WEIFU HIGH-TECHNOLOGY COMPANY LIMITED AND ITS SUBSIDIARIES

(Registered in the People's Republic of China)

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 TOGETHER WITH AUDITORS' REPORT

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

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REPORT OF THE AUDITORS

2006 / SH-074 / YZQ / YF

TO THE SHAREHOLDERS OF
WEIFU HIGH-TECHNOLOGY COMPANY LIMITED

We have audited the accompanying consolidated balance sheet of Weifu High-Technology Company Limited (hereinafter referred to as “the Company”) and its subsidiaries (hereinafter together with the Company referred to as “the Group”) as of 31 December 2005 and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These consolidated financial statements set out on pages 2 to 52 are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2005 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers Zhong Tian Certified Public Accountants Ltd. Co.

18 April 2006

Shanghai, The People's Republic of China

WEIFU HIGH-TECHNOLOGY COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2005

(All amounts in RMB thousands)

	Notes	31 December 2005	31 December 2004
ASSETS			
Non-current assets			
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
Total non-current assets		2,052,842	1,884,978
Current assets			
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
Total current assets		2,429,375	2,310,139
Total Assets		4,482,217	4,195,117

WEIFU HIGH-TECHNOLOGY COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS OF 31 DECEMBER 2005

(All amounts in RMB thousands)

	Notes	31 December 2005	31 December 2004
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	13	567,276	436,366
Reserves	14	1,178,945	1,134,212
Retained earnings	15	580,080	615,980
		2,326,301	2,186,558
Minority interests		187,116	143,974
Total Equity		2,513,417	2,330,532
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	18(b)	73,000	225,000
Long-term payables	19	47,827	56,822
Total non-current liabilities		120,827	281,822
Current liabilities			
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)	145,000	35,000
Total current liabilities		1,847,973	1,582,763
Total liabilities		1,968,800	1,864,585
Total Equity and Liabilities		4,482,217	4,195,117

The notes on page 7 to 52 are an integral part of these consolidated financial statements.

WEIFU HIGH-TECHNOLOGY COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

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

	Notes	2005	2004
Revenue, net	20,27	2,842,021	2,118,745
Cost of sales		(2,202,603)	(1,645,383)
Gross profit		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		(21,748)	(52,997)
Profit from operations	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	(11,000)	(19,000)
Profit before income tax		236,141	253,484
Income tax expense	23(b)	(9,620)	(19,533)
Profit for the year		226,521	233,951
Attributable to:			
Equity holders of the Company		183,379	227,287
Minority interests		43,142	6,664
		226,521	233,951
Earnings per share for profit attributable to the equity holders of the company			
- Basic	24	RMB 0.32	RMB 0.40
- Diluted		Not applicable	Not applicable

The notes on page 7 to 52 are an integral part of these consolidated financial statements.

WEIFU HIGH-TECHNOLOGY COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2005

(All amounts in RMB thousands)

	Attributable to equity holders of the company								
	Share capital	Capital surplus	Statutory surplus reserve fund	Statutory public welfare fund	Discretion-ary surplus reserve fund	Total reserves	Retained earnings	Minority interests	Total equity
	Note 13	Note14(a)	Note 14(b)	Note 14(c)			Note 15		
Balance as at 1 January, 2004	436,366	911,496	120,701	60,425	1,785	1,094,407	515,771	77,310	2,123,854
Dividends declared after 1 January, 2004 from retained earnings as of 31 December 2003	-	-	-	-	-	-	(87,273)	-	(87,273)
Net profit for 2004	-	-	-	-	-	-	227,287	6,664	233,951
Appropriations:									
- statutory surplus reserve fund	-	-	26,536	-	-	26,536	(26,536)	-	-
- statutory public welfare fund	-	-	-	13,269	-	13,269	(13,269)	-	-
Capital injection from Minority shareholders	-	-	-	-	-	-	-	60,000	60,000
Balance as at 31 December 2004	436,366	911,496	147,237	73,694	1,785	1,134,212	615,980	143,974	2,330,532
Dividends declared after 1 January, 2005 from retained earnings as of 31 December 2004 (Note 25)	130,910	-	-	-	-	-	(174,546)	-	(43,636)
Net profit for 2005	-	-	-	-	-	-	183,379	43,142	226,521
Appropriations:									
- statutory surplus reserve fund	-	-	30,405	-	-	30,405	(30,405)	-	-
- statutory public welfare fund	-	-	-	14,328	-	14,328	(14,328)	-	-
Balance as at 31 December 2005	567,276	911,496	177,642	88,022	1,785	1,178,945	580,080	187,116	2,513,417

The notes on page 7 to 52 are an integral part of these consolidated financial statements.

WEIFU HIGH-TECHNOLOGY COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

(All amounts in RMB thousands)

	Notes	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash generated from/(used in) operations	26(a)	(410,974)	227,508
Interest paid		(62,216)	(28,414)
Income tax paid		(17,817)	(19,358)
Net cash generated from/(used in) operating activities		(491,007)	179,736
CASH FLOWS FROM INVESTING ACTIVITIES:			
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 subsidiaries	9	(71,272)	-
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		(110,204)	(327,421)
CASH FLOWS FROM FINANCING ACTIVITIES:			
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		460,770	443,590
Net increase/(decrease) in cash and cash equivalents		(140,441)	295,905
Cash and cash equivalents at beginning of year		783,162	487,257
Cash and cash equivalents at end of year	26(b)	642,721	783,162

The notes on page 7 to 52 are an integral part of these consolidated financial statements.

(All amounts in RMB thousands unless otherwise stated)

1. GENERAL INFORMATION

Weifu High-technology Company Limited (the "Company") was incorporated in the People's Republic of China (the "PRC") on 22 October 1992 as a joint stock limited company. The Company is principally engaged in the manufacture and sale of fuel injection pumps for use in diesel engines and injectors and components for fuel injection pumps. The registered office of the Company is No.46, Wuxi State Hi-tech Industrial Development Zone, Jiangsu Province, and the Company has approximately 2,480 and 2,520 employees as of 31 December 2005 and 2004 respectively.

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

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

2. ACCOUNTING POLICIES

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

(a) Basis of preparation

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

This basis of accounting differs from that used in Group's statutory accounts ("Statutory Accounts") which are prepared in accordance with PRC Accounting Standards for Business Enterprises and the Accounting System for Business Enterprises.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in Note 4.

(All amounts in RMB thousands unless otherwise stated)

2. ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

Standards, interpretations and amendments to published standards effective in 2005.

In 2005, the Group adopted the new/revised standards and interpretations of IFRS below, which are relevant to its operations. The comparatives of prior years have been amended as required, in accordance with the relevant requirements.

IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Balance Sheet Date
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 24	Related Party Disclosures
IAS 27	Consolidated and Separate Financial Statements
IAS 28	Investments in Associates
IAS 32	Financial Instruments: Disclosures and Presentation
IAS 33	Earnings per Share
IAS 36	Impairment of Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRS 2	Share-based payments
IFRS 3	Business Combinations

The adoption of new/revised IASs 1, 2, 8, 10, 16, 17, 21, 24, 27, 28, 32, 33, 39 and IFRS 2 did not result in substantial changes to the Group's accounting policies. In summary:

- IAS 1 has affected the presentation of minority interest, share of net results of associates and other disclosures.
- IASs 2, 8, 10, 16, 17, 27, 28, 32, 33, 39 and IFRS 2 had no material effect on the Group's policies.
- IAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.
- IAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of IFRS 3, IAS 36 and IAS 38 results in a change in the accounting policy for goodwill. Until 31 December 2004, goodwill was:

- Amortised on a straight line basis over its estimated useful life of one to five years if arising from business combination for which the agreement dated before 31 March 2004;

2. ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

- Not amortised if arising from business combination for which the agreement dated after 31 March 2004; and
- Assessed for an indication of impairment at each balance sheet date.

In accordance with the provision of IFRS 3 (see Note 2(g)):

- The Group ceased amortisation of goodwill from 1 January 2005;
- Accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill;
- From the year ended 31 December 2004 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of IAS 38. No adjustment resulted from this reassessment.

All changes in the accounting policies have been retrospectively made in accordance with the respective transitional provisions, wherever required or allowed. The accounting policies set out below have been consistently applied throughout the relevant years, other than:

IAS 39 - generally does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis.

IFRS 3 - prospectively after 1 January 2005.

Standards, interpretations and amendments to published standards that are not yet effective.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2006 or later periods but which the Group has not early adopted, as follows:

IAS 1 Amendment – Capital Disclosures
IAS 19 Amendment – Actuarial Gains and Losses, Group Plans and Disclosures
IAS 39 Amendment – Cash Flow Hedge Accounting of Forecast Intragroup Transactions
IAS 39 Amendment – The Fair Value Option
IAS 39 Amendment – Transition and Initial Recognition of Financial Assets and Financial Liabilities
IAS 39 and IFRS 4 Amendment – Financial Guarantee Contracts
IFRS 1 – First-time Adoption of IFRS, and IFRS 6 Amendment
IFRS 6 – Exploration for and Evaluation of Mineral Resources
IFRS 7 – Financial Instruments: Disclosures

2. ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

IFRIC amendment to SIC 12 – Scope of SIC 12 Consolidation – Special Purpose Entities
IFRIC 1 – Changes in Existing Decommissioning, Restoration and Similar Liabilities
IFRIC 2 – Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 3 – Emission Rights (withdrawn in June 2005)
IFRIC 4 – Determining whether an Arrangement contains a Lease
IFRIC 5 – Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 6 - Liabilities arising from Participating in a Specific Market: Waste Electrical and Electronic Equipment

The Group is still assessing the impact of these standards, amendments and interpretations on its results of operations and financial position.

(b) Group accounting

(1) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group adopted IFRS 3 "Business Combinations" to account for the acquisition of subsidiaries by the Group for which the agreement date is on or after 31 March 2004. In applying the purchase method of accounting as determined by IFRS 3, the cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (See Note 2(g)(3)).

(All amounts in RMB thousands unless otherwise stated)

2. ACCOUNTING POLICIES (Continued)

(b) Group accounting (Continued)

(1) Subsidiaries (Continued)

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

(2) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(3) Joint ventures

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established between the participating venturers and whereby the Group together with the other venturers undertake an economic activity which is subject to joint control and none of the venturers has unilateral control over the economic activity.

(All amounts in RMB thousands unless otherwise stated)

2. ACCOUNTING POLICIES (Continued)

(b) Group accounting (Continued)

(3) Joint ventures (Continued)

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. Under this method the Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's consolidated financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately.

(c) Foreign currency translation

(1) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the functional currency"). The consolidated financial statements are presented in RMB, which is the functional and presentation currency of each entity in the Group.

(2) Transactions and balances

Transactions in other currencies are translated into RMB at the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities denominated in other currencies at the consolidated balance sheet date are re-translated at exchange rates prevailing at that date. Non-monetary assets and liabilities in other currencies are translated at historical rates. Exchange differences arising from changes in exchange rates subsequent to the transaction dates are included in consolidated income statement.

(d) Leasehold land

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

(All amounts in RMB thousands unless otherwise stated)

2 ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment and depreciation

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

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

Buildings	20-35 years
Machinery and equipment	10-16 years

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

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

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

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

(f) Construction-in-progress

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

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

(All amounts in RMB thousands unless otherwise stated)

2. ACCOUNTING POLICIES (Continued)

(g) Intangible assets

Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the assets will flow to the Group; and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Cost includes the fair value of the consideration given to acquire the assets and any costs directly attributable to the transaction. After initial recognition, intangible assets are carried at cost less any accumulated amortisation, when applicable, and any accumulated impairment losses. Intangible assets are amortized unless they have an indefinite useful life. Amortisation is calculated on a straight-line basis over the best estimate of the useful lives of the intangible assets. The useful lives and the amortisation method are re-assessed at every year end to ensure its consistency with the expected pattern of economic benefits from intangible assets. Intangible assets with definite useful lives are considered for impairment where there is an indicator that the asset has been impaired. Intangible assets with indefinite useful lives should be tested annually for impairment and whenever there is an indication of impairment.

(1) Trademarks, licences, proprietary technologies and computer software

Trademarks, licences, proprietary technologies and computer software are initially measured at historical cost, which comprises its purchase price and other directly attributable costs.

Trademarks, licences, proprietary technologies and computer software have a definite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks, licences, proprietary technologies and computer software over their estimated useful lives (5-30 years).

The trademark was purchased from the related party – Wuxi Weifu Group Co., Ltd. by the Company's subsidiary – Nanjing Weifu Jinning Company Limited and is registered with an unlimited usage period. The management considers the useful life of the trademark will not be less than 30 years, which is the operating period of Nanjing Weifu.

(2) Research and development costs

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

- the product or process is clearly defined and costs are separately identified and measured reliably;

- the technical feasibility of the product is demonstrated;

2 ACCOUNTING POLICIES (Continued)

(g) Intangible assets (Continued)

(2) Research and development costs (Continued)

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

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

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

In the year ended 31 December 2005, there was no capitalized expenditure on development.

