicable       Inapplicable

As audited by Jiangsu Gongzheng Certified Public Accountants Co., Ltd., the Company realized net profit totally RMB 181,905,000 in 2005, plus the retained profit at the end of 2004 amounting to RMB 619,996,400, the distributable profit for shareholders is RMB 801,901,400 in 2005. According to the regulation of Articles of Association of the Company, in the report period, 10% was appropriated as public reserve amounting to RMB 28,655,300 and 5% was appropriated as welfare fund amounting to RMB 14,327,700. In addition, Lida Environment Protection Corporation withdrew totally RMB 2,364,600 according to the accumulative distributable profits, of which 10% were appropriated as the reserve fund, 50% as rewards fund for workers and staff, and 5% as fund for enterprise development. After withdrawal of the aforesaid funds, according to the legal account in accordance with CAS, the distributable profits for the shareholder amounted to RMB 756,553,800. In 2005, the Company realized the profit distribution amounting to RMB 174,546,500; at the end of 2005, the surplus undistributed profit amounted to RMB 582,007,300.

The preplan for 2005 profit distribution: The Company plan to take the total shares at the end of 2005 amounting to 567,275,995 as the cardinal number, and distribute 4 cash bonus for each 10 share to all the shareholders (including the tax).

The Company didn't appropriate share distribution preplan though the Company achieved the profit in the report period

Applicable       Inapplicable

## §7 Significant Events

7.1 Purchase of assets

Applicable       Inapplicable

7.2 Sales of assets

Applicable       Inapplicable

7.3 Significant guarantees

Applicable       Inapplicable

Unit: RMB'0000

Particulars about the external guarantee of the Company (Barring the guarantee for the controlling subsidiaries)						
Name of the Company guaranteed	Date of happening (date of signing agreement)	Amount of guarantee	Guarantee type	Guarantee term	Complete Implementation or not	Guarantee for related party (yes or not)
Wuxi Weifu Chang'an Fuel Injection Equipment Co., Ltd.	April 27, 2005	5,000.00	Guarantee of credit	One year	No	Yes
Nanjing Weifu Jinning Co., Ltd.	April 27, 2004	11,000.00	Guarantee of credit	One year	No	Yes
Total amount of guarantee in the report period				16,000.00		
Total balance of guarantee at the end of the report period				16,000.00		
Guarantee of the Company for the controlling subsidiaries						
Total amount of guarantee for controlling subsidiaries in the report period				16,000.00		
Total balance of guarantee for controlling subsidiaries at the end of the report period				16,000.00		
Particulars about the external guarantee of the Company (Including the guarantee for the controlling subsidiaries)						
Total amount of guarantee				16,000.00		
The proportion of the total amount of guarantee in the net assets of the Company				6.83%		
Including:						
Amount of guarantee for shareholders, actual controller and its related parties				0.00		
The debts guarantee amount provided for the guarantee of which the assets-liability ratio exceeded 70% directly or indirectly				0.00		
Proportion of total amount of guarantee in net assets of the Company exceeded 50%				0.00		
Total amount of the aforesaid three guarantees				0.00		

## 7.4 Significant related transactions

### 7.4.1 Current related purchase and sale

Applicable       Inapplicable

Unit: RMB'0000

Related parties	Selling products and providing service to related parties		Purchasing products and accepting service from related parties	
	Transaction amount	Proportion in the same kind of transaction amount	Transaction amount	Proportion in the same kind of transaction amount
Wuxi Weifu Group Co., Ltd.	21,473.60	7.69%	3,399.80	1.54%

Increasing capital and shares of Wuxi Weifu Mashan Fuel Injection Equipment Co., Ltd.	1,044.70	0.37%	9,530.80	4.31%
Increasing capital and shares of Wuxi Weifu Chang'an Fuel Injection Equipment Co., Ltd.	1,378.50	0.49%	12,385.90	5.60%
Wuxi Weifu Precision Machinery Manufacture Co., Ltd.	1,955.40	0.70%	9,577.90	4.33%
Bosch Automobile Diesel Oil System Co., Ltd.	1,066.40	0.38%	13,680.90	6.18%
Wuxi Weifu International Trade Co., Ltd.	164.30	0.06%	101.90	0.05%
Total	27,082.90	9.70%	48,677.20	21.99%

Including: In the report period, the amount of related transaction on sales of products or providing labor force from the listed companies amounted to RMB 216,379,000.

#### 7.4.2 Current related credits and liabilities

Applicable       Inapplicable

Unit: RMB'0000

Related parties	Supply funds to related parties		Related parties supplied funds to the Company	
	Occurred amount	Balance	Occurred amount	Balance
Wuxi Weifu Group Co., Ltd.	26,863.34	0.00	27,514.12	1,387.88
Wuxi Weifu Jida New Material Application Development Co., Ltd.	1.67	0.00	0.66	39.91
Wuxi Weifu Precision Machinery Manufacture Co., Ltd.	20,505.04	1,024.09	19,731.12	0.00
Wuxi Weifu Mashan Fuel Injection Equipment Co., Ltd.	14,898.92	0.00	17,056.83	1,254.19
Wuxi Weifu Chang'an Fuel Injection Equipment Co., Ltd.	33,264.93	636.90	34,074.28	0.00
Bosch Automobile Diesel System Co., Ltd.	16,653.43	0.00	17,110.71	281.43
Wuxi Weifu World Trade Co., Ltd.	249.11	0.00	261.94	12.84
Wuxi Weifu Environmental Protection Catalysts Co., Ltd.	10,437.62	0.00	12,002.65	2,445.04
Total amount	122,874.06	1,660.99	127,752.31	5,421.29

Including: in the report period, the occurring amount the listed company provided to controlling shareholder and its subsidiaries was RMB 271,124,500 and the balance was RMB 14,007,200.

