

# WUXI WEIFU HIGH-TECHNOLOGY CO., LTD.

## SUMMARY OF ANNUAL REPORT 2006

### §1 Important notice

1.1 Board of Directors and Supervisory Committee of Wuxi 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 fictitious records, misleading statements, or important omissions carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the contents. The summary of annual report 2006 is abstracted from the whole annual report; the investors are suggested to read the full text of annual report to understand more details.

1.2 No directors, supervisors or senior executives stated that they couldn't ensure the reality, accuracy and completion of the contents of the Annual Report or have objection for this report.

1.3

| Name of absent directors | Reason          | Name of trustees |
|--------------------------|-----------------|------------------|
| Zhang Xiaoyu             | Due to business | Chen Qilong      |
| Chen Juchang             | Due to business | Chen Qilong      |
| Ge Songping              | Due to business | Xu Liangfei      |
| Chen Zhaolin             | Absence         | Naught           |

1.4 Domestic Jiangsu Gongzheng Certified Public Accountants Co., Ltd. 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, person in charge of Financing confirm that the Financial Report enclosed in the Annual Report 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              |
| Listed stock exchange   | Shenzhen Stock Exchange     |

|                                  |                                                               |
|----------------------------------|---------------------------------------------------------------|
| Registered address               | Plot 46, Wuxi National High-Tech Industrial Development Zone  |
| Post code of registered address  | 214028                                                        |
| Office address                   | No.107, Renmin West Road, Wuxi                                |
| Post code of office address      | 214031                                                        |
| Internet web site of the Company | <a href="http://www.weifu.com.cn">http://www.weifu.com.cn</a> |
| E-mail                           | Web@weifu.com.cn                                              |

## 2.2 Contact person and method:

|                 | Secretary of the Board         | Authorized Representative of Stock Affairs |
|-----------------|--------------------------------|--------------------------------------------|
| Name            | Zhou Weixing                   | Gu Yiming                                  |
| Contact Address | No.107, Renmin West Road, Wuxi | No.107, Renmin West Road, Wuxi             |
| Tel             | 0510-82719579                  | 0510-82719579                              |
| Fax             | 0510-82751025                  | 0510-82751025                              |
| E-mail          | wfjt @ public1.wx.js.cn        | wfjt @ public1.wx.js.cn                    |

## §3 Summary of Accounting Data and Financial Indexes

### 3.1 Major accounting data

Unit: RMB'000

|                                                                | 2006               | 2005               | Increase/decrease over last year ( % )     | 2004               |
|----------------------------------------------------------------|--------------------|--------------------|--------------------------------------------|--------------------|
| Income from main operations                                    | 2,513,966          | 2,842,021          | -11.54%                                    | 2,118,745          |
| Total profit                                                   | 145,688            | 236,141            | -38.30%                                    | 253,484            |
| Net profit                                                     | 105,570            | 183,379            | -42.43%                                    | 227,287            |
| Net cash flow from operating activities                        | 537,575            | -410,974           | -130.81%                                   | 179,736            |
|                                                                | At the end of 2006 | At the end of 2005 | Increase/decrease over last year-end ( % ) | At the end of 2004 |
| Total assets                                                   | 4,897,317          | 4,482,217          | 9.26%                                      | 4,195,117          |
| Shareholder's equity (excluding minority shareholders' equity) | 2,205,161          | 2,326,301          | -5.21%                                     | 2,186,558          |

### 3.2 Main financial indexes

Unit: RMB

|                                                                 | 2006                  | 2005                  | Increase/decrease<br>over last year ( % )        | 2004                  |
|-----------------------------------------------------------------|-----------------------|-----------------------|--------------------------------------------------|-----------------------|
| Earnings per share                                              | 0.19                  | 0.32                  | -40.63%                                          | 0.52                  |
| Earnings per share (Note)                                       | 0.19                  | -                     | -                                                | -                     |
| Return on equity                                                | 4.79%                 | 7.88%                 | -3.09%                                           | 10.39%                |
| Net cash flow per share<br>arising from operating<br>activities | 0.95                  | -0.87                 | -109.20%                                         | 0.41                  |
|                                                                 | At the end of<br>2006 | At the end of<br>2005 | Increase/decrease<br>over last year-end<br>( % ) | At the end of<br>2004 |
| Net assets per share                                            | 3.89                  | 4.10                  | -5.12%                                           | 5.01                  |
| Net assets per share after<br>adjustment                        | 3.88                  | 4.10                  | -5.37%                                           | 5.01                  |

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

Items of non-recurring gains and losses

Applicable                       Inapplicable

Unit: RMB

| Non-recurring items                                                          | Amount               |
|------------------------------------------------------------------------------|----------------------|
| Non-operating expenses                                                       | 12,962,075.74        |
| Less: Grains adjustment fund, flood control and public<br>security funds     | 7,854,344.24         |
| Less: Fixed assets depreciation reserve                                      | -2,126,336.59        |
| Subtotal of non-operating expenses                                           | 7,234,068.09         |
| Non-operating income                                                         | 2,957,169.30         |
| Liquidation income of fixed asset                                            | 2,214,988.20         |
| Other income                                                                 | 742,181.10           |
| Offset amount of appropriated funds from financial<br>technology reformation | 9,203,623.48         |
| Subsidiary income                                                            | 1,620,000.00         |
| Switching back of bad debt reserve                                           | 6,081,096.33         |
| Switching back of stored goods depreciation reserve                          | 2,374,186.25         |
| Switching back of fixed assets depreciation                                  | 3,625,957.61         |
| Total of non-operating gains                                                 | 25,862,032.97        |
| Non-recurring losses (gains-losses)                                          | 18,627,964.88        |
| Less: Impact on income tax of non-recurring income                           | 1,459,765.33         |
| Less: Impact on minority shareholders due to<br>non-recurring income         | 2,900,467.89         |
| <b>Total</b>                                                                 | <b>14,267,731.66</b> |

### 3.3 Difference of Chinese Accounting Standard (CAS) and International Accounting

Standard (IAS)

√ Applicable

Inapplicable

Unit: RMB

|                            | CAS                                                                                                                               | IAS            |
|----------------------------|-----------------------------------------------------------------------------------------------------------------------------------|----------------|
| Net profit                 | 88,279,690.00                                                                                                                     | 105,777,438.00 |
| Explanation on differences | Adjustment based on investment profit of affiliated company (losses)                                                              | -2,383,590.00  |
|                            | Switching back goodwill amortization from purchasing affiliated company according to International Financial Report Standard No.3 | 2,496,707.00   |
|                            | Confirming income from offsetting homemade equipments as deferred tax and carrying out amortization                               | 647,074.00     |
|                            | Government subsidy of unconfirmed income                                                                                          | 6,226,238.00   |
|                            | Drawing and listing of deferred income tax                                                                                        | 3,989,995.00   |
|                            | Confirming negative goodwill from establishing affiliated enterprise as income in very year                                       | 4,084,326.00   |
|                            | Unrealized gross profit of inventory purchased from unconsolidated subsidiaries                                                   | 5,536,040.00   |
|                            | Employees' rewards and welfare funds                                                                                              | -616,222.00    |
|                            | Influence of the aforesaid adjustments on minority interests                                                                      | -2,482,820.00  |
|                            | Amount calculated based on International Financial Report Standards                                                               | 105,777,438.00 |