(3) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary / associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associate.

In accordance with the transitional provision of IFRS 3, from 1 January 2005, the Group discontinued the amortisation of those previously recognised goodwill and eliminated the carrying amount of the related accumulated amortisation with a corresponding decrease in Goodwill. In addition, they are tested annually for impairment thereafter. Goodwill arising from business combinations for which the agreement date is on or after 31 March 2004 is not amortized but tested annually for impairment and carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing.

(All amounts in RMB thousands unless otherwise stated)

2 ACCOUNTING POLICIES (Continued)

(g) Intangible assets (Continued)

(3) Goodwill (Continued)

Negative goodwill represents the excess of the fair value of the Group's share of the net assets of the acquired subsidiary / associate over the cost of an acquisition. In accordance with the transitional provision of IFRS 3, the negative goodwill previously recognised is derecognised on 1 January 2005, with a corresponding adjustment to the retained earnings as at 1 January 2005. For negative goodwill arising from business combinations for which the agreement date is on or after 31 March 2004, the Group reassesses the identification and measurement of the identifiable assets and liabilities and contingent liabilities and the measurement of the cost of the combination. Any excess of the fair value of the Group's share of net assets of the subsidiary / associate over the cost of the acquisition after that reassessment is recognised immediately in profit or loss.

(h) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(All amounts in RMB thousands unless otherwise stated)

2 ACCOUNTING POLICIES (Continued)

(i) Investments

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

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets; for the purpose of these consolidated financial statements short term is defined as 3 months. Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within 12 months from the balance sheet date which are classified as current assets. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; and are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

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

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

(All amounts in RMB thousands unless otherwise stated)

2 ACCOUNTING POLICIES (Continued)

(j) Operating leases

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

(k) Inventories

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

(l) Trade receivables

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

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

(m) Cash and cash equivalents

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

2 ACCOUNTING POLICIES (Continued)

(n) Borrowings and borrowing costs

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

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

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

(o) Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(p) Pension scheme

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

The Group has no obligation for the payment of pension benefits beyond the contribution described above. These defined contributions are recognised as employee benefit expense when they are due.

(All amounts in RMB thousands unless otherwise stated)

2 ACCOUNTING POLICIES (Continued)

(q) Government grants

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

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

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

(r) Provisions

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

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

(s) Revenue recognition

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

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

(i) Sales of goods

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

(All amounts in RMB thousands unless otherwise stated)

2 ACCOUNTING POLICIES (Continued)

(s) Revenue recognition (Continued)

(ii) Interest income

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

(iii) Dividend income

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

(t) Dividends

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

(u) Segments

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in other economic environments.

(v) Subsequent events

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

(w) Contingencies

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

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

(All amounts in RMB thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors and financial risk management

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

(1) Credit risks

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

(2) Liquidity risks

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

(3) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant long-term interest-bearing assets. The Group policy is to maintain all its borrowings in fixed rate instruments. The interest rates of borrowings are disclosed in Note 18. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

(4) Foreign exchange risk

The Group purchases certain raw materials from Germany, therefore, the Group is exposed to foreign exchange risk primarily with respect to the EUR dollar ("EUR").

Foreign exchange risk arises from future commercial transactions, recognised liabilities denominated in EUR. To manage their foreign exchange risk arising from future commercial transactions and recognized liabilities, the Group uses forward contracts. As at 31 December 2005, the Group had no unsettled forward contracts.

(All amounts in RMB thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Accounting for derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of the derivative instruments that do not quality for hedge accounting are recognised immediately in the income statement.

An embedded derivative is separated from the host contract and accounted for as a derivative only if:

(i) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
(ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
(iii) the hybrid instrument is not measured at fair value with changes in fair value recognised in profit or loss.

If the fair value of an embedded derivative can not be determined reliably, the entire hybrid instrument are treated as held for trading and carried at fair value.

(c) Fair value estimation

The fair value of publicly traded trading securities is based on quoted market prices at the balance sheet date.

In assessing the fair value of non-traded financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for the specific or similar instruments are used for long-term borrowings. Other techniques, such as estimated discounted value of future cash flows, are used to determine fair value for the remaining financial instruments.

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

(All amounts in RMB thousands unless otherwise stated)

4 CRITICAL ACCOUNTING ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles.

Management will increase the depreciation charge where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(g). The recoverable amounts of cash-generated units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(c) Impairment of receivables

The Group's management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassess the provision on each of the balance sheet date.

(d) Impairment of property, plant and equipment

The impairment loss for property, plant and equipment is recognised for the amount by which the carrying amount exceeds its recoverable amount in accordance with the accounting policy stated in Note 2(e). The recoverable amount is the higher of an asset's value in use and fair value less costs to sell, which is based on the best information available to reflect the amount that is obtainable at each of the balance sheet date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs to disposal, or cash to be generated from continuously using the assets.

(All amounts in RMB thousands unless otherwise stated)

4 CRITICAL ACCOUNTING ESTIMATES (Continued)

(e) Deferred tax assets

Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax assets is realised or the deferred tax liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The Group's management determines the deferred tax assets based on the enacted or substantially enacted tax rates and best knowledge of profit projections of the Group for coming years during which the deferred tax assets are expected to be utilised. Management will revise the assumptions and profit projections by the balance sheet date.

(All amounts in RMB thousands unless otherwise stated)

5 Leasehold land

	2005	2004
Cost		
Beginning of year	82,036	56,424
Additions	-	25,612
End of year	82,036	82,036
Accumulated amortisation		
Beginning of year	8,422	6,718
Charge for the year	2,037	1,704
End of year	10,459	8,422
Net book value		
End of year	71,577	73,614
Beginning of year	73,614	49,706

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

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

(All amounts in RMB thousands unless otherwise stated)

6 Property, plant and equipment

	2005			
	Buildings	Machinery and equipment	Construction-in-progress	Total
Cost				
Beginning of year	277,446	748,718	104,280	1,130,444
Additions	16,166	18,967	144,057	179,190
Disposals	-	(23,741)	(215)	(23,956)
Transfer from construction in progress	61,735	117,509	(179,244)	-
End of year	355,347	861,453	68,878	1,285,678
Accumulated depreciation				
Beginning of year	54,795	214,000	-	268,795
Charge for the year	8,191	66,058	-	74,249
Disposals	-	(11,173)	-	(11,173)
End of year	62,986	268,885	-	331,871
Accumulated Impairment losses				
Beginning of year	-	7,634	-	7,634
Additions	-	43	-	43
Disposals	-	(1,286)	-	(1,286)
End of year	-	6,391	-	6,391
Net book value				
End of year	292,361	586,177	68,878	947,416
Beginning of year	222,651	527,084	104,280	854,015

For the year ended 31 December 2005, borrowing cost (2005: interest rate 5.59% per annum; 2004: interest rate 5.51% per annum) attributable to property, plant and equipment amounted to approximately RMB 1,491,000 (2004: RMB 2,310,000), which was offset with the government grants relating to the acquisition of property, plant and equipment (Note 19) as a reduction of initial cost of related construction in progress.