Use of funds and plan on paying off the debt

Applicable       Inapplicable

At the end of report period, the non-operations of the Company occupied RMB 7,975,900 of large shareholders.

The plan could be settled down use of funds before the end of 2006 totally or not

Yes                       No                       Inapplicable

7.5 Entrusted assets management

Applicable                       Inapplicable

7.6 Implementation of commitments

7.6.1 Commitment on Share Merger Reform

1. The Content of the commitment

The Company completes its Share Merger Reform in the first half of 2006.

2. Implementation of commitments

The Company implemented its Share Merger Reform on April 5, 2006.

3. Commitment violation

Applicable                       Inapplicable

7.6.2 Other Commitments

Applicable                       Inapplicable

Ended as Dec. 31, 2005, the Company and its subsidiaries made the following commitments:

The Company and its subsidiaries needed to pay RMB 134,605,100 for building workshops and purchasing equipments (contracts were signed).

7.7 Significant lawsuit and arbitrations

Applicable                       Inapplicable

## §8 Report of the Supervisory Committee

Applicable                       Inapplicable

I. Work of the Supervisory Committee

The Supervisory Committee held three meetings in the report period:

1. The 8<sup>th</sup> meeting of the 4<sup>th</sup> Supervisory Committee was held on Apr. 18, 2005 and the examined topics were Work Report of the Supervisory Committee 2004, 2004 Annual Report of the Company and its Summary, Report of Financial Settlement and Profit Distribution Preplan for 2004 of the Company and the 1<sup>st</sup> Quarterly Report in 2005 of the Company;

2. The 1<sup>st</sup> meeting of the 5<sup>th</sup> Supervisory Committee was held on June 9, 2005 and Mr. Chen Xuejun was elected as the Chairman of the 5<sup>th</sup> Supervisory Committee.

3. The 2<sup>nd</sup> meeting of the 5<sup>th</sup> Supervisory Committee was held on Aug. 16, 2005 and the examined topics were Semi-annual Report in 2005 of the Company and its Summary and Report of Profit Distribution Preplan in the 1<sup>st</sup> Half Year of 2005.

II. Independent opinion expressed by the Supervisory Committee for the following events:

1. Operations according to law.

The Supervisory Committee believed that every decision-making procedure of the



Company in the report period had been in accordance with laws, regulations and Articles of Association. While the Company's directors and senior executives executed authorities, there found neither behavior of breaking laws, regulations and Articles of Association nor abusing authorities and damaging the interest of the Company and the Shareholders.

2. Check of the Company's financial status. The members of the Supervisory Committee attended every meeting of the Board of Directors this year and examined annual, semiannual and quarterly report and other documents submitted by the Board of Directors. The Supervisory Committee believed that the financial report in every period reflected objectively and truly the financial situation and operation result of the Company.

3. Related transactions. The Supervisory Committee believes the related transaction occurred in the report period had been conducted according to the Related Transactions Agreement signed between Wuxi Weifu Group Co., Ltd and the Company. And with the approval of the Shareholders' General Meeting, related transactions could reflect the principle of market trading and had not done harm to the interest of the Company.

## §9. Financial Report

### 9.1 Auditor's opinions

Auditor's opinions: standard unqualified auditor's opinions

### 9.2 Financial statements

#### **CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2005**

(All amounts in RMB thousands)

	Notes	31 December 2005	31 December 2004
<b>ASSETS</b>			
<b>Non-current assets</b>			
Leasehold land	5	71,577	73,614
Property, plant and equipment	6	947,416	854,015
Intangible assets	7	72,520	70,207
Investments in associates	8	761,387	802,093
Investments in unconsolidated subsidiaries	9	113,310	46,678
Available-for-sale investments	10	75,360	29,520

Held-to-maturity investments		-	3,000
Deferred tax assets	23(b)	11,272	5,851
		<hr/>	<hr/>
Total non-current assets		2,052,842	1,884,978
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories	11	720,762	670,671
Due from related parties	27(e)	16,882	27,760
Dividend receivable		-	91,173
Prepayments		10,217	32,492
Trade and other receivables	12	903,683	673,081
Cash and bank deposits	26(b)	777,831	814,962
		<hr/>	<hr/>
Total current assets		2,429,375	2,310,139
		<hr/>	<hr/>
<b>Total Assets</b>		<u>4,482,217</u>	<u>4,195,117</u>

**CONSOLIDATED BALANCE SHEET (CONTINUED)  
AS OF 31 DECEMBER 2005**

(All amounts in RMB thousands)