## §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 | New shares issued                       | Bonus share | Capitalization of capital public reserve | Others  | Subtotal    | Amount           | Proportion |
| I. Restricted share                    | 171,651,235       | 30.26%     | 0                                       | -47,719,809 | 0                                        | 10,000  | -47,709,809 | 123,941,426      | 21.85%     |
| 1. State-owned share                   | 0                 | 0.00%      | 0                                       | 0           | 0                                        | 0       | 0           | 0                | 0.00%      |
| 2. State-owned legal share             | 170,203,995       | 30.00%     | 0                                       | -47,359,802 | 0                                        | 0       | -47,359,802 | 122,844,193      | 21.66%     |
| 3. Other inner capital share           | 1,447,240         | 0.26%      | 0                                       | -360,007    | 0                                        | 10,000  | -350,007    | 1,097,233        | 0.19%      |
| Including: domestic legal person share | 1,352,000         | 0.24%      |                                         | -376,198    |                                          | 0       | -376,198    | 975,802          | 0.17%      |
| Domestic natural person share          | 95,240            | 0.02%      | 0                                       | 16,191      | 0                                        | 10,000  | 26,191      | 121,431          | 0.02%      |
| 4. Foreign capital share               | 0                 | 0.00%      | 0                                       | 0           | 0                                        | 0       | 0           | 0                | 0.00%      |
| Including: overseas legal person share | 0                 | 0.00%      | 0                                       | 0           | 0                                        | 0       | 0           | 0                | 0.00%      |
| Overseas natural person share          | 0                 | 0.00%      | 0                                       | 0           | 0                                        | 0       | 0           | 0                | 0.00%      |
| II. Unrestricted share                 | 395,624,760       | 69.74%     | 0                                       | 47,719,809  | 0                                        | -10,000 | 47,709,809  | 443,334,569      | 78.15%     |

|                                              |             |         |   |            |   |         |            |             |         |
|----------------------------------------------|-------------|---------|---|------------|---|---------|------------|-------------|---------|
| 1. RMB Common share                          | 280,704,760 | 49.48%  | 0 | 47,719,809 | 0 | -10,000 | 47,709,809 | 328,414,569 | 57.89%  |
| 2. Domestically listed foreign capital share | 114,920,000 | 20.26%  | 0 | 0          | 0 | 0       | 0          | 114,920,000 | 20.26%  |
| 3. Overseas listed foreign capital share     | 0           | 0.00%   | 0 | 0          | 0 | 0       | 0          | 0           | 0.00%   |
| 4. Other                                     | 0           | 0.00%   | 0 | 0          | 0 | 0       | 0          | 0           | 0.00%   |
| III. Total share                             | 567,275,995 | 100.00% | 0 | 0          | 0 | 0       | 0          | 567,275,995 | 100.00% |

The date for the restricted shares to be listed

Unit: Share

| Date          | The amount of additional listed shares expired the restricted period | Balance of the amount of restricted shares | Balance of the amount of unrestricted shares | Explanations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|---------------|----------------------------------------------------------------------|--------------------------------------------|----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| April 5, 2007 | 9,879,448                                                            | 114,061,978                                | 453,214,017                                  | On Apr.5, 2007, the restricted commitments of Wuxi Xinzhongya Investment & Development Co., State Investment Machinery and Light Industrial Co., Ltd., Shanghai Automotive Industry Corporation (Group), Wuxi Weifu Industry Corporation, Wuxi Xitong Property Management Co., Ltd., Guolian Trust & Investment Co., Ltd. and Machinery Assets Management Co., Ltd. of Jiangsu Province have been completely implemented, and the restricted shares of the Company they held have released restriction and listed in circulation.                                                                                |
| April 5, 2011 | 28,363,800                                                           | 85,698,538                                 | 481,577,817                                  | On Apr.5, 2011, non-circulating shares of Weifu High-tech held by Wuxi Weifu Group Co., Ltd. could not be listed or transferred within 60 months since possessing of listing right. After the expiry of the commitment period, original non-circulating shares would be listed for sale in Shenzhen Stock Exchange, the proportion of sales volume to total share equity of Weifu High-tech could not exceed 5% within 12 months, and sales price ought not to less than RMB 10 per share (the lowest deduction price of shares holding would be calculated ex-right at the same time if share price ought to be |

|               |            |            |             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|---------------|------------|------------|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|               |            |            |             | ex-right according to regulation).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| April 5, 2012 | 28,363,800 | 57,334,738 | 509,941,617 | On Apr.4, 2012, non-tradable shares of Weifu High-tech held by Weifu Group could not listed for sale or transferred within 60 months after acquiring listing right. After the expiry of the commitment period, original non-tradable shares would be listed for sale in Shenzhen Stock Exchange, the proportion of sales volume in total share equity of Weifu High-tech could not exceed 5% within 12 months, 10% within 24 months, and sales price ought not to be less than RMB 10 per share (the lowest deduction price of shares holding would be calculated ex-right at the same time if share price ought to be ex-right according to regulation). |
| April 5, 2013 | 57,334,738 | 0          | 567,275,995 | On Apr.5, 2013, Wuxi Weifu Group Co., Ltd. has finished implementation of the restricted commitment, the restricted shares it held have released restriction and listed in circulation, moreover, the sales price ought not to be lower that RMB 10 per share the lowest deduction price of shares holding would be calculated ex-right at the same time if share price ought to be ex-right according to regulation).                                                                                                                                                                                                                                    |

Amount of shares held by the top ten restricted shareholders and the restrictions

Unit: Share

| No. | Name of the restricted shareholders | Amount of the restricted shares held | Date to be listed | Amount of the additional listed shares | Restricted condition                              |
|-----|-------------------------------------|--------------------------------------|-------------------|----------------------------------------|---------------------------------------------------|
| 1   | Wuxi Weifu Group Limited Company    | 114,061,978                          | April 5, 2011     | 28,363,800                             | Non-circulating shares of Weifu High-tech held by |
|     |                                     |                                      | April 5, 2012     | 28,363,800                             |                                                   |

|   |                                                           |           |               |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|---|-----------------------------------------------------------|-----------|---------------|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   |                                                           |           | April 5, 2013 | 57,334,738 | Weifu Group could not be listed or transferred within 60 months since possessing of listing right. After the expiry of the commitment period, original non-circulating shares would be listed for sale in Shenzhen Stock Exchange, the proportion of sales amount to total share equity of Weifu High-tech could not exceed 5% within 12 months as well as 10% within 24 months, and sales price ought not to less than RMB 10 per share (the lowest impairment price of shares holding would be calculated ex-right at the same time if share price ought to ex-right according to regulation). |
| 2 | Wuxi Xinzhongya Investment & Development Co.              | 2,439,504 | April 5, 2007 | 2,439,504  | Ought not to be listed or transferred within 12 months since possessing of listing right                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 3 | State Investment Machinery and Light Industrial Co., Ltd. | 1,829,628 | April 5, 2007 | 1,829,628  | Ought not to be listed or transferred within 12 months since possessing of listing right                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 4 | Shanghai Automotive Industry Corporation (Group)          | 1,829,628 | April 5, 2007 | 1,829,628  | Ought not to be listed or transferred within 12 months since possessing of listing right                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 5 | Wuxi Weifu Industry Corporation                           | 1,097,777 | April 5, 2007 | 1,097,777  | Ought not to be listed or transferred within 12 months since possessing of listing right                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 6 | Wuxi Xitong Property Management Co., Ltd.                 | 975,802   | April 5, 2007 | 975,802    | Ought not to be listed or transferred within 12 months since possessing of listing right                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

|   |                                                           |         |               |         |                                                                                          |
|---|-----------------------------------------------------------|---------|---------------|---------|------------------------------------------------------------------------------------------|
| 7 | Guolian Trust & Investment Co., Ltd.                      | 975,802 | April 5, 2007 | 975,802 | Ought not to be listed or transferred within 12 months since possessing of listing right |
| 8 | Machinery Assets Management Co., Ltd. of Jiangsu Province | 609,876 | April 5, 2007 | 609,876 | Ought not to be listed or transferred within 12 months since possessing of listing right |

