

**无锡威孚高科技股份有限公司**  
**WEIFU HIGH-TECHNOLOGY CO., LTD.**

# 2007 Interim Report

Dated August 17, 2007

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## Section I. Important Notice

The Board of Directors of Weifu High-Technology Co., Ltd. and its directors hereby confirm that there are no any important omissions, fictitious statements or serious misleading information carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.

Chairman of the Board of the Company, Mr. Xu Liangfei, General Manager Mr. Han Jiangming and Person in charge of finance Ms. Sun Qingxian hereby confirm that the financial report in the Interim Report 2007 is true and complete.

2007 Interim Financial Report of the Company has not been audited.

## Section II. Company Information

### I. Basic information

#### (I) Company Name:

Name in Chinese: 无锡威孚高科技股份有限公司

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

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

Short Form of the Stock: G Weifu, Su Weifu-B

Stock Code: 000581, 200581

#### (III) Registered Address: Plot No. 46, National Hi-Tech Industry Development Zone, Wuxi

Head Office: No.107, Renmin Road (W), Wuxi City

Postal Code: 214031

The Company's Internet Website: <http://www.weifu.com.cn>

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

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

#### (V) Secretary of the Board of the Company: Mr. Zhou Weixing

Representative of Securities Affairs: Mr. Gu yiming

Mailing Address: No.107, Renmin Road (W), Wuxi City

Tel.: 86-510-82719579

Fax: 86-510-82751025

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

#### (VI) Names of Newspapers designated by CSRC and chosen by the Company:

Securities Times, China Securities, Hong Kong Wen Wei Po

Internet Website chosen by the Company: <http://www.cninfo.com.cn>

Interim Announcement for reference: Securities Department of the Company

#### (VII) Other Related Information of the Company

1. Initial registration date: Oct. 22, 1988

Address: No.107, Renmin West Road, Wuxi

Registration Date after Change: Sep. 28, 1995

Address: Plot 46, Wuxi National High-Tech Industrial Development Zone

2. Registration Number of enterprise legal person's business license: 3200001103404 (2/2)

3. Registration Number of taxation: 320208250456967

4. Certified Public Accountants engaged by the Company:

Domestic: Jiangsu Gongzheng Certified Public Accountants Co., Ltd.

Address: No.28, Liangxi Road, Wuxi

Overseas: PricewaterhouseCoopers Zhongtian Certified Public Accountants Co., Ltd.

Address: 12<sup>th</sup> Floor, Shui On Plaza, 333 Huaihai (M). Road, Shanghai, P.R.C.

II. Key Financial Data and Indexes

(I) Key accounting data and financial indexes

(Unit: RMB)

	At the end of this report period	At the period-end of last year		Increase/decrease at the end of this report period compared with that at the end of last year ( % )	
		Before adjustment	After adjustment	Before adjustment	After adjustment
Total assets	5,124,304,179.76	4,865,134,909.73	4,870,781,922.56	5.33%	5.20%
Owners' equity(Shareholders' equity)	2,303,875,340.07	2,204,347,045.12	2,209,155,366.64	4.52%	4.29%
Net assets per share	4.0613	3.8858	3.8943	4.52%	4.29%
	In this report period (Jan. to Jun.)	The same period of last year		Increase/decrease in this report period year-on-year (%)	
		Before adjustment	After adjustment	Before adjustment	After adjustment
Operating profit	125,751,193.92	110,994,587.13	112,041,324.53	13.29%	12.24%
Total profit	124,052,263.77	107,238,205.32	108,284,942.72	15.68%	14.56%
Net profit	94,719,973.43	79,689,551.67	81,944,430.90	18.86%	15.59%
Net profit after deducting non-recurring gains and losses	80,777,216.07	79,286,533.56	81,541,412.79	1.88%	-0.94%
Basic earnings per share	0.170	0.14	0.140	21.43%	21.43%
Diluted earnings per share	0.170	0.14	0.140	21.43%	21.43%
Return on equity	4.11%	3.40%	3.38%	0.71%	0.73%
Net cash flow arising from operating activities	149,342,419.48	260,425,307.38		-42.65%	
Net cash flow arising from per share operating activities	0.2633	0.4591		-42.65%	