	Notes	31 December 2005	31 December 2004
		<hr/>	<hr/>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Ordinary shares	13	567,276	436,366
Reserves	14	1,178,945	1,134,212
Retained earnings	15	580,080	615,980
		<hr/>	<hr/>
		2,326,301	2,186,558
<b>Minority interests</b>		<hr/>	<hr/>
		187,116	143,974

<b>Total Equity</b>		<u>2,513,417</u>	<u>2,330,532</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term bank borrowings	18(b)	73,000	225,000
Long-term payables	19	<u>47,827</u>	<u>56,822</u>
Total non-current liabilities		<u>120,827</u>	<u>281,822</u>
<b>Current liabilities</b>			
Trade and other payables	16	568,631	1,000,747
Current tax liabilities		(3,368)	(28,991)
Due to related parties	27(e)	30,035	7,780
Dividend payable		416	416
Short-term bank borrowings	18(a)	1,088,914	552,830
Accruals and other current liabilities	17	18,345	14,981
Current portion of long-term bank borrowings	18(b)	<u>145,000</u>	<u>35,000</u>
Total current liabilities		<u>1,847,973</u>	<u>1,582,763</u>
Total liabilities		<u>1,968,800</u>	<u>1,864,585</u>
<b>Total Equity and Liabilities</b>		<u><u>4,482,217</u></u>	<u><u>4,195,117</u></u>

**CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2005**

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

	<u>Notes</u>	<u>2005</u>	<u>2004</u>
Revenue, net	20,27	2,842,021	2,118,745
Cost of sales		<u>(2,202,603)</u>	<u>(1,645,383)</u>
<b>Gross profit</b>		639,418	473,362
Other operating income	20	6,378	6,015
Distribution costs		(85,140)	(80,271)
Administrative expenses		(248,832)	(188,611)
Other operating expenses		<u>(21,748)</u>	<u>(52,997)</u>
<b>Profit from operations</b>	22	290,076	157,498

Finance costs, net	21	(63,851)	(31,256)
Share of results of associates	8	25,556	141,333
Income/(loss) from unconsolidated subsidiaries	9	(4,640)	4,909
Impairment loss of investments	10	<u>(11,000)</u>	<u>(19,000)</u>
<b>Profit before income tax</b>		236,141	253,484
Income tax expense	23(b)	<u>(9,620)</u>	<u>(19,533)</u>
<b>Profit for the year</b>		226,521	233,951
Attributable to:			
Equity holders of the Company		183,379	227,287
Minority interests		<u>43,142</u>	<u>6,664</u>
		<u>226,521</u>	<u>233,951</u>
<b>Earnings per share for profit attributable to the equity holders of the company</b>			
- Basic	24	<u>RMB 0.32</u>	<u>RMB 0.40</u>
- Diluted		<u>Not applicable</u>	<u>Not applicable</u>

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2005**

(All amounts in RMB thousands)

	Notes	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash generated from/(used in) operations	26(a)	(410,974)	227,508
Interest paid		(62,216)	(28,414)
Income tax paid		<u>(17,817)</u>	<u>(19,358)</u>
Net cash generated from/(used in) operating activities		<u>(491,007)</u>	<u>179,736</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of leasehold land		-	(25,612)
Purchase of Intangible assets		(6,502)	(8,575)
Purchase of property, plant and equipment		(154,031)	(217,478)
Proceeds from disposals of property, plant and equipment	26(c)	7,150	6,875
Increase in investments in unconsolidated	9	(71,272)	-

subsidiaries			
Increase in investments in associates	8	-	(152,732)
Increase in available-for-sale investments	10	(56,940)	(5,000)
Proceeds from disposal of available-for-sale investments	10	100	-
Purchase of held-to-maturity investments		-	(3,000)
Proceeds from disposals of held-to-maturity investments		3,107	-
Interest received		9,997	7,496
Dividends received		158,187	70,605
Net cash used in investing activities		<u>(110,204)</u>	<u>(327,421)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Net increase in short-term bank borrowings		536,084	357,330
Net increase/(decrease) in long-term bank borrowings		(42,000)	100,000
Cash injection from minority shareholders		-	60,000
Dividends paid		(43,636)	(87,273)
Cash received from government grants		9,182	11,823
Increase in long-term payables		1,140	1,710
Net cash from financing activities		<u>460,770</u>	<u>443,590</u>
Net increase/(decrease) in cash and cash equivalents		(140,441)	295,905
Cash and cash equivalents at beginning of year		<u>783,162</u>	<u>487,257</u>
Cash and cash equivalents at end of year	26(b)	<u><u>642,721</u></u>	<u><u>783,162</u></u>

9.3 Explanation on changes of accounting policy, accounting estimation and settlement method compared with the latest annual report

Applicable       Inapplicable

9.4 Contents, correct amount, reason and its influence of significant accounting errors

Applicable       Inapplicable

9.5 Explanation on change of consolidated scope compared with the latest annual report

Applicable       Inapplicable

**Board of Directors of**  
**Wuxi Weifu High-Technology Co., Ltd.**  
Apr. 21, 2006