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

Unit: Share

| Total number of shareholders                                                          |                         | 44,384                    |                             |                                  |                                    |
|---------------------------------------------------------------------------------------|-------------------------|---------------------------|-----------------------------|----------------------------------|------------------------------------|
| Particulars about shares held by the top ten shareholders                             |                         |                           |                             |                                  |                                    |
| Name of shareholders                                                                  | Nature of shareholders  | Proportion of shares held | Total amount of shares held | Amount of restricted shares held | Amount of pledged or frozen shares |
| WUXI WEIFU GROUP COMPANY LIMITED                                                      | State-owned shareholder | 20.11%                    | 114,061,978                 | 114,061,978                      | 0                                  |
| ROBERT BOSCH GMBH                                                                     | Foreign shareholder     | 3.24%                     | 18,387,200                  | 0                                | 0                                  |
| INDUSTRIAL AND COMMERCIAL BANK OF CHINA-KAIYUAN SECURITIES INVESTMENT FUND            | Other                   | 2.71%                     | 15,378,384                  | 0                                | 0                                  |
| BANK OF COMMUNICATIONS-HSBC JINXIN LONGTENG STOCK AND OPEN SECURITIES INVESTMENT FUND | Other                   | 1.25%                     | 7,100,000                   | 0                                | 0                                  |
| HTHK-VALUE PARTNERS INTELLIGENT FD-CHINA B SHS FD                                     | Foreign shareholder     | 1.15%                     | 6,545,854                   | 0                                | 0                                  |
| SHANGHAI BAOSTEEL ENGINEERING & EQUIPMENT CO.,LTD.                                    | Other                   | 1.06%                     | 5,990,000                   | 0                                | 0                                  |
| VALUE PARTNERS HIGH-DIVIDEND STOCKS FUNDS                                             | Foreign shareholder     | 1.04%                     | 5,873,891                   | 0                                | 0                                  |
| BBH BOS S/A FIDELITY FD - CHINA FOCUS FD                                              | Foreign shareholder     | 0.99%                     | 5,600,000                   | 0                                | 0                                  |
| INDUSTRIAL AND COMMERCIAL BANK OF CHINA-SOUTHERN WENJIAN GROWTH NO.2 SECURITIES       | Other                   | 0.94%                     | 5,354,343                   | 0                                | 0                                  |

|                                                                                                     |                     |                                       |           |                                   |   |
|-----------------------------------------------------------------------------------------------------|---------------------|---------------------------------------|-----------|-----------------------------------|---|
| INVESTMENT FUND                                                                                     |                     |                                       |           |                                   |   |
| SCHRODER INTL SELECTION<br>FD-GREATER CN FD GTI 25287                                               | Foreign shareholder | 0.92%                                 | 5,212,200 | 0                                 | 0 |
| Particulars about shares held the top ten unrestricted shareholders                                 |                     |                                       |           |                                   |   |
| Name of shareholders                                                                                |                     | Amount of unrestricted<br>shares held |           | Type of share                     |   |
| ROBERT BOSCH GMBH                                                                                   |                     | 18,387,200                            |           | Domestically listed foreign share |   |
| INDUSTRIAL AND COMMECIALBANK OF<br>CHINA-KAIYUAN SECURITIES INVESTMENT FUND                         |                     | 15,378,384                            |           | RMB ordinary share                |   |
| BANK OF COMMUNICATIONS-HSBC JINXIN<br>LONGTENG STOCK AND OPEN SECURITIES<br>INVESTMENT FUND         |                     | 7,100,000                             |           | RMB ordinary share                |   |
| HTHK-VALUE PARTNERS INTELLIGENT FD-CHINA<br>B SHS FD                                                |                     | 6,545,854                             |           | Domestically listed foreign share |   |
| SHANGHAI BAOSTEEL ENGENEERING &<br>EQUIPMENT CO.,LTD.                                               |                     | 5,990,000                             |           | RMB ordinary share                |   |
| VALUE PARTNERS HIGH-DIVIDEND STOCKS<br>FUNDS                                                        |                     | 5,873,891                             |           | Domestically listed foreign share |   |
| BBH BOS S/A FIDELITY FD - CHINA FOCUS FD                                                            |                     | 5,600,000                             |           | Domestically listed foreign share |   |
| INDUSTRIAL AND COMMECIALBANK OF<br>CHINA-SOUTHERN WENJIAN GROWTH NO.2<br>SECURITIES INVESTMENT FUND |                     | 5,354,343                             |           | RMB ordinary share                |   |
| SCHRODER INTL SELECTION FD-GREATER CN FD<br>GTI 25287                                               |                     | 5,212,200                             |           | Domestically listed foreign share |   |
| MERRILL LYNCH PIERCE FENNER & SMITH INC                                                             |                     | 4,397,510                             |           | Domestically listed foreign share |   |
| Explanation on associated<br>relationship or consistent actions<br>among the above shareholders     |                     | Unknown                               |           |                                   |   |

#### 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 Block diagram for property right and controlling relationship among actual controllers and the Company:

State-owned Assets Supervision & Administration Commission  
of Wuxi Municipality of Jiangsu Province

↓ 100%

Wuxi Weifu Group Company Limited

↓ 20.11%

Weifu High-technology Co., Ltd.

## §5 Director, Supervisor and Senior Executives

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

| Name          | Position                                     | Gender | Age | Start date of term office | End date of term office | Shares held at the year-begin | Shares held at the year-end | Reason for change   | Total remuneration drawn from the Company in the report period (RMB'00 00) | Draw the remuneration from shareholders' units or other associated units or not |
|---------------|----------------------------------------------|--------|-----|---------------------------|-------------------------|-------------------------------|-----------------------------|---------------------|----------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| Xu Liangfei   | Chairman of the Board                        | Male   | 62  | Jun.9, 2005               | Jun.8, 2008             | 16,640                        | 19,469                      | Share Merger Reform | 0.00                                                                       | Yes                                                                             |
| Han Jiangming | Vice Chairman of the Board & General Manager | Male   | 55  | Jun.9, 2005               | Jun.8, 2008             | 16,640                        | 19,469                      | Share Merger Reform | 35.51                                                                      | No                                                                              |
| Wang Weiliang | Director                                     | Male   | 41  | Jun.9, 2005               | Jun.8, 2008             | 10,400                        | 12,168                      | Share Merger Reform | 0.00                                                                       | Yes                                                                             |
| Gao Guoyuan   | Director                                     | Male   | 52  | Jun.9, 2005               | Jun.8, 2008             | 8,450                         | 9,886                       | Share Merger Reform | 0.00                                                                       | Yes                                                                             |

|                |                                          |        |    |             |             |        |        |                                 |       |     |
|----------------|------------------------------------------|--------|----|-------------|-------------|--------|--------|---------------------------------|-------|-----|
| Ge Songping    | Director                                 | Male   | 52 | Jun.9, 2005 | Jun.8, 2008 | 20,900 | 24,453 | Share Merger Reform             | 0.00  | Yes |
| Shi Xingyuan   | Director & Deputy General Manager        | Male   | 44 | Jun.9, 2005 | Jun.8, 2008 | 2,600  | 3,042  | Share Merger Reform             | 24.27 | No  |
| Chen Zhaolin   | Director                                 | Male   | 49 | Jun.9, 2005 | Jun.8, 2008 | 0      | 0      |                                 | 0.00  | Yes |
| Zhang Xiaoyu   | Independent Director                     | Male   | 62 | Jun.9, 2005 | Jun.8, 2008 | 0      | 0      |                                 | 5.00  | No  |
| Ouyang Minggao | Independent Director                     | Male   | 48 | Jun.9, 2005 | Jun.8, 2006 | 0      | 0      |                                 | 5.00  | No  |
| Chen Qilong    | Independent Director                     | Male   | 56 | Jun.9, 2005 | Jun.8, 2006 | 0      | 0      |                                 | 5.00  | No  |
| Chen Juchang   | Independent Director                     | Male   | 67 | Jun.9, 2005 | Jun.8, 2006 | 0      | 0      |                                 | 5.00  | No  |
| Chen Xuejun    | Chairman of the Supervisory Committee    | Male   | 39 | Jun.9, 2005 | Jun.8, 2006 | 2,600  | 3,042  | Share Merger Reform             | 24.17 | No  |
| Li Guodong     | Supervisor                               | Male   | 57 | Jun.9, 2005 | Jun.8, 2006 | 0      | 0      |                                 | 0.00  | Yes |
| Zhang Jiming   | Supervisor                               | Male   | 37 | Jun.9, 2005 | Jun.8, 2006 | 0      | 0      |                                 | 0.00  | Yes |
| Ou Jianbin     | Supervisor                               | Male   | 40 | Jun.9, 2005 | Jun.8, 2006 | 500    | 10,585 | Share Merger Reform, Purchasing | 20.08 | No  |
| You Jianzhong  | Supervisor                               | Male   | 39 | Jun.9, 2005 | Jun.8, 2006 | 8,320  | 9,734  | Share Merger Reform             | 4.28  | No  |
| Sun Qingxian   | Deputy General Manager & Financial Chief | Female | 53 | Jun.9, 2005 | Jun.8, 2006 | 0      | 0      |                                 | 24.33 | No  |
| Miao Yuming    | Deputy General Manager                   | Male   | 43 | Jun.9, 2005 | Jun.8, 2006 | 0      | 0      |                                 | 24.29 | No  |
| Wang Yawei     | Deputy General Manager                   | Male   | 51 | Jun.9, 2005 | Jun.8, 2006 | 0      | 0      |                                 | 27.57 | No  |
| Deng Xijiang   | Deputy General Manager                   | Male   | 43 | Jun.9, 2005 | Jun.8, 2006 | 6,240  | 7,301  | Share Merger Reform             | 24.25 | No  |

|              |                        |      |    |             |             |        |         |                     |        |    |
|--------------|------------------------|------|----|-------------|-------------|--------|---------|---------------------|--------|----|
| Zhou Weixing | Secretary of the Board | Male | 43 | Jun.9, 2005 | Jun.8, 2006 | 1,950  | 2,282   | Share Merger Reform | 13.16  | No |
| Total        | -                      | -    | -  | -           | -           | 95,240 | 121,431 | -                   | 241.91 | -  |