(II) Items of non-recurring gains and losses and amount involved: (Unit: RMB)

Schedule of non-recurring gains and losses

Unit: RMB

Items of non-recurring gains and losses	Amount
Gains and losses from disposal of non-current asset	4,635,046.16
Any tax refund or exemption illegally approved or without supporting documents in writing	0.00
Governmental subsidy reckoned into current gains and	1,300,000.00

losses	
Income deriving from use by non-financial entities of an enterprise's own fund	0.00
Gains and losses caused by that the merger cost of merger enterprise is smaller than the fair recognizable fair value of net asset enjoyable by the merger unit when taking merger	0.00
Exchanging gains and losses of non-currency assets	0.00
Gains and losses of entrusted investment	0.00
Accrual of provisions for asset impairment due to natural disasters and other majure	0.00
Gains and losses caused by debts reorganization	0.00
Expenses caused by enterprises reconstruction	0.00
Profit/loss attributable to unfair portion of the value resulting from unfair priced transactions	0.00
Current net gains and losses during period-begin to merger date of subsidiaries caused by merger of enterprises under the same control	0.00
Gains and losses caused by projected liabilities irrelevant to main operations of the Company	0.00
Net amount of other non-operating income and cost excluded the afforsaid items	-1,670,881.23
Amount of switching back the provision for bad debts	13,267,851.57
Amount of switching back the provision for depreciation of inventory	202,188.49
Other non-recurring gains and losses recognized by CSRC	0.00
Less: Amount of income tax influenced by non-recurring gains and losses	-565,585.73
Less: Amount of minority shareholders influenced by non-recurring gains and losses	-3,225,861.90
Total	13,942,757.36

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

The Company's net profit calculated under Chinese Accounting System was RMB 94,719,973.43.

The Company's net profit calculated under International Accounting Standards was RMB 95,043,510.43. The difference was due to deferred income and amortization amounting to RMB 323,537.99.

Unit: RMB

Items	Amount
Net profit calculated under Chinese Accounting System	94,719,973.43
Amortized and deferred income	323,537.99
Net profit calculated under Chinese Accounting System	95,043,510.43

### Section III. Changes in share capital and particulars about shares held by main shareholders

#### I. Statement of change in shares

Unit: Share

	Before the change		Increase/decrease in this time (+, -)					After the change	
	Amount	Proportion	New shares offering	Bonus share	Capitalization of Public reserve	Other	Subtotal	Amount	Proportion
I. Restricted shares	123,941,426	21.85%				-9,788,376	-9,788,376	114,153,050	20.12%
1. State-owned shares									
2. State-owned legal person's shares	122,844,193	21.66%				-8,782,215	-8,782,215	114,061,978	20.11%
3. Other domestic shares	1,097,233	0.19%				-1,006,161	-1,006,161	91,072	0.02%
Including: Domestic non-state-owned legal person's shares	975,802	0.17%				-975,802	-975,802		
Domestic natural person's shares	121,431	0.02%				-30,359	-30,359	91,072	0.02%
4. Foreign shares									
Including: Foreign legal person's shares									
Foreign natural person's shares									
II. Unrestricted shares	443,334,569	78.15%				9,788,376	9,788,376	453,122,945	79.88%
1. RMB Ordinary shares	328,414,569	57.89%				9,788,376	9,788,376	338,202,945	59.62%
2. Domestically listed foreign shares	114,920,000	20.26%						114,920,000	20.26%
3. Overseas listed foreign shares									
4. Others									
. Total shares	567,275,995	100.00%				0	0	567,275,995	100.00%