For the year ended 31 December 2005, government grants relating to the acquisition of property, plant and equipment credited to the depreciation on related fixed assets amounted to approximately RMB 7,308,000 (Note 19) (2004: nil).

(All amounts in RMB thousands unless otherwise stated)

6 Property, plant and equipment (Continued)

	2004			
	Buildings	Machinery and equipment	Construction-in-progress	Total
Cost				
Beginning of year	202,894	787,122	236,672	1,226,688
Additions	35	92,701	211,023	303,759
Disposals	(10)	(396,225)	(3,768)	(400,003)
Transfer from construction in progress	74,527	265,120	(339,647)	-
End of year	277,446	748,718	104,280	1,130,444
Accumulated depreciation				
Beginning of year	48,287	252,062	-	300,349
Charge for the year	6,508	71,266	-	77,774
Disposals	-	(109,328)	-	(109,328)
End of year	54,795	214,000	-	268,795
Accumulated impairment losses				
Beginning of year	-	20,337	-	20,337
Reversals	-	(5,100)	-	(5,100)
Disposals	-	(7,603)	-	(7,603)
End of year	-	7,634	-	7,634
Net book value				
End of year	222,651	527,084	104,280	854,015
Beginning of year	154,607	514,723	236,672	906,002

(All amounts in RMB thousands unless otherwise stated)

7 Intangible assets

	2005					
	Trade-mark	Goodwill Note(iii)	Licences Note(i)	Proprietary technology Note(ii)	Computer Software Note(iv)	Total
Cost						
Beginning of year, as previously reported	26,356	23,926	34,216	8,575	-	93,073
Adjustment due to change of accounting policy	-	(15,552)	-	-	-	(15,552)
Beginning of year, as adjusted	26,356	8,374	34,216	8,575	-	77,521
Additions	-	-	2,894	-	5,308	8,202
End of year	26,356	8,374	37,110	8,575	5,308	85,723
Accumulated amortisation						
Beginning of year, as previously reported	5,329	15,552	1,711	274	-	22,866
Adjustment due to change of accounting policy	-	(15,552)	-	-	-	(15,552)
Beginning of year, as adjusted	5,329	-	1,711	274	-	7,314
Charge for the year	876	-	3,856	858	299	5,889
End of year	6,205	-	5,567	1,132	299	13,203
Net book value						
End of year	20,151	8,374	31,543	7,443	5,009	72,520
Beginning of year	21,027	8,374	32,505	8,301	-	70,207

i. Pursuant to an agreement entered between the Company and Robert Bosch GmbH ("Bosch"), the Company shall pay to Bosch to acquire the right to manufacture certain licensed products for 10 years from July 2004 to July 2014.

ii. The Group's joint venture – Wuxi Weifu Environmental Catalyst Co., Ltd. (" Weifu Environmental Catalyst ") paid RMB 17,500,000 to acquire the proprietary technology in relation to the production of environmental catalyst products. The amount included in the consolidated balance sheet represents the Group's 49% share of the intangible asset. Management estimated the useful life of the proprietary technology is 10 years.

(All amounts in RMB thousands unless otherwise stated)

7 Intangible assets(Continued)

iii. Goodwill was resulted from the acquisition of Weifu Leader in December 2003. In accordance with the provision of IFRS 3, from 1 January 2005, the Group discontinued the amortisation of those previously recognised goodwill and eliminated the carrying amount of the related accumulated amortisation.

iv. Computer software was SAP and other financial management software, which was amortized using the straight-line method over 5 years.

	2004					
	Trade-mark	Goodwill	Licences	Proprietary technology	Computer Software	Total
Cost						
Beginning of year	26,356	23,926	-	-	-	50,282
Additions	-	-	34,216	8,575	-	42,791
End of year	26,356	23,926	34,216	8,575	-	93,073
Accumulated amortisation						
Beginning of year	4,453	13,459	-	-	-	17,912
Charge for the year	876	2,093	1,711	274	-	4,954
End of year	5,329	15,552	1,711	274	-	22,866
Net book value						
End of year	21,027	8,374	32,505	8,301	-	70,207
Beginning of year	21,903	10,467	-	-	-	32,370

(All amounts in RMB thousands unless otherwise stated)

8 Investments in associates

	2005	2004
Beginning of year	802,093	475,365
Addition in investments in associates	-	346,408
Share of results	25,556	141,333
Dividend declared	(66,262)	(161,013)
End of year	761,387	802,093

As of 31 December 2005, the Group had the following associates:

Name	Place of registration	Principal activities	Carrying amount		Percentage of equity interest			
			31 December 2005	31 December 2004	31 December 2005		31 December 2004	
					Directly	Indirectly	Directly	Indirectly
Bosch Automotive Diesel Systems Co., Ltd. ("RBCD", formerly known as Wuxi Europe Asia Diesel Fuel Injection Co., Ltd. "Wuxi Europe Asia" (note (i))	Wuxi, PRC	Development, manufacture and sale of Diesel system.	527,300	559,352	30%	1.5%	30%	1.5%
Zhonglian Automobile Electronics Co., Ltd.	Shanghai, PRC	Manufacture and sale of automobile electronic equipment	226,631	236,748	20%	-	20%	-
Wuxi Weifu Mechanism Manufacturing Co., Ltd. ("Weifu Mechanism Manufacturing")	Wuxi, PRC	Manufacture and sale of diesel fuel injection, automotive components	4,112	3,126	20%	-	28.98%	-
Wuxi Weifu International Trading Co., Ltd. ("Weifu International trading")	Wuxi, PRC	Import and export of commodities and technologies	3,044	2,667	15%	30%	15%	30%
Wuxi Long Sheng technology Co., Ltd. ('Wuxi Long Sheng")	Wuxi, PRC	Development, manufacture and sale of automotive components	300	200	-	20%	-	20%
			761,387	802,093				

(i) The excess of the cost of the investment over the fair value of the Group's share of the associate's identifiable net assets, amounting to RMB 6,801,187, is recorded as goodwill and included in the carrying amount of the investment. In accordance with the provision of IFRS 3, the goodwill is not amortised and included in the entire carrying amount of the investment for impairment testing.