## §6 Report of the Board of Directors

### 6.1 Discussion and analysis of the operation

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

##### (I) Review on operations in the report period

1. In 2006, the commercial vehicle which takes diesel as power material appeared recovery growth after experienced rapid adjustment in 2005, which brought new opportunity to production and operation of the Company. In order to ensure the sustainable and steady development of the Company, the board of directors carried out arrangement in 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 main 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 revenue from main business and profit from main business respectively amounting to RMB'000 2,519,660 and RMB'000 626,311 in the full year, decreased by 11.54% and 2.05% respectively over last year, and realized net profit amounting to RMB'000 105,570 and decreased by 42.43% over last year.

Revenue from main operation decreased by 11.10% was because subsidiary Wuxi Weifu Automotive Diesel System Co., Ltd in consolidated statement decreased revenue from main operation. Profit from main business decreased by 0.61% was because Wuxi Weifu Automotive Diesel System Co., Ltd decreased in profit from main operation. Net profit decreased by 51.47% was due to: ① rising price in raw material; ② Decrease of investment benefits, Bosch Automotive Diesel System Co., Ltd. invested by the Company was still under construction, the Company undertook investment losses amounting to RMB 72.1 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 | 227,099.54                  | 167,960.88              | 26.04                  | -14.81                                                                  | -18.59                                                              | 3.43                                                           |
| Catalyst and muffler                                   | 21,016.19                   | 16,945.62               | 19.37                  | 68.03                                                                   | 69.62                                                               | -0.76                                                          |

##### 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                               | 51,006.76                   | 50.29            | No. 1                 |
| PW 2000                               | 24,830.90                   |                  |                       |
| PW pump                               | 19,204.35                   | 40.00            | No. 2                 |
| VE pump                               | 47,581.58                   | 100.00           | No. 1                 |
| A pump                                | 15,439.59                   | 49.42            | No. 1                 |
| I pump (including PL, IW and PM pump) | 28,711.89                   | 40.84            | No. 1                 |
| Single plunger pump                   | 5,838.33                    | 28.73            | No. 2                 |
| Injector                              | 10,085.67                   | 16.47            | No. 2                 |
| Precision pump parts                  | 16,346.10                   | 26.60            | No. 1                 |

Data Source: Statistics Association of China's Machinery Industry, Fuel Injection Sub-branch (2006) Statistical Data Collection in Fuel Injection Equipment Industry.

### (III) Main suppliers and customers

Unit: RMB'0000

|                                                       |            |                                        |        |
|-------------------------------------------------------|------------|----------------------------------------|--------|
| The total purchase amount from the top five suppliers | 76,175.62  | Accounting for total purchase amount % | 45.11% |
| The total sales amount to the top five customers      | 117,424.16 | Accounting for total sales amount %    | 47.33% |

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

i. Account receivable: amount at period-end amounting to RMB 648,323,700, decreased 47,680,600 over period-begin, mainly because subsidiary Wuxi Weifu Automotive Diesel System Co., Ltd. in consolidated statement decreased account receivable at period-end compared with period-begin.

ii. Note receivable: amount at period-end amounting to RMB 452,893,400, increased RMB 281,092,700 over period-begin, which was mainly owing to the increase in commercial acceptance bill.

iii. Long-term equity investment: amount at period-end amounting to RMB 778,608,700, decreased RMB 185,242,900 over period-begin, which was mainly owing to holding subsidiaries Wuxi Weifu Mashan Fuel Injection Equipment Co., Ltd. and Wuxi Weifu Changan Fuel Injection Equipment Co., Ltd. have been brought into scope of consolidation since 2006.

iv. Construction in progress: amount at period-end amounting to RMB 152,840,400, increased RMB 83,962,500 over period-begin, which was mainly due to purchasing land and workshop of Bosch Automotive Diesel System Co., Ltd. in No.50 plot.

v. Short-term loan: amount at period-end amounting to RMB 1,464,069,600, increased 375,155,900 over period-begin, which was mainly due to the capitalized investment expansion of the Company, and the capital demand increased.

vi. Account payable: amount at period-end amounting to RMB 548,934,700, increased RMB 244,462,900 over period-begin, which was mainly due to subsidiary Wuxi Weifu Automotive Diesel System Co., Ltd. in consolidated statement and parent company increased account payable.

vii. Long-term liability within one year: amount at period-end amounting to RMB 73 million, decreased 72 million over period-begin, which was mainly owing to the parent company repaid long-term liability within one year at term in the report period.

viii. Operating profit: amount in the report period amounting to RMB 167,567,000, decreased RMB 74,372,100 over the same period of last year, which was mainly owing to the increased price of raw material and increased operating expense.

ix. Cost of main operation: amount in the report period amounting to RMB 1,849,064,900, decreased RMB 314,062,700 and 14.52% over the same period of last year, which was mainly due to the decrease in main business.

x. Operating expenses: amounting to RMB 121,668,900 increased RMB 36,528,400 and 42.90% over the same period of last year, which was mainly due to subsidiary Wuxi Weifu Automotive Diesel System Co., Ltd. in consolidated statement (The content brand use expense and warranty expense increased).

xi. Investment benefit: amounting to RMB -28,465,400 in the report period, decreased RMB 3,504.47 over the same period of last year, which was mainly due to the influence by increased R & D expenses of Bosch Automotive Diesel System Co., Ltd., there occurred great loss in current year.

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

i. Net cash flow arising from operation activities: amounting to RMB 406,031,600 but amounted to RMB -282,094,900 in last year, which was mainly owing to the account payable of holding subsidiary Wuxi Weifu Automotive Diesel System Co., Ltd. sharply decreased.

ii. Net cash flow arising from investment activities: amounting to RMB -183,359,500 but amounted to RMB -148,078,000 in last year. Mainly due to purchasing the land and workshop of Bosch Automotive Diesel System Co., Ltd. in No.50 plot in the report period.

iii. Net cash flow arising from finance activities: amounting to RMB -190,479,800, but amounted to RMB 389,402,400 in last year. Mainly due to paying back the partial loans of bank.

iv. Net increase in cash and cash equivalents: amounting to RMB 32,492,200, but amounted to RMB -40,770,600 in last year, this was mainly due to the cash flow arising from operation activities increased.

#### 5. Utilization of equipments, obtain of orders, sales or overstock 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 3,849,100 over period-begin.

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

#### 6. Operation status of main holding company and share-holding company

i. 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 2006 its total assets amounted to RMB 654,052,400 and its net profit was RMB 44,243,300 in 2006.

ii. 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 2006, its total assets amounted to RMB 344,990,800 and its net profit was RMB 19,753,200 in 2006.

iii. 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 asset amounting to RMB 2,509,890,800 at the end

of 2006, and it realized net profit amounting to RMB -240,333,500 in 2006.

iv. 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 10,712,046,331,000 at the end of 2006 and its net profit was RMB 2,627,534,687,800 in 2006.

v. Wuxi Weifu Automotive Diesel System Co., Ltd., whose 70% equity was held by the Company, was mainly engaged in the production of diesel oil and fuel oil system series products, with registered capital amounting to RMB 200 million. At the end of 2006, its total assets amounted to RMB 1,008,487,700 and its net profit was RMB 81,453,200 in 2006.