#### II. About shareholders and shares held

Unit: Share

Total shareholders at the end of report period	36,966				
Particulars about shares held by the top ten shareholders					
Names of shareholders	Nature of	Proportion of	Amount of	Amount of restricted	Shares pledged or

	shareholder	share held	share held	shares held	frozen
WUXI WEIFU GROUP COMPANY LIMITED	State-owned legal person	20.11%	114,061,978	114,061,978	0
Gongyin Ruixin Steady Growth Stock Securities Investment Fund	A-share shareholder	3.86%	21,919,240	0	0
ROBERT BOSCH GMBH	B-share shareholder	3.24%	18,387,200	0	0
Yifangda Strategic Growth No. 2 Combined Securities Investment Fund	A-share shareholder	2.50%	14,186,257	0	0
Kaiyuan Securities Investment Fund	A-share shareholder	2.12%	12,000,000	0	0
Greatwall Jiufu Core Growth Stock Securities Investment Fund	A-share shareholder	1.60%	9,082,714	0	0
Gongyin Ruixin Core-valued Stock Securities Investment Fund	A-share shareholder	1.58%	8,950,000	0	0
HTHK-VALUE PARTNERS INTELLIGENT FD-CHINA B SHS FD	B-share shareholder	1.44%	8,150,725	0	0
Guotou Ruiyin Core Enterprise Stock Securities Investment Fund	A-share shareholder	1.25%	7,062,935	0	0
VALUE PARTNERS HIGH-DIVIDEND STOCKS FUNDS	B-share shareholder	1.06%	6,040,891	0	0
Particulars about shares held by the top ten unrestricted shareholders					
Name of shareholder		Amount of unrestricted shares held		Type of share	
Gongyin Ruixin Steady Growth Stock Securities Investment Fund		21,919,240		RMB common share	
ROBERT BOSCH GMBH		18,387,200		Domestically listed foreign share	
Yifangda Strategic Growth No. 2 Combined Securities Investment Fund		14,186,257		RMB common share	
Kaiyuan Securities Investment Fund		12,000,000		RMB common share	
Greatwall Jiufu Core Growth Stock Securities Investment Fund		9,082,714		RMB common share	
Gongyin Ruixin Core-valued Stock Securities Investment Fund		8,950,000		RMB common share	
HTHK-VALUE PARTNERS INTELLIGENT FD-CHINA B SHS FD		8,150,725		Domestically listed foreign share	
Guotou Ruiyin Core Enterprise Stock Securities Investment Fund		7,062,935		RMB common share	
VALUE PARTNERS HIGH-DIVIDEND STOCKS FUNDS		6,040,891		Domestically listed foreign share	
MERRILL LYNCH PIERCE FENNER & SMITH INC		5,872,300		Domestically listed foreign share	
Explanation	on associated	Among the top ten shareholders, there exists no associated relationship between Wuxi			

relationship or consistent actions among the above shareholders	Weifu Group Company Limited, the first largest shareholder of the Company, and other shareholders, and they do not belong to the consistent actionist regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Company. The Company was unknown whether there exists associated relationship among the other shareholders.
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### Shares held by the shareholders with restricted tradable conditons and restricted conditions

No.	Name of the restricted shareholders	Amount of the restricted shares held	Date to be listed for trade	Amount of 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 Hi-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 Hi-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).
			April 5, 2012	28,363,800	
			April 5, 2013	57,334,738	

The shareholder with restricted tradable conditions besides Wuxi Weifu Group Limited Company, other shareholders were releasing the restrictions and circulated dated April 5, 2007.

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

## Section IV. Directors, Supervisors and Senior Executives

### I. Changes in shares held by directors, supervisors and senior executives of the Company

Unit: Share

Names	Office title	Shares held at period-begin	Increase in shares held in this period	Decrease in shares held in this period	Shares changed in the report period	Reason of change
Xu Liangfei	Chairman of Directors	19,469	0	4,867	14,602	Transaction for defrosted shares with restrictions
Han Jiangming	Vice Chairman of Director and GM	19,469	0	4,867	14,602	Transaction for defrosted shares with restrictions