(All amounts in RMB thousands unless otherwise stated)

9 Investments in unconsolidated subsidiaries

	2005	2004
Beginning of year	46,678	41,769
Capital injection	71,272	-
Share of results	(4,640)	4,909
End of year	113,310	46,678

As of 31 December 2005, the Group had the following unconsolidated subsidiaries:

Name	Place of registration	Principal activities	Carrying amount		Percentage of equity interest			
			31 December 2005	31 December 2004	31 December 2005		31 December 2004	
					Directly	Indirectly	Directly	Indirectly
Wuxi Weifu Mashan Fuel Injection Equipment Factory (" Weifu Mashan ")	Wuxi, PRC	Manufacture and sale of fuel injection equipment	40,828	10,924	92.6%	7.4%	72.78%	12.22%
Wuxi Weifu Chang'an Fuel Injection Co., Ltd. (" Weifu Chang'an ")	Wuxi, PRC	Manufacture and sale of injection equipment for diesel	70,871	33,716	94.63%	5.37%	85%	-
Wuxi Weifu Jida New Material Development Co., Ltd. (" Weifu Jida ")	Wuxi, PRC	Manufacture and development of metallic and non-metallic materials	1,611	2,038	70%	-	70%	-
			113,310	46,678				

10 Available-for-sale investments

	2005	2004
Beginning of year	62,686	57,686
Additions	56,940	5,000
Disposal	(100)	-
End of year	119,526	62,686
Less: Accumulated impairment losses	(44,166)	(33,166)
	75,360	29,520

Available-for-sale investments comprise investments in unlisted equity instruments, whose fair value cannot be reliably determined and are therefore carried at cost less accumulated impairment. As of 31 December 2005, impairments provided to those available-for-sale investments amounted to RMB 44,166,437.

(All amounts in RMB thousands unless otherwise stated)

11 Inventories

	31 December 2005	31 December 2004
Raw materials	187,621	130,252
Work-in-progress	89,168	108,728
Finished goods	443,973	431,691
	720,762	670,671

12 Trade and other receivables

	31 December 2005	31 December 2004
Notes receivables	171,801	111,441
Accounts receivables	765,952	587,298
Other receivables	40,924	35,739
	978,677	734,478
Less: Provision for bad and doubtful debts	(74,994)	(61,397)
	903,683	673,081

13 Ordinary shares

As of 31 December 2005 and 2004, the details of share capital (par value of RMB 1 each) were as follows:

	Number of shares		Amount	
	31 December 2005	31 December 2004	31 December 2005	31 December 2004
State-owned legal person shares	158,035,995	121,566,150	158,036	121,566
Legal person shares	13,520,000	10,400,000	13,520	10,400
Employee shares	31,200,000	24,000,000	31,200	24,000
A shares	249,600,000	192,000,000	249,600	192,000
B shares	114,920,000	88,400,000	114,920	88,400
	567,275,995	436,366,150	567,276	436,366

(All amounts in RMB thousands unless otherwise stated)

14 Reserves

(a) Capital surplus

	31 December 2005	31 December 2004
Share premium	908,919	908,919
Other capital surplus	2,577	2,577
	911,496	911,496

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

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

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

Other capital surplus mainly represents the Company's share of post – acquisition movements in reserves of the subsidiaries. These capital surplus can be utilized to issue bonus share when the Company disposes its investments in relevant subsidiaries.

(b) Statutory reserves

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

(All amounts in RMB thousands unless otherwise stated)

14 Reserves (Continued)

(c) Statutory public welfare fund

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

15 Retained earnings

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

As of 31 December 2005, the earnings available for distribution were RMB 580,080,000 (2004: RMB 615,980,000)

16 Trade and other payables

	31 December 2005	31 December 2004
Notes payable	178,110	72,107
Trade payables	304,473	839,266
Other payables	86,048	89,374
	568,631	1,000,747

17 Accruals and other current liabilities

	31 December 2005	31 December 2004
Accrued expenses	4,320	4,974
Salary and welfare payable	8,817	4,400
Advances from customers	3,025	3,428
Other levies payable	2,183	2,179
	18,345	14,981

(All amounts in RMB thousands unless otherwise stated)

18 Borrowings

(a) Short-term bank borrowings

	31 December 2005	31 December 2004
Unsecured bank borrowings	842,046	434,830
Secured bank borrowings (i)	205,000	118,000
Collateralised bank borrowings (ii)	41,868	-
	1,088,914	552,830

Short-term bank borrowings bear interest at rates ranging from 2.89% to 5.75% (2004: 4.35% to 5.58%) per annum.

(i) These short-term bank borrowings are guaranteed by a related company – Weifu Group Co., Ltd. ("WFGC") (2004: RMB 118,000,000 were guaranteed by WFGC).

(ii) These short-term borrowings are collateralised by bank deposits of RMB 45,000,000 (2004: nil).

(b) Long-term bank borrowings

	31 December 2005	31 December 2004
Secured bank borrowings (i)	215,000	260,000
Collateralised bank borrowings (ii)	3,000	-
Less: Amounts due within one year		
- Secured	(145,000)	(35,000)
	73,000	225,000

Long-term bank borrowings bear interest at rates ranging from 5.49% to 5.76% (2004: 5.49% to 5.58%) per annum.

(i) These long-term bank borrowings are guaranteed by WFGC. The long-term borrowings are repayable within the period from year 2006 to year 2007.

(ii) These long-term borrowings are collateralised by bank deposits of RMB 3,400,000. The long-term borrowings are repayable within year 2007.

As at 31 December 2005, the carrying amount of long-tem bank borrowings approximates their fair value as these borrowings bear quoted market interest rates.

(All amounts in RMB thousands unless otherwise stated)

19 Long-term payables

	31 December 2005	31 December 2004
Deferred government grants (i)	30,920	35,408
Deferred income (ii)	5,177	5,824
Leasehold land payables (iii)	7,000	12,000
Long-term government borrowings	4,730	3,590
	47,827	56,822

(i) Government grants represent funds received relating to acquisition and construction of property, plant and equipment as well as expenditures relating to certain research and development projects. The movement of government grants for the year ended 31 December 2005 were as follows:

	2005	2004
Beginning of year	35,408	30,658
Receipt during the year	9,182	11,823
Amount recognised as income	(4,871)	(4,763)
Amount allocated to offsetting initial costs of related construction-in-progress.	(1,491)	(2,310)
Amount allocated to credit depreciation of related fixed assets.	(7,308)	-
End of year	30,920	35,408

(ii) Deferred income represents investment tax credit granted to the Company on purchase of certain qualified equipments. It is recognised as income over the periods and in the proportions in which depreciation on these assets is charged. The movement of deferred income for the year ended 31 December 2005 was as follows:

	2005	2004
Beginning of year	5,824	-
Granted during the year	-	6,471
Recognised as income	(647)	(647)
End of year	5,177	5,824

(iii) The Group acquired a parcel of leasehold land in Nanjing Hi-tech Development Zone at the cost of RMB 19,500,000, of which 7,000,000 will be repayable within the year of 2007.