## (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 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 in 2007.

### 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 Jul, 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, establish joint stock enterprise, to produce products satisfying the nation's No.III Emission Regulation or above, at present, investment and various technologies have all been set and put into market in small batches. 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, 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 capital demanding for production could be completely solved through bank.

### 4. Risks existed in future development

Fuel injection system industry is severely influenced by nation's policy, especially the national macro adjustment and control as well as automotive industry.

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:

i. 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 high quality products and service.

- ii. Further perfect the work of tendering (bidding) on material purchase, establish the long-term stable strategic partnership with the suppliers of high quality, and reduce the cost on the purchase of raw material.
- iii. 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.

6.1.1 The possible changes in accounting policy, accounting estimate and the influences on financial and operational results of the Company after implementation of New Accounting Standards

Applicable       Inapplicable

The possible changes in accounting policy, accounting estimate and the influences on financial and operational results of the Company after implementation of New Accounting Standards in 2007

1. Analysis on the differences of shareholders' equity between existing accounting standards and new accounting standards on first implementation date of new accounting standards on Jan.1, 2007:

According to the regulation of CK [2006] No.3 Notice on Print and Distribute 38 Specific Guidelines including Enterprise Accounting Standards No.1 – Inventory etc. promulgated by Ministry of Finance on Feb.15, 2006, the Company has implemented new accounting standards since Jan.1, 2007. At present, the differences between existing accounting standards and new accounting standards on first implementation date on Jan.1, 2007 which the Company has already estimated in accordance with regulations of new accounting standards are as follows:

i. Long-term equity investment balance

According to existing accounting standards, the Company confirmed acceptance of equity investment balance resulted from equity transformation of Wuxi Weifu Lida Catalytic Converter Co., Ltd., ended Dec.31, 2006, the equity investment balance that hasn't been amortized yet amounted to RMB 4,186,949.66. According to the regulations of new accounting standards, the not yet amortized balance of long-term equity investment debit balance resulted from the combination of enterprises under the same control should be totally offset, which correspondingly decreased shareholders' equity amounting to RMB 4,186,949.66 on Jan.1, 2007.

ii. Income tax

In accordance with existing accounting standards and accounting policy, accounting estimate of the Company, the Company appropriated various provisions for assets depreciation. According to the regulations of new accounting standards, the balance of assets whose assets book value is lower than the basis of tax calculation of assets should be recorded into deferred income tax assets, which correspondingly increased the shareholders' equity amounting to RMB 9,243,968.41 as Jan.1, 2007, including: shareholders' equity attributable to parent company increasing RMB 8,493,477.10, minority shareholders' equity attributable to subsidiaries increasing RMB 750,491.31.

In accordance with existing accounting standards and accounting policy of the Company, the Company recorded the paid employee housing allowance into current profit or loss in 2005 and 2006, but the tax treatment required it to be offset in amortization before tax. According to the regulations of new accounting standards, the balance of assets whose assets book value is lower than the basis of tax calculation of assets should be recorded into deferred income tax assets, which correspondingly increased the shareholders' equity amounting to RMB 501,794.08 as Jan.1, 2007.

iii. Minority shareholders' equity

In the consolidated financial statement of the Company on Dec.31, 2006 compiled according to

existing accounting standards, the minority shareholders' equity amounted to RMB 219,874,967.00, which should be recorded into shareholders' equity under new accounting standards. In addition, the deferred income tax assets resulted from provision appropriation for assets depreciation attributable to minority shareholders' equity amounting to RMB 750,491.31, and minority shareholders' equity amounted to RMB 220,625,458.31 under new accounting standards.

2. The possible alterations in accounting policy, accounting estimation after implementation of new accounting standards and its influences on financial and operation results of the Company:

i. According to the regulations of Accounting Standard for Business Enterprises No.2—Long-term Equity Investments, the Company will transfer the calculation method of the Company under existing policy from equity method to cost method, the alteration will influence the current investment profit and loss of parent company, but not influence on consolidated statement of the Company.

ii. According to the regulations of Enterprise Accounting Standards No.18-Income Tax, the Company transferred the income tax calculation method from taxes payable method to debt method of balance sheet which will influence the income tax expenses in current period, and will consequently influence the profit in current period and shareholders' equity of the Company.

iii. According to the regulations of New Accounting Standards No.33-Consolidation of Financial Statements, the Company changed the minority shareholders' equity separately listed in balance sheet previously to minority shareholders' equity item listed under the item of shareholders' equity in consolidated balance sheet, therefore will influence the shareholders' equity of the Company.

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

Unit: RMB'0000

| Main operations classified according to industries     |                             |                         |                                    |                                                                         |                                                                     |                                                                            |
|--------------------------------------------------------|-----------------------------|-------------------------|------------------------------------|-------------------------------------------------------------------------|---------------------------------------------------------------------|----------------------------------------------------------------------------|
| Classified according to industries or products         | Income from main operations | Cost of main operations | Profit ratio of 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 profit ratio of main operation over the last year (%) |
| Manufacture of other universal parts and components    | 248,115.73                  | 184,906.49              | 25.48%                             | -11.10%                                                                 | -14.52%                                                             | 2.99%                                                                      |
| Main operations classified according to products       |                             |                         |                                    |                                                                         |                                                                     |                                                                            |
| Fittings and accessories of internal combustion engine | 227,099.54                  | 167,960.88              | 26.04%                             | -14.81%                                                                 | -18.59%                                                             | 3.43%                                                                      |
| Catalyst and muffler                                   | 21,016.19                   | 16,945.62               | 19.37%                             | 68.03%                                                                  | 69.62%                                                              | -0.76%                                                                     |

## 6.3 Particulars about main operations classified according to areas

Unit: RMB'0000

| Areas | Income from main operations | Increase/decrease in income from main operations over the last year (%) |
|-------|-----------------------------|-------------------------------------------------------------------------|
|       |                             |                                                                         |

|                      |            |         |
|----------------------|------------|---------|
| Inside the Province  | 50,026.39  | -30.70% |
| Outside the Province | 198,089.34 | -4.26%  |

6.4 Application of the raised proceeds

Applicable       Inapplicable

Particulars about the changed projects

Applicable       Inapplicable

6.5 Application of the non-raised proceeds

Applicable       Inapplicable

Unit: RMB'0000

| Name of project                                                                 | Amount of project | Progress of project | Proceeds of project |
|---------------------------------------------------------------------------------|-------------------|---------------------|---------------------|
| Purchase the land and workshop of Wuxi Weifu Automotive Diesel System Co., Ltd. | 7,250.00          | Completed           | 0                   |
| Chaoyang Jialin Machinery Manufacturing Co., Ltd.                               | 400.00            | Completed           | 0                   |
| Total                                                                           | 7,650.00          | -                   | -                   |

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 or 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 88,279,700 in 2006, plus the retained profit carried forward from pervious years amounting to RMB 582,007,300, the accumulated distributable profit for shareholders was RMB 670,287,000 in current year. According to the regulation of Articles of Association of the Company, in the report period, 10% was appropriated as public reserve funds amounting to RMB 21,572,700. Lida Environment Protection Corporation withdrew totally RMB 2,368,900 according to the accumulated distributable profits, of which 10% were appropriated as the reserve fund, 5% 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 shareholders amounted to RMB 646,345,400. In 2005, the Company realized the profit distribution amounting to RMB 226,910,400; at the end of 2006, the surplus undistributed profit amounted to RMB 419,435,000.

The preplan for 2006 profit distribution: The Company plan to take the total shares at the end of 2006 amounting to 567,275,995 as the cardinal number, and distribute 0.6 cash bonus for each 10 share to all the shareholders (including the tax).

## §7 Significant Events

### 7.1 Purchase of assets

Applicable       Inapplicable

| The other party of transaction          | Assets purchased | Date of purchasing | Price of purchasing | Net profit contributed to the Company from purchasing date to this year end | Related transaction or not | Explanation on price setting | Assets rights concerned transferred ownership fully or not | Credit and liability concerned shifted fully or not |
|-----------------------------------------|------------------|--------------------|---------------------|-----------------------------------------------------------------------------|----------------------------|------------------------------|------------------------------------------------------------|-----------------------------------------------------|
| Bosch Automotive Diesel System Co., Ltd | Land, workshop   | Oct.31, 2006       | 7250.00             | 0.00                                                                        | No                         | Assessed price               | Yes                                                        | Yes                                                 |

### 7.2 Sales of assets

Applicable       Inapplicable

Influences on the business continuity and stability of management of the Company by the matters 7.1 and 7.2 concerned

Enlarged the production site of the Company, promoted the development of new business of fuel system.