Wang Weiliang	Director	12,168	0	0	12,168	No changes
Gao Guoyuan	Director	9,886	0	0	9,886	No changes
Ge Songping	Director	24,453	0	0	24,453	No changes
Shi Xingyuan	Director & Deputy GM	3,042	0	761	2,281	Transaction for defrosted shares with restrictions
Rudolf Maier	Director	0	0	0	0	
Zhang Xiaoyu	Independent Director	0	0	0	0	
Ouyang Minggao	Independent Director	0	0	0	0	
Chen Qilong	Independent Director	0	0	0	0	
Chen Juchang	Independent Director	0	0	0	0	
Chen Xuejun	Chairman of SC	3,042	0	0	3,042	No changes
Li Guodong	Supervisor	0	0	0	0	
Zhang Jiming	Supervisor	0	0	0	0	
Ou Jianbin	Supervisor	10,585	0	2,646	7,939	Transaction for defrosted shares with restrictions
You Jianzhong	Supervisor	9,734	0	2,434	7,300	Transaction for defrosted shares with restrictions
Sun Qingxian	Deputy GM & Financial Charger	0	0	0	0	
Miao Yuming	Deputy GM	0	0	0	0	
Wang Yawei	Deputy GM	0	0	0	0	
Deng Xijiang	Deputy GM	7,301	0	0	7,301	No changes
Zhou Weixing	Secretary of BD	2,282	0	0	2,282	No changes

II. Reengaged and dismissed directors, supervisors and senior executives in the report period.

The Company's director Mr. Chen Shaolin changed due to work and resigned his post of director, the Board of Directors recommended General Manager Rudolf Maier from Bosch Automobile Diesel Oil System Co., Ltd to be Director of the Company to succeed Mr. Chen Shaolin, which got approval in 2006 Annual Shareholders' General Meeting.

III. The Company held 2006 Annual Shareholders' General Meeting in the report period.

## Section V. Discuss and analysis of the management

I. Analysis to financial status and operating results of the Company in the report period.

1. Analysis to operating results of the Company

The main operations of the Company in the report period remained unchanged compared with the same period of last year, the Company remains principally engaged in the manufacturing and sales of fuel injection system of diesel engines for vehicles.

In the first half of the year, automotive industry especially commercial automotive industry experienced sharp rise and brought active influences on operations in first half of year of the Company. The Company realized sales income amounting to RMB 1,624,420,600 and net profit 94,720,000 in the first half of the year, respectively increased 17.47% and 15.59% over the same period of last year.

## 2. Financial status and analysis

Unit: RMB

Items	Jan.-Jun., 2007	Jan.-Jun., 2006	Increase/decrease %
Income from main operation	1,624,420,629.49	1,289,211,161.93	17.47
Profit from main operation	125,751,193.92	112,041,324.53	12.24
Net profit	94,719,973.43	79,689,551.67	15.59
	Amount at period-end	Amount at period-begin	
Total assets	5,124,304,179.76	4,870,781,015.18	5.20
Shareholder's equity	2,303,875,340.07	2,209,155,366.64	4.29

Notes:

- (1) Main business income increased by 17.47% over the same period of last year, mainly due to increase of business of the Company's major production, especially pump PW2000 and PS7100.
- (2) Main business profit increased by 12.24% over same period of last year, mainly due to increase in investment income.
- (3) Net profit increased by 15.59% over same period of last year mainly due to increase of income from investment.
- (4) Total assets increased by 5.20% over the report-begin mainly due to increase of investment.
- (5) Shareholders' equity increased by 4.29% over the report-begin mainly due to realization of net profit in the report period.

## 3. Financial Index and analysis

Unit: RMB

Items	Jan.-Jun. 2007	Jan.-Jun. 2006	Increase/Decrease ( $\pm$ %)
Operating expenses	75,891,265.38	56,263,333.09	34.89
Management expenses	173,913,937.85	123,976,196.20	40.28
Financial expenses	46,508,702.65	39,712,124.83	17.11

- (1) Operating expenses decreased by 34.89% over the same period of last year mainly due to increase of three guarantees (for repair, replacement and compensation of faulty products) and sales discount losses of controlling subsidiaries of the Company Nanjing Weifu Jinning Co., Ltd and Wuxi Weifu Automobile Diesel Oil System Co., Ltd.
- (2) Management expenses increased by 40.28% over the same period of last year mainly due to increase of science research expenses of controlling subsidiaries of the Company Nanjing Weifu Jinning Co., Ltd and Wuxi Weifu Automobile Diesel Oil System Co., Ltd.
- (3) Financial expenses increased by 17.11% over the same period of last year mainly due to increase of current liability.