(All amounts in RMB thousands unless otherwise stated)

20 Revenue and other operating income

	2005	2004
Sales of goods	2,842,021	2,118,745
Other operating income -		
Government Grant (Note 19)	5,518	5,410
Income from disposal of held-to-maturity investments	107	-
Dividend income	753	605
	6,378	6,015

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

21 Finance costs, net

	2005	2004
Interest income		
- Bank deposits	9,997	7,496
Interest on		
- Bank borrowings	62,216	28,414
Less: amount capitalized in construction-in-progress (Note 6)	(1,491)	(2,310)
	60,725	26,104
- Cash discount on sales	13,123	12,648
	73,848	38,752
	(63,851)	(31,256)

(All amounts in RMB thousands unless otherwise stated)

22 Profit from operation

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

	2005	2004
Depreciation on property, plant and equipment (Note 6)	66,941	77,774
Provision for (reversal of) impairment of property, plant and equipment (Note 6)	43	(5,100)
Loss on disposal of property plant and equipment (included in " Other operating expenses ")(Note 26 (c))	554	23,899
Amortisation of intangible assets		
- Goodwill (Note 7)	-	2,093
- Trademark (Note 7)	876	876
- Licences (Note 7)	3,856	1,711
- Proprietary technology (Note 7)	858	274
- Computer software (Note 7)	299	-
Amortisation of leasehold land (Note 5)	2,037	1,704
Research and development expenditures	44,752	24,248
Repairs and maintenance and overhaul costs of property, plant and equipment	8,295	29,535
Foreign exchange losses (included in " Other operating expenses ")	10,998	21,566
Operating lease rental payable-plant and machinery	689	5,727
Inventory		
- Cost of inventories recognised as expense	2,049,040	1,286,211
- Write-down (reversal) of inventory cost	19,437	(2,909)
Impairment charge for bad and doubtful debts	15,793	8,215
Staff costs		
- Salaries and wages	118,361	121,450
- Staff and workers' welfare fund	16,399	19,042
- Contribution to statutory pension scheme	24,942	25,179
- Provision for housing fund	10,394	11,725

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

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

(All amounts in RMB thousands unless otherwise stated)

23 Taxation

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

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

(b) Enterprise Income Tax ("EIT")

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

	2005	2004
Current tax	15,041	25,384
Deferred tax (Note 23 (b) (3))	(5,421)	(5,851)
Income tax expense	9,620	19,533

The Company and its subsidiaries - Wuxi Weifu Leader Catalytic Converter Company Limited. (" Weifu Leader ") and Wuxi Weifu Automotive Diesel System Company Limited. (" WADS ") are high-technology enterprises registered in Wuxi Hi-tech Industrial Development Zone and are subject to EIT at a reduced rate of 15%. In accordance with Su Guo Shui Fa [2003] No.101 issued by local tax bureau on 20 May 2003, WADS, being a high-technology company incorporated in Wuxi Hi-tech Industrial Development Zone, is entitled to two years' exemption from income taxes commencing from the first cumulative profit-making year net off losses carried forward. WADS's first cumulative profit-making year was 2005, therefore, the applicable EIT rate is zero for the year ended 31 December 2005.

The Company's Subsidiary - Nanjing Weifu Jinning Company Limited. (" Nanjing Weifu "), being a high-technology company registered in Nanjing Hi-tech Development Zone is also subject to EIT at a reduced rate of 15%.

(All amounts in RMB thousands unless otherwise stated)

23 Taxation (Continued)

(b) Enterprise Income Tax ("EIT") (Continued)

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

	2005	2004
Accounting profit before tax	236,141	253,484
Tax calculated at the applicable tax rate of 15% (2004: 15%)	35,421	38,023
Tax effect of utilisation of tax losses of subsidiaries	27	467
Tax effect of expenses that are not deductible in determining taxable profit	(2,696)	733
Tax effect of income that are not taxable in determining taxable profit	(23,132)	(19,690)
	9,620	19,533

(3) Deferred income taxes are calculated in full on temporary differences under the liability method using the tax rates which are enacted or substantively enacted by the balance sheet date.

The movement of the deferred tax assets is as follows:

	2005	2004
As at 1 January 2005	5,851	-
Income statement credit	5,421	5,851
As at 31 December 2005	11,272	5,851
Provided for in respect of :		
Provision for impairment of receivables	4,408	2,517
Write-down of inventory	3,937	923
Provision for impairment of property, plant and equipment	511	704
Write-down of pre-operating expenses	186	198
Housing subsidies not deductible for tax	1,067	459
Accrued expenses not deductible for tax	1,163	1,050
	11,272	5,851

(All amounts in RMB thousands unless otherwise stated)

23 Taxation (Continued)

(b) Enterprise Income Tax ("EIT") (Continued)

The amounts shown in the balance sheet include the following:

	2005	2004
-Deferred tax assets to be recovered after more than 12 months	1,524	1,055
-Deferred tax assets to be recovered within 12 months	9,748	4,796
	11,272	5,851

24 Earnings per share

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

	2005	2004
Net profit	183,379	227,287
Weighted average number of ordinary shares in issue (" 000")	567,276	436,366
Number of bonus shares issued (" 000")	-	130,910
	567,276	567,276
Basic earnings per share (RMB yuan)	0.32	0.40

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

25 Dividends

At the meeting of the board of directors dated 18 April 2006, the directors proposed a final dividend of RMB 0.4 per share, totalling RMB 226,910,398 (Note 32). These consolidated financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2006.

The dividends declared in respect of 2004 were RMB 174,546,460, including cash dividend of RMB 43,636,615 and bonus shares of RMB 130,909,845.