### 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) |
| Total amount of guarantee in the report period                                                                   |                                               |                     |                | 0.00           |                                |                                          |
| Total balance of guarantee at the end of the report period (A)                                                   |                                               |                     |                | 0.00           |                                |                                          |
| Guarantee of the Company for the controlling subsidiaries                                                        |                                               |                     |                |                |                                |                                          |
| Total amount of guarantee for controlling subsidiaries in the report period                                      |                                               |                     |                | 18,200.00      |                                |                                          |
| Total balance of guarantee for controlling subsidiaries at the end of the report period (B)                      |                                               |                     |                | 18,200.00      |                                |                                          |
| Particulars about the total guarantee of the Company (Including the guarantee for the controlling subsidiaries)  |                                               |                     |                |                |                                |                                          |
| Total amount of guarantee (A+B)                                                                                  |                                               |                     |                | 18,200.00      |                                |                                          |

|                                                                                                                                   |       |
|-----------------------------------------------------------------------------------------------------------------------------------|-------|
| The proportion of the total amount of guarantee in the net assets of the Company                                                  | 8.26% |
| Including:                                                                                                                        |       |
| Amount of guarantee for shareholders, actual controller and its related parties (C)                                               | 0.00  |
| The debts guarantee amount provided for the guarantee of which the assets-liability ratio exceeded 70% directly or indirectly (D) | 0.00  |
| Proportion of total amount of guarantee in net assets of the Company exceeded 50% (D)                                             | 0.00  |
| Total amount of the aforesaid three guarantees (C+D+E)                                                                            | 0.00  |

\*Note: While filling in the aforesaid three guarantee amounts (C+D+E), if three conditions occurred in one guarantee, only one calculation was needed in the total calculations.

#### 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.                            | 19,476.80                                                 | 7.85%                                             | 957.20                                                         | 0.57%                                             |
| Wuxi Weifu Precision Machinery Manufacture Co., Ltd.  | 1,555.50                                                  | 0.63%                                             | 9,382.10                                                       | 5.56%                                             |
| Bosch Automobile Diesel Oil System Co., Ltd.          | 7,101.60                                                  | 2.86%                                             | 3,226.60                                                       | 1.91%                                             |
| Wuxi Weifu International Trade Co., Ltd.              | 1,376.70                                                  | 0.55%                                             | 260.80                                                         | 0.15%                                             |
| Chaoyang Weifu Jialin Machinery Manufacture Co., Ltd. | 587.90                                                    | 0.24%                                             | 0.00                                                           | 0.00%                                             |
| Wuxi Weifu Economy & Trade Co., Ltd.                  | 25.10                                                     | 0.01%                                             | 224.60                                                         | 0.13%                                             |
| Total                                                 | 30,123.60                                                 | 12.14%                                            | 14,051.30                                                      | 8.32%                                             |

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 220,715,000.

##### 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.                              | 5,166.71        | 0.00     | 3,987.29        | 273.49   |
| Chaoyang Weifu Jialin Machinery Manufacture Co., Ltd.   | 689.61          | 687.81   | 1.80            | 0.00     |
| Bosch Automobile Diesel Oil System Co., Ltd.            | 12,646.14       | 0.00     | 16,620.85       | 5,155.18 |
| Wuxi Weifu Autocam Precision Machinery Co., Ltd.        | 57.62           | 12.50    | 45.12           | 0.00     |
| Wuxi Weifu International Trade Co., Ltd.                | 1,509.68        | 24.43    | 1,536.85        | 0.00     |
| Wuxi Weifu Economy & Trade Co., Ltd.                    | 194.42          | 14.72    | 184.26          | 0.00     |
| Wuxi Weifu Precision Machinery Manufacture Co., Ltd.    | 21,186.48       | 307.28   | 21,903.29       | 0.00     |
| Wuxi Weifu Environmental Protection Catalysts Co., Ltd. | 10,291.19       | 1.30     | 9,091.91        | 0.00     |
| Wuxi Weixin Machinery Co., Ltd.                         | 133.91          | 0.00     | 133.91          | 0.00     |
| Total                                                   | 51,875.76       | 1,048.04 | 53,505.28       | 5,428.67 |

Including: In the report period, the occurring amount the listed company provided to controlling shareholder and its subsidiaries was RMB 70,047,200 and the balance was RMB -2,346,400.

#### 7.4.3 Progress of paying off the occupied fund at the end of year 2005

Applicable  Inapplicable

Occupation of newly increased fund during the year 2006

Applicable  Inapplicable

Reasons, measures of paying off debts adopted and plan for responsibility ascertainment in case of listed companies' failure to complete paying off the occupied non-operating fund at the end of 2006

Applicable  Inapplicable

#### 7.5 Entrusted assets management

Applicable  Inapplicable

#### 7.6 Implementation of commitments

7.6.1 Commitment during the Share Merger Reform made by the original non-tradable shareholders and its implementations

Applicable  Inapplicable

| Name of shareholders       | Special commitment                                                                                                                                                                                                                                             | Implementation of commitment                      | Remarks |
|----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|---------|
| Wuxi Weifu Group Co., Ltd. | I. Commitment on additional deliver shares: Weifu Group which participated the Share Merger Reform has committed: after implementation of share reform, if its operation performance could not reach to the planned target, Weifu High-tech would additionally | It did not reach the conditions of implementation | None    |

|                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                    |      |
|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|------|
|                       | <p>deliver shares one time to A-share circulating shareholders (the said commitment would cease to be in force till additional-deliver ended).</p> <p>i. Activating condition of additional deliver shares: 1. according to audited annual financial report of Weifu High-tech, its total net profit realized in 2006 and 2008 is less than RMB 0.85 billion (because in 2006 and 2007 automotive effluent standards exists in turning zone as well as Bosch Automotive Diesel System Co., Ltd. exists in losses turning into profit in input period, it is difficult to predict the large margin growth point of the Company's performance, and operation performance in 2006 exists uncertainty); or 2. Weifu High-tech's net profit realized in 2008 would be less than RMB 0.34 billion; or 3. Any annual financial report from 2006 to 2008 of Weifu High-tech would be issued auditing opinion except Qualified Opinion. ii. Amount of shares additional delivered: based on circulating A shares before the share reform, arranging value of delivering 0.5 share per 10 shares, additionally deliver totaled 14,040,000 shares. If there exist bonus, capitalization of share equity or share impairment in Weifu High-tech, deliver shares volume comparably increase or decrease; if the Company's share equity changed due to additional deliver, allot, convertible bonds and certificate, etc. so as to comparably change in share equity of original non-circulating and circulating shareholder, so additional arranged value totaling 14,040,000 shares remained unchanged. iii. Date of shares additional delivered: within 20 days after approval of Weifu High-tech Annual Report in the year of activating condition of additional deliver shares by shareholders' general meeting, Weifu Group would implement commitment of additional deliver according to related process. iv. Target of shares additional delivered: all unrestricted circulating A-share shareholders of the Companies registered in the registration date of additional deliver share and equity after Weifu High-tech Annual Report in the year of activating condition of additional deliver shares is disclosed.</p> |                                                                                    |      |
| Wuxi Weifu Group Ltd. | <p>II. Commitment on restricted period and the lowest price for shares held impairment: Non-circulating shares of Weifu High-tech held by Weifu Group could not listed or transferred within 60 months since possessing of listing right. After the expiry of the commitment period, original non-circulating shares would be listed for sale in Shenzhen Stock Exchange, the proportion of sales volume to total share equity of Weifu High-tech could not exceed 5% within 12 months as well as 10% within 24 months, and sales price ought not to less than RMB 10 per share (the lowest impairment price of shares holding would be calculated ex-right at the same time if share price ought to ex-right according to regulation).</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <p>The said commitment is implementing and there is no shares held impairment.</p> | None |
| Wuxi Weifu            | <p>III. Commitment on Bonus Plan: After the implementation of Share</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <p>The said</p>                                                                    | None |

|                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                    |      |
|----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| Group Co., Ltd.            | Merger Reform of the Company, Weifu Group would make a proposal and vote for it: cash dividend of Weifu High-tech in 2005 are not less than RMB 4, proportion of cash dividend from 2006 to 2008 are not less than 50% of distributable profit for investors realized by the Company in current year.                                                                                                                                                                                                                                           | commitment is implementing. Weifu Group would make a proposal and vote for it: cash dividend of Weifu High-tech in 2005 is no less than RMB 4” has been completed. |      |
| Wuxi Weifu Group Co., Ltd. | IV. Commitment on arrangement of governance encouragement system<br>In order to promote the listed company’s steady and healthy development, fully mobilize senior executives so as to ensure to combine the interests of the governance and shareholders of the Company, Weifu Group committed: after finishing Share Merger Reform, under related regulations of state and Wuxi government in terms of governance encouragement system of listed company, Weifu High-tech would promote plan for Weifu Group governance equity encouragement. | The said commitment is implementing, and would be performed after related policy appears on the stage.                                                             | None |