## 4. Main operation classified according to industries

Unit: RMB

Main operations classified according to industries						
Classified according to industries or products	Income from operations	Cost of operations	Gross profit ratio (%)	Increase/decrease in income from operations over	Increase/decrease in cost of operations	Increase/decrease in gross profit ratio over over

				the same period of last year (%)	over over the same period of last year (%)	the same period of last year (%)
Other standard components and parts	1,624,420,629.49	1,222,408,943.26	24.75%	17.47%	18.53%	-0.67%

## 5. Main operation classified according to products

Unit: RMB

Classified according to industries	Income from main operations	Cost of main operations	Gross profit ratio (%)	Increase/decrease in income from operations over the same period of last year (%)	Increase/decrease in cost of operations over over the same period of last year (%)	Increase/decrease in gross profit ratio over over the same period of last year (%)
1. Fittings and accessories of internal combustion engine	1,554,212,977.59	1,160,579,178.64	25.33%	21.60%	22.52%	-0.56%
2. Muffler & catalytic converter	70,207,651.90	61,829,764.62	11.93%	-32.93%	-26.41%	-7.81%

## 6. Main operations and areas

Unit: RMB

Categories of area	Main business revenue	Increment over the previous period (±)
Inside the province	359,374,075.57	-4.09%
Outside the province	1,265,046,553.92	25.49%
Total	1,624,420,629.49	17.47%

## 7. Operations of share-holding company

(1) Zhonglian Automobile Electronics Co., 20% shares held by the Company, mainly engaged in producing automobile electronics control system, and realized net profit amounting to RMB 140 million in the 1<sup>st</sup> half year of 2007.

(2) Bosch Automotive Diesel System Co., Ltd., 31.50% shares held by the Company and consolidated statement subsidiary, mainly engaged in producing diesel automotive electronic control system, and realized net profit amounting to RMB 53,069,200 in the first half year of 2007.

## II. Issues and difficulties in operation

Prices of raw materials, esp. prices of aluminum, steel, copper, oil, etc., are so high as to moving up

continuously and the falling in price of products , which bring great difficulties and uncertainty to the operation of the Company.

### III. Investments in the report period

1. The Company possessed no usage of raised funds

2. Investments by non-raised funds

Project of nationalization of components of Bosch automobile, the total investment amounted to RMB 120 million, the accumulative investment ended the report period amounted to RMB 110,304,500.

Project of in-line pump measures, the total investment amounted to RMB 23 million, the accumulative investment ended the report period amounted to RMB 18,234,600.

Project of electrical high-pressure pump matched with Bosch, the total investment amounted to RMB 12.5 million, It did not happen till the report period.

## Section VI. Significant Matters

### I. Administration of the Company

In the report period, according to requirements of the Company Law of PRC, Securities Law and related laws and regulations promulgated by CSRC, the Company unceasingly perfected its administrative structure and various systems combined with the development of special administration activities of listed companies, and basically conform to the administration requirement of CSRC.

### II. 2007 Interim Distribution Plan

2007 Interim Distribution Plan: neither distributing bonus nor implementing capitalization of reserves.

### III. Significant lawsuits and arbitrations

The Company had no significant lawsuit or arbitration occurred in the report period or occurred in previous period and sustained in the report period.

### IV. Significant assets purchased, sold or assets reconstruction.

The Company had no significant assets purchased, sold or assets reconstruction in the report period.

### V. Significant related transactions

Particulars about related transactions between the largest shareholder, Wuxi Weifu Group Co., Ltd. and the Company in the 1<sup>st</sup> half year of 2007.

Unit: RMB'0000

Items	1st half year of 2007	1st half year of 2006
Purchasing goods	181.10	402.15
Selling goods	10,806.00	9,652.03
Purchasing fixed asset	959.10	-
Cost of usage of land and trademark	286.10	248.51
Supplying guarantee amount for the loan of the Company and subsidiaries	17,000.00	17,700.00

#### VI. Significant contracts and the implementation

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

2. Ended the report period, the Company provided guarantee amounting to RMB 80 million for consolidated controlling subsidiary Weifu Chang'an Oil Pump & Nozzle Co., Ltd.; guarantee amounting to RMB 37 million for consolidated controlling subsidiary Weifu Mashan Oil Pump & Nozzle Co., Ltd; guarantee amounting to RMB 5 million for consolidated controlling subsidiary Weifu Lida Catalyzing and Purifying Co., Ltd; guarantee amounting to RMB 60 million for controlling subsidiary Nanjing Weifu Jinning Co., Ltd..