(All amounts in RMB thousands unless otherwise stated)

26 Cash generated from operations

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

	2005	2004
Net profit	183,379	227,287
Adjustments for:		
Minority interest	43,142	6,664
Income tax	9,620	19,533
Provision for doubtful debts and write-off of uncollectible accounts receivable	15,793	8,215
Write-down (reversal) of inventory	19,437	(2,909)
Loss on disposal of property, plant and equipment	554	23,899
Depreciation of property, plant and equipment	66,941	77,774
Provision for (reversal of) impairment loss of property, plant and equipment	43	(5,100)
Amortisation of intangible assets	5,889	4,954
Amortisation of leasehold land	2,037	1,704
Government grants recognised as income	(5,518)	(5,410)
Share of results of associates	(25,556)	(141,333)
Loss/(income) from unconsolidated subsidiaries	4,640	(4,909)
Income from held-to-maturity investments	(107)	-
Provision for impairment loss of available-for-sale investments	11,000	19,000
Dividend income	(753)	(605)
Interest expense	60,725	26,104
Interest income	(9,997)	(7,496)
Changes in working capital	381,269	247,372
Increase in inventories	(69,528)	(312,917)
Increase in pledged deposits	(103,310)	(31,800)
Increase in trade and other receivables	(246,395)	(189,536)
Decrease/(increase) in prepayments	22,275	(27,460)
Decrease/(increase) in due from related parties	11,438	(8,962)
Increase/(decrease) in trade and other payables	(432,532)	622,312
Increase/(decrease) in due to related companies	25,904	(1,784)
Increase/(decrease) in taxes payable	28,399	(34,393)
Decrease in accrual and other current liabilities	(28,494)	(35,324)
Cash generated from/(used in) operations	(410,974)	227,508

(All amounts in RMB thousands unless otherwise stated)

26 Cash generated from operations (Continued)

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

	31 December 2005	31 December 2004
Cash on hand	145	151
Bank deposits	777,686	814,811
	777,831	814,962
Less: Pledged deposits	(135,110)	(31,800)
Cash and cash equivalents	642,721	783,162

The Group's bank deposits of amount of RMB 86,710,000 were pledged as security for issuing notes payables and amount of RMB 48,400,000 were pledged as security for bank loans.

(c) Other information

Proceeds from disposal of property, plant and equipment comprise

	2005	2004
Net book value	11,497	283,072
Less: Loss on sales of property, plant and equipment	(554)	(23,899)
Increase in trade and other receivables	-	(18,547)
Increase in due from related parties	(560)	(3,857)
Decrease in trade and other payable	-	(36,218)
Decrease in due to related parties	(3,233)	-
In exchange of shares of an associate	-	(193,676)
Proceeds from disposal of property, plant and equipment	7,150	6,875

(All amounts in RMB thousands unless otherwise stated)

27 Related party transactions

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

(a) Name of related companies and relationship

Name	Relationship
WFGC	Shareholder which owns a 27.86% equity share of the Company
RBCD	Associated company
Zhonglian Automobile Electronics Company Limited	Associated company
Weifu Mechanism Manufacturing	Associated company
Weifu International Trading	Associated company
Weifu Longsheng	Associated company
Weifu Mashan	Unconsolidated subsidiaries
Weifu Chang'an	Unconsolidated subsidiaries
Weifu Jida	Unconsolidated subsidiaries

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

(1) Trademark licensing agreement

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

(2) Land use right leasing agreement

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

The agreement was revised at the meeting of the Board of Directors dated 19 April 2005. According to the revised agreement, the Group will pay an annual leasing fee of RMB 1,200,000 for the period from 1 January 2005 to 31 December 2014 and any leasing fees for the subsequent periods are to be determined according to the market price then.

(All amounts in RMB thousands unless otherwise stated)

27 Related party transactions (Continued)

(c) Significant transactions with WFGC for the year ended 31 December 2005 are as follows:

Except as disclosed in Note 18, significant transactions with WFGC for the year ended 31 December 2005 are as follows:

	2005	2004
Purchases of materials	32,481	19,485
Sales of products	214,736	194,840
Purchases of services	1,517	-
Sales of property, plant and equipment	-	9,164
Fees for use of land and trademark	4,903	4,501
Bank deposits of WFGC pledged as security for the Company to issue notes payable	-	19,600

(d) Significant transactions with other related companies for the year ended 31 December 2005 are as follows:

	2005	2004
Purchase of materials from		
- Weifu Mechanism Manufacturing	95,296	85,552
- Weifu Mashan	95,308	71,812
- Weifu Chang'an	123,859	121,557
- RBCD	136,809	112,302
- Weifu International Trading	1,019	243
- Other state-owned companies	28,153	19,814
Sales of products to		
- Weifu Mechanism Manufacturing	19,554	24,068
- Weifu Mashan	10,447	21,035
- Weifu Chang'an	13,785	17,114
- RBCD	10,664	95,907
- Weifu International Trading	1,643	-
- Other state-owned companies	1,800,108	1,265,372
Rental of equipments and machineries from		
- RBCD	689	-
Rental of equipments and machineries to		
- RBCD	-	5,727

(All amounts in RMB thousands unless otherwise stated)

27 Related party transactions (Continued)

(d) Significant transactions with other related companies for the year ended 31 December 2005 (Continued)

	2005	2004
Sales of property, plant and equipment to		
- Weifu Mechanism Manufacturing	622	3,510
- Weifu Mashan	2,032	-
- Weifu Chang'an	102	5,890
Purchases of property, plant and equipment from		
- RBCD	-	3,879
- Other state-owned companies	19,292	39,682
Guarantee for loan		
- Weifu Chang'an	47,000	50,000
Bank deposits of the Company pledged as security to issue notes payable		
- Weifu Chang'an	3,000	-
Sales of services		
- RBCD	4,000	-
Purchase of services		
- Weifu Mechanism Manufacturing	483	-
- Weifu International Trading	361	-
- RBCD	6,319	-
Interest income		
- State-owned bank	9,997	7,496
Interest expenses paid		
- State-owned bank	60,725	26,104

(All amounts in RMB thousands unless otherwise stated)

27 Related party transactions (Continued)

(e) Balances with related parties

	31 December 2005	31 December 2004
Due to related parties		
- WFGC	13,879	7,371
- Weifu Chang'an	96	-
- Weifu Mashan	12,542	-
- Weifu International Trading	128	-
- RBCD	2,991	-
- Weifu Jida	399	409
	30,035	7,780

	31 December 2005	31 December 2004
Due from related parties		
- Weifu Mechanism Manufacturing	10,241	2,502
- Weifu Chang'an	6,465	14,463
- Weifu Mashan	-	9,037
- RBCD	176	1,758
	16,882	27,760

	31 December 2005	31 December 2004
Due from other state-owned companies	494,710	378,776
Less: Provision for bad and doubtful debts	(18,914)	(18,941)
	475,796	359,835
Due to other state-owned companies	46	-
Bank deposits balance		
- State-owned bank	777,831	814,962

(All amounts in RMB thousands unless otherwise stated)

28 Principal subsidiaries

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

As of 31 December 2005, the consolidated financial statements include the financial statements of the subsidiaries as follows:

Name of subsidiary	Place of registration	Principal activities	Registered capital		Percentage of equity interest	
Consolidated			2005	2004	Directly	Indirectly
Nanjing Weifu Jinning Company Limited. ("Nanjing Weifu")	Nanjing, PRC	Manufacture and sale of diesel engines, machinery, electronic products and automotive components.	256,000	256,000	80%	-
Wuxi Weifu Leader Catalytic Converter Company Limited ("Weifu Leader")	Wuxi, PRC	Manufacture and sale of catalytic converter, catalyzer and automotive components	260,000	260,000	94.81%	-
Jiangsu Weifu Nanometer Technology Company Limited ("Weifu Nanometer")	Wuxi, PRC	Manufacture and sale of nanometer material and products	30,000	30,000	80%	-
Wuxi Weifu Automotive Diesel System Company Limited ("WADS")	Wuxi,PRC	Manufacture and sale of diesel engines, development of mechanical technology	200,000	200,000	70%	-

Name of subsidiary	Place of registration	Principal activities	Registered capital		Percentage of equity interest			
unconsolidated			2005	2004	2005		2004	
					Directly	Indirectly	Directly	Indirectly
Wuxi Weifu Mashan Fuel Injection Equipment Factory ("Weifu Mashan")	Wuxi, PRC	Manufacture and sale of fuel injection equipment	45,000	12,237	92.6%	7.4%	72.78%	12.22%
Wuxi Weifu Chang'an Fuel Injection Co., Ltd. (" Weifu Chang'an")	Wuxi, PRC	Manufacture and sale of injection equipment for diesel	60,000	21,490	94.63%	5.37%	85%	-
Wuxi Weifu Jida New Material Development Co., Ltd. ("Weifu Jida")	Wuxi, PRC	Manufacture and development of metallic and non-metallic materials	5,000	5,000	70%	-	70%	-

(All amounts in RMB thousands unless otherwise stated)

29 Interest in joint venture

As of 31 December 2005, the consolidated financial statements include the Group's share of the assets and liabilities, and income and expenses and cash flows of its joint ventures as follows:

(i)

Name of the joint venture	Place of registration	Principal activities	Registered capital		Percentage of equity interest	
			2005	2004	Directly	Indirectly
Wuxi Weifu Environmental Catalyst Co., Ltd. ("Weifu Environmental Catalyst")	Wuxi PRC	Development, Manufacture and sale of environmental catalyst products	50,000	50,000	-	49%

The following amounts represent the Group's 49% share of the assets and liabilities, and sales and results of the joint venture:

	2005	2004
Assets:		
Property, plant and equipment	7,219	5,293
Intangible assets	7,443	8,301
Current assets	25,307	14,796
	39,969	28,390
Liabilities:		
Current liabilities	3,782	1,381
Net assets	36,187	27,009
Revenue	46,386	13,337
Expenses	(36,592)	(10,829)
Profit after income tax	9,794	2,508
Proportionate interest in joint venture's commitments	-	-

(ii)

Name of the joint venture	Place of registration	Principal activities	Registered capital (USD'000)		Percentage of equity interest	
			2005	2004	Directly	Indirectly
Wuxi Weifu Autocam Precision Machinery Co., Ltd.	Wuxi PRC	Development, Manufacture and sale of Precision accessory for automobile	6,000	-	50%	-

(All amounts in RMB thousands unless otherwise stated)

29 Interest in joint venture (Continued)

The following amounts represent the Group's 50% share of the assets and liabilities, and sales and results of the joint venture:

	2005	2004
Assets:		
Current assets	3,639	-
Liabilities:	-	
Net assets	3,639	-
Revenue	-	-
Expenses	-	-
Profit after income tax	-	-
Proportionate interest in joint venture's commitments	-	-

There are no contingent liabilities relating to the Group's interest in the joint venture, and no contingent liabilities of the venturer itself.

30 Contingent and liabilities

Except as disclosed in Note 27(d), the Group had no significant contingent liabilities as of 31 December 2005.

31 Commitments

Except as disclosed in Note 27(b), as of 31 December 2005, the Group had the following significant commitments:

(1) Commitment to acquire property, plant and equipment amounting to approximately RMB 132,860,000 (2004: RMB 82,700,000).

(2) Commitment of investment in the joint venture – Wuxi Weifu Autocam Precision Machinery Co., Ltd of USD 3,000,000 (2004: nil), of which USD 450,000 had been injected as of 31 December 2005.

(All amounts in RMB thousands unless otherwise stated)

32 Subsequent events

On 21st March, 2006, the group's proposal on share merger reform was approved by the State-owned Assets Supervision and Administration Commission of the Provincial Government of Jiangsu Province (Su Guo Zi Fu[2006] No.61) and passed by the A-share shareholders' meeting on 27th March, 2006 and implemented formally on 5th April, 2006. The abbreviation of the share was renamed from "Weifu High-tech" to "G-Weifu".

At the meeting of the Board of Directors dated 18th April, 2006, the directors proposed a final dividend of RMB 0.4 per share, totalling RMB 226,910,398 (Note 25).

33 Approval of financial statements

The consolidated financial statements were approved for issuance by the Board of Directors of the Company on 18 April 2006.

WEIFU HIGH-TECHNOLOGY COMPANY LIMITED AND ITS SUBSIDIARIES
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2005

(All amounts in RMB thousands unless otherwise stated)

Impact of IFRS adjustments on net profit and net assets attributable to equity holders of the Company

	Net profit		Shareholders' equity	
	2005	2004	31 December 2005	31 December 2004
As reported in the statutory accounts	181,905	235,069	2,341,982	2,201,310
Adjustment on income/(loss) from associates	3,050	8,537	15,352	12,302
Adjustment for investment in associates arises from setting off government grant against the initial cost of leasehold land of an associate	-	-	(10,618)	(10,618)
Reversal of amortisation of goodwill in accordance with IFRS 3	4,590	1,324	5,914	1,324
Loss on disposal of property, plant and equipment in exchange for the share capital of the associate	-	(5,966)	(5,966)	(5,966)
Amortisation of investment tax credit recognised as deferred income	647	(5,824)	(5,177)	(5,824)
Government grant not recognised as income	(6,785)	(11,091)	(17,876)	(11,091)
Provision for deferred tax	5,421	5,851	11,272	5,851
Negative goodwill recognised in income statement	3,018	230	-	-
Unrealized profit result from purchase of goods from the unconsolidated subsidiaries	(6,461)	-	(6,461)	-
Staff welfare fund appropriated	(615)	-	-	-
Effect on minority interests as a result of the above adjustments	(1,391)	(843)	(2,121)	(730)
As restated under IFRS	183,379	227,287	2,326,301	2,186,558