7.6.2 Amount of tradable shares with unrestricted conditions held by original non-tradable shareholders whose holding proportion exceeded 5% at the end of report period

Applicable                       Inapplicable

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 two meetings in the report period:

1. The 3<sup>rd</sup> meeting of the 5<sup>th</sup> Supervisory Committee was held on Apr.18, 2006 and the examined topics were Work Report of the Supervisory Committee 2005, 2005 Annual Report of the Company and its Summary, Report of Financial Settlement and Profit Distribution Preplan for 2005 of the Company and the 1<sup>st</sup> Quarterly Report in 2006 of the Company;

2. The 4<sup>th</sup> meeting of the 5<sup>th</sup> Supervisory Committee was held on Aug.15, 2006 and the examined topics were Interim Report in 2006 of the Company and its Summary, Interim

Profit Distribution Preplan 2006 of the Company, and Report of Proposal on External Guarantee of the Company.

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 believed that 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 through the approval of the Shareholders' General Meeting, related transactions could reflect the principle of market trading without doing 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

#### 9.2.1 Balance Sheet

#### **WEIFU HIGH-TECHNOLOGY COMPANY LIMITED**

#### **CONSOLIDATED BALANCE SHEET**

#### **AS OF 31 DECEMBER 2006**

(All amounts in RMB thousands)

|                               | Notes | As at 31 December |         |
|-------------------------------|-------|-------------------|---------|
|                               |       | 2006              | 2005    |
| <b>ASSETS</b>                 |       |                   |         |
| <b>Non-current assets</b>     |       |                   |         |
| Leasehold land                | 5     | 81,553            | 71,577  |
| Property, plant and equipment | 6     | 1,284,159         | 947,416 |
| Intangible assets             | 7     | 75,972            | 72,520  |

|                                            |       |                  |                  |
|--------------------------------------------|-------|------------------|------------------|
| Investments in associates                  | 8     | 680,643          | 761,387          |
| Investments in unconsolidated subsidiaries | 9     | -                | 113,310          |
| Deferred tax assets                        | 23(b) | 15,262           | 11,272           |
| Available-for-sale investments             | 10    | 72,016           | 75,360           |
|                                            |       | <hr/>            | <hr/>            |
| Total non-current assets                   |       | 2,209,605        | 2,052,842        |
|                                            |       | <hr/>            | <hr/>            |
| <b>Current assets</b>                      |       |                  |                  |
| Inventories                                | 11    | 726,758          | 720,762          |
| Prepayments                                |       | 24,209           | 10,217           |
| Trade and other receivables                | 12    | 751,950          | 427,887          |
| Due from related parties                   | 27(e) | 364,376          | 492,678          |
| Cash and bank deposits                     | 26(b) | 820,419          | 777,831          |
|                                            |       | <hr/>            | <hr/>            |
| Total current assets                       |       | 2,687,712        | 2,429,375        |
|                                            |       | <hr/>            | <hr/>            |
| <b>Total Assets</b>                        |       | <u>4,897,317</u> | <u>4,482,217</u> |

## WEIFU HIGH-TECHNOLOGY COMPANY LIMITED

### CONSOLIDATED BALANCE SHEET (CONTINUED)

AS OF 31 DECEMBER 2006

(All amounts in RMB thousands)

|                                                                           |       | As at 31 December |                  |
|---------------------------------------------------------------------------|-------|-------------------|------------------|
|                                                                           | Notes | 2006              | 2005             |
| <b>EQUITY</b>                                                             |       |                   |                  |
| <b>Capital and reserves attributable to equity holders of the Company</b> |       |                   |                  |
| Share capital                                                             | 13    | 567,276           | 567,276          |
| Reserves                                                                  | 14    | 1,202,270         | 1,178,945        |
| Retained earnings                                                         | 15    | 435,625           | 580,080          |
|                                                                           |       | <hr/>             | <hr/>            |
|                                                                           |       | 2,205,161         | 2,326,301        |
| <b>Minority interests</b>                                                 |       | 223,324           | 187,116          |
|                                                                           |       | <hr/>             | <hr/>            |
| <b>Total Equity</b>                                                       |       | <u>2,428,485</u>  | <u>2,513,417</u> |

### LIABILITIES

#### Non-current liabilities

|                                              |       |                  |                  |
|----------------------------------------------|-------|------------------|------------------|
| Long-term bank borrowings                    | 18(b) | -                | 73,000           |
| Long-term payables                           | 19    | 25,595           | 47,827           |
|                                              |       | <hr/>            | <hr/>            |
| Total non-current liabilities                |       | 25,595           | 120,827          |
|                                              |       | <hr/>            | <hr/>            |
| <b>Current liabilities</b>                   |       |                  |                  |
| Trade and other payables                     | 16    | 801,433          | 568,631          |
| Current tax liabilities                      |       | 1,440            | (3,368)          |
| Short-term bank borrowings                   | 18(b) | 1,464,070        | 1,088,914        |
| Current portion of long-term bank borrowings | 18(a) | 73,000           | 145,000          |
| Dividend payable                             |       | 416              | 416              |
| Due to related parties                       | 27(e) | 54,499           | 30,035           |
| Accruals and other current liabilities       | 17    | 48,379           | 18,345           |
|                                              |       | <hr/>            | <hr/>            |
| Total current liabilities                    |       | 2,443,237        | 1,847,973        |
|                                              |       | <hr/>            | <hr/>            |
| Total liabilities                            |       | 2,468,832        | 1,968,800        |
|                                              |       | <hr/>            | <hr/>            |
| <b>Total Equity and Liabilities</b>          |       | <u>4,897,317</u> | <u>4,482,217</u> |

## 9.2.2 Profit and profit distribution statement

### WEIFU HIGH-TECHNOLOGY COMPANY LIMITED

#### CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

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

|                         | Notes | For the year ended |             |
|-------------------------|-------|--------------------|-------------|
|                         |       | 31 December        |             |
|                         |       | <hr/>              | <hr/>       |
|                         |       | 2006               | 2005        |
| Revenue                 | 27    | 2,513,966          | 2,842,021   |
| Cost of sales           |       | (1,887,655)        | (2,202,603) |
|                         |       | <hr/>              | <hr/>       |
| <b>Gross profit</b>     |       | 626,311            | 639,418     |
| Distribution costs      |       | (121,669)          | (85,140)    |
| Administrative expenses |       | (273,367)          | (248,832)   |

|                                                                                        |       |                       |                       |
|----------------------------------------------------------------------------------------|-------|-----------------------|-----------------------|
| Other operating income                                                                 | 20    | 11,590                | 6,378                 |
| Other operating expenses                                                               |       | <u>(7,430)</u>        | <u>(21,748)</u>       |
| <b>Operating profit</b>                                                                |       | 235,435               | 290,076               |
| Finance costs                                                                          | 21    | (64,594)              | (63,851)              |
| Share of results of associates                                                         | 8     | (25,153)              | 25,556                |
| Income/(loss) from unconsolidated subsidiaries                                         | 9     | -                     | (4,640)               |
| Impairment loss of investments                                                         |       | <u>-</u>              | <u>(11,000)</u>       |
| <b>Profit before income tax</b>                                                        |       | 145,688               | 236,141               |
| Income tax expense                                                                     | 23(b) | <u>(4,402)</u>        | <u>(9,620)</u>        |
| <b>Profit for the year</b>                                                             |       | 141,286               | 226,521               |
| <b>Attributable to:</b>                                                                |       |                       |                       |
| Equity holders of the Company                                                          |       | 105,770               | 183,379               |
| Minority interests                                                                     |       | <u>35,516</u>         | <u>43,142</u>         |
|                                                                                        |       | <u>141,286</u>        | <u>226,521</u>        |
| <b>Earnings per share for profit attributable to the equity holders of the company</b> |       |                       |                       |
| - Basic                                                                                | 24    | <u>RMB 0.19</u>       | <u>RMB 0.32</u>       |
| - Diluted                                                                              |       | <u>Not applicable</u> | <u>Not applicable</u> |