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

VII. In the report period, the Company and its Board of Directors received no inspection, legislative punishment, a criticism by circulating a notice from CSRC, or public condemnation from Shenzhen Stock Exchange.

VIII. Special commitments made by original non-circulating shareholder in process of Share Merger Reform and its implementation

Name of shareholders	Special commitment	Implementation
Wuxi Weifu Group Co., Ltd.	<p>I. Commitment on additional deliver shares</p> <p>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 Hi-tech would additionally 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 Hi-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 Hi-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 Hi-tech would be issued auditing opinion except Qualified Opinion.</p> <p>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 Hi-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.</p> <p>iii. Date of shares additional delivered: within 20 days after approval of Weifu Hitech 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.</p> <p>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 Hi-tech Annual Report in the year of activating condition of additional deliver shares is disclosed.</p> <p>v. implementing guarantee for commitment of shares additional delivered: within expiry date of the said commitment of shares additional delivered, Weifu Group would authorize Shenzhen Stock Exchange and Registering &amp; Clearing Corp. to provisionally safekeep non-circulating shares amounting to 14,040,000 shares which used to implement guarantee for commitment of shares additional delivered and held from Weifu Hi-tech since the date of implementation of Share Merger Reform, and technically guarantee perform the above commitment.</p>	It did not reach the conditions of implementation.
	<p>II. Commitment on restricted period and the lowest price for shares held impairment</p> <p>Non-circulating shares of Weifu Hi-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 Hi-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>	The said commitment is implementing and there is no shares held impairment.

	<p>III. Commitment on Bonus Plan</p> <p>After the implementation of Share Merger Reform of the Company, Weifu Group would make a proposal and vote for it: cash dividend of Weifu Hi-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.</p>	<p>The said commitment is implementing. “Weifu Group would make a proposal and vote for it: Weifu High-tech has implemented in years 2005 and 2006.”</p>
	<p>IV. Commitment on arrangement of governance encouragement system</p> <p>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 Hi-tech would actively promote plan for Weifu Group governance equity encouragement.</p>	<p>The said commitment is implementing, and would be performed after related policy appears on the stage.</p>

#### IX. Other significant events

The shareholders holding 5% shares of the Company existed no commitment in the period or carried down from the previous period except for special commitment for share merger reform.

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

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

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

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

1. Dated the end of the report period, the Company didn’t provide guarantee for controlling shareholders and other related parties, which the Company held less than 50% share equity, any non-legal units or individuals;
2. Dated the end of the report period, total amount of external guarantee amounted to RMB 182 million; including the amount of guarantee of the parent company for the controlling subsidiary was RMB 182 million;
3. Ended the report period, the Company had no indirect or direct guarantees for warrantees which assets liability ratio exceeding 70%.
4. Dated the end of the report period, the Company existed no guarantee out of line.

#### XII. Equity of non-listed financial enterprises and planned listed companies held

Name of the party held	Initial investment amount	Amount held (Share)	Proportion in equity of the Company	Book value at period-end	Gains and losses in report period	Changes on owners’ equity in the report period
Guolian Securities Co., Ltd.	12,000,000.00	12,000,000.00	1.20%	12,000,000.00	960,000.00	960,000.00
Nanjing Hengtai Insurance and Broker Securities Co., Ltd.	1,000,000.00	1,000,000.00	1.85%	1,000,000.00	0.00	0.00

Jiangsu HSBC Insurance Agents Limited	500,000.00	500,000.00	10.00%	500,000.00	0.00	0.00
Total	13,500,000.00	13,500,000.00	-	13,500,000.00	960,000.00	960,000.00