### 9.2.3 Cash Flow Statement

#### WEIFU HIGH-TECHNOLOGY COMPANY LIMITED

#### CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

(All amounts in RMB thousands)

|       |   |                                   |             |
|-------|---|-----------------------------------|-------------|
|       | - | For the year ended<br>31 December |             |
| Notes | - | <u>2006</u>                       | <u>2005</u> |

**CASH FLOWS FROM OPERATING****ACTIVITIES:**

|                                                        |       |          |           |
|--------------------------------------------------------|-------|----------|-----------|
| Cash generated from/(used in) operations               | 26(a) | 537,575  | (410,974) |
| Interest paid                                          |       | (61,888) | (62,216)  |
| Income tax paid                                        |       | (7,256)  | (17,817)  |
|                                                        |       | <hr/>    | <hr/>     |
| Net cash generated from/(used in) operating activities |       | 468,431  | (491,007) |

**CASH FLOWS FROM INVESTING****ACTIVITIES:**

|                                                          |       |           |           |
|----------------------------------------------------------|-------|-----------|-----------|
| Purchase of leasehold land                               |       | (12,098)  | -         |
| Purchase of property, plant and equipment                |       | (482,677) | (154,031) |
| Proceeds from disposals of property, plant and equipment | 26(c) | 31,231    | 7,150     |
| Purchase of Intangible assets                            |       | (1,017)   | (6,502)   |
| Increase in investments in unconsolidated subsidiaries   | 9     | -         | (71,272)  |
| Increase in available-for-sale investments               | 10    | -         | (56,940)  |
| Proceeds from disposal of available-for-sale investments | 10    | 3,344     | 100       |
| Proceeds from disposals of held-to-maturity investments  |       | -         | 3,107     |
| Interest received                                        |       | 4,192     | 9,997     |
| Dividends received                                       |       | 55,592    | 158,187   |
|                                                          |       | <hr/>     | <hr/>     |
| Net cash used in investing activities                    |       | (401,433) | (110,204) |

**CASH FLOWS FROM FINANCING****ACTIVITIES:**

|                                                      |       |           |           |
|------------------------------------------------------|-------|-----------|-----------|
| Net increase in short-term bank borrowings           |       | 375,156   | 536,084   |
| Net decrease in long-term bank borrowings            |       | (145,000) | (42,000)  |
| Cash received from government grants                 |       | 17,674    | 9,182     |
| Increase/(decrease) in long-term payables            |       | (4,619)   | 1,140     |
| Dividends paid                                       |       | (226,911) | (43,636)  |
|                                                      |       | <hr/>     | <hr/>     |
| Net cash generated from financing activities         |       | 16,300    | 460,770   |
|                                                      |       | <hr/>     | <hr/>     |
| Net increase/(decrease) in cash and cash equivalents |       | 83,298    | (140,441) |
|                                                      |       | <hr/>     | <hr/>     |
| Cash and cash equivalents at beginning of year       |       | 642,721   | 783,162   |
| Cash and cash equivalents at end of year             | 26(b) | 726,019   | 642,721   |

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

In the report period, Wuxi Weifu Mashan Fuel Injection Equipment Co., Ltd. has been added, whose 100% equity is held by the Company; the Wuxi Weifu Chang'an Fuel Injection Equipment Co., Ltd. has been added whose 100% equity is held by the Company, and Wuxi Weifu Jida New Material Application Development Co., Ltd. has been added whose 70% equity is held by the Company.

9.6 Reconciliation Statement on Differences of Shareholders' Equity Based on Old and New Accounting Standards

Unit: RMB

| Items                                                                                                 | Amount           |
|-------------------------------------------------------------------------------------------------------|------------------|
| Shareholders' equity on December 31, 2006 (Existing Accounting Standards)                             | 2,204,347,045.12 |
| Balance of long-term equity Investment                                                                | -4,186,949.66    |
| Including: Long-term equity investment balance formed by merger of enterprises under the same control | -4,186,949.66    |
| Other credit balance of long-term equity investment calculated based on equity method                 |                  |
| Investment property measured with fair value                                                          |                  |
| Prior year depreciation withdrawal due to dismantling cost of assets                                  |                  |
| Termination indemnity conformed to the acknowledgement of estimated liabilities                       |                  |
| Share-based payment                                                                                   |                  |
| Reorganization duties conformed to the acknowledgement of estimated liabilities                       |                  |
| Enterprises merger                                                                                    |                  |
| Including: Book value of enterprises merger goodwill under the same control                           |                  |
| Provision for impairment of goodwill withdrawn based on New Accounting Standards                      |                  |

|                                                                                                                                       |                  |
|---------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Financial asset and credit asset available for sales attributable to current losses and gains with fair value measurement and changes |                  |
| Financial liabilities attributable to current losses and gains with fair value measurement and changes                                |                  |
| Increased equity due to demerger of financial instrument                                                                              |                  |
| Derived financial instrument                                                                                                          |                  |
| Income tax                                                                                                                            | 9,745,762.49     |
| Minority shareholders' equity                                                                                                         | 219,874,967.00   |
| Others                                                                                                                                |                  |
| Shareholders' equity on January 1, 2007 (New Accounting Standards)                                                                    | 2,429,780,824.95 |

### Auditor's opinions

Wuxi Weifu High-technology Co., Ltd.

Auditor's Report on Reconciliation Statement on Differences of Shareholders' Equity Based on Old and New Accounting Standards

SGW[2007]E No.1059

To All the Shareholders of Wuxi Weifu High-technology Co., Ltd.,

We have audited the accompanying Reconciliation Statement on Differences of Shareholders' Equity Based on Old and New Accounting Standards (hereinafter abbreviated as "Reconciliation Statement") of Wuxi Weifu High-technology Co., Ltd. (hereinafter abbreviated as "Weifu Co., Ltd."). According to Accounting Standard for Business Enterprises No. 38 - First Time Adoption of Accounting Standards for Business Enterprises and Notice on Fulfillment of Financial and Accounting Information Disclosures Related to the New Accounting Standards (ZJF[2006] No. 136, hereinafter abbreviated as "Notice"), compilation on the Reconciliation Statement are the responsibility of Weifu Co., Ltd. 's management. Our responsibility is to express an opinion on these Reconciliation Statement based on our audit.

Pursuant to the regulations of Notice, We conducted our audit in accordance with Standard on Review Engagements for CPAs of China No. 2101- Review of Financial Statements on Auditing. Those Standards require that we plan and perform the audit to obtain limited assurance about whether the Reconciliation Statement is free from material misstatement. An audit is mainly limited to inquiring relevant personnel the relevant accounting policy and all material cognizance, understand the calculation procedure of reconciliation amounts in reconciliation statement of differences, read reconciliation statement of differences to consider whether conform to designated basis of compilation and implement analysis procedure when necessary, the guarantee supplied from the review was lower than the audit. We did not conduct; thus, we issued no auditor's opinions.

In our opinion, we did not notice that any matters made us believed that, the reconciliation statement of differences was not compiling in accordance with the relevant regulations of Accounting Standard for Business Enterprises No. 38 - First Time Adoption of Accounting Standards for Business

Enterprises and Notice.

Jiangsu Gongzheng Certified Public Accountants Ltd.  
Wuxi, P.R.C  
Apr.16, 2007

CPAs of China:  
Jin Zhangluo  
Liu Darong

**Board of Directors of**  
**Wuxi Weifu High-Technology Co., Ltd.**  
Apr. 19, 2007