XIII. Periodically report and provisional report of the Company in the report period are as follows:

Order of notice	Contents of notice	Date of notice	Name of newspapers
2007-001	Suggestive Notice on Listed Trade of Restricted Shares	Apr.3, 2007	China Securities
			Securities News
			Hong Kong Wen Wei Po
2007-002	Summary of Annual Report 2006	Apr.19, 2007	China Securities
			Securities News
			Hong Kong Wen Wei Po
2007-003	Notice on Resolutions of the 8th Meeting of the 5th Board of Directors	Apr.19, 2007	China Securities
			Securities News
			Hong Kong Wen Wei Po
2007-004	Notice on Resolutions of the 5th Meeting of the 5th Supervisory Committee	Apr.19, 2007	China Securities
			Securities News
			Hong Kong Wen Wei Po
2007-005	Notice on Holding 2006 Shareholders' General Meeting	Apr.19, 2007	China Securities
			Securities News
			Hong Kong Wen Wei Po
2007-006	Notice on Daily Related Transactions 2007	Apr.19, 2007	China Securities
			Securities News
			Hong Kong Wen Wei Po
2007-007	2007 Sumamry of First Quarterly Report	Apr.19, 2007	China Securities
			Securities News
			Hong Kong Wen Wei Po
2007-008	Notice on Resolutions of Shareholders' General Meeting 2006	Mar.23, 2007	China Securities
			Securities News
			Hong Kong Wen Wei Po
2007-009	Notice on Irregular Vibration of Stock Price	Jun.7, 2007	China Securities
			Securities News
			Hong Kong Wen Wei Po
2007-010	Notice on 2006 Dividend Distribution	Jun.30, 2007	China Securities
			Securities News
			Hong Kong Wen Wei Po

XIV. Registration form for receiving research, communication and interview in the report period.

Date	Place	Way	The received parties	Contents discussed and materials supplied
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Jan.16, 2007	Reception room of the Company	Spot research	Senior Analyst Qi Hao from Bank of Communications Scheroders Fund Management Company Limited	Operation status and future development of the Company
Jan.24, 2007	Reception room of the Company	Spot research	Senior Manager Yang Chongze from China International Capital Corporation Limited	Operation status and future development of the Company
Jan.31, 2007	Reception room of the Company	Spot research	Vice-president Lu Ye from Fudun Assets Management Co., Ltd.	Operation status and future development of the Company
Feb.6, 2007	Reception room of the Company	Spot research	Industry Reseacher Chu Feng from Fullgoal Fund Management Co., Ltd.	Operation status and future development of the Company
Mar.7, 2007	Reception room of the Company	Spot research	Sales Majordomo Zhang Cheng from China Securities Co., Ltd.	Operation status and future development of the Company
Mar.13, 2007	Reception room of the Company	Spot research	General Manager Xia Xiaohui from Liuhe Investment Co., Ltd.	Operation status and future development of the Company
Mar.20, 2007	Reception room of the Company	Spot research	Researcher Yang Zhiyu from Guotai Jun'an Consultation Services(Shenzhen) Co., Ltd.	Operation status and future development of the Company
Apr.4, 2007	Reception room of the Company	Spot research	General Manager Hu Zurong from Shenzhen Rongzhe Enterprises Consultant Co., Ltd.	Operation status and future development of the Company
Apr.11, 2007	Reception room of the Company	Spot research	Researcher Han Hongcheng from Everbright Pramerica Fund Management Co., Ltd.	Operation status and future development of the Company
Apr.20, 2007	Reception room of the Company	Spot research	Orient Fund Management Co., Ltd.	Operation status and future development of the Company
May 10, 2007	Reception room of the Company	Spot research	American GE Asset Management Co., Ltd.	Operation status and future development of the Company
May 22, 2007	Conference room of the Company	Spot research	36 Fund Managers and shareholders from Yifangda Fund	Operation status and future development of the Company
Jun.5, 2007	Reception room of the Company	Spot research	Fortis Haitong Investment Management Co., Ltd.	Operation status and future development of the Company
Jun.13, 2007	Reception room of the Company	Spot research	Guotai Fund Management Co., Ltd.	Operation status and future development of the Company
Jun.20, 2007	Reception room of the Company	Spot research	Rixin Securities Co., Ltd.	Operation status and future development of the Company

Jun.27, 2007	Reception room of the Company	Spot research	CITIC-Prudential Fund Management Company Ltd.	Operation status and future development of the Company
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The abovementioned documents all published in website of CSRC: <http://www.cninfo.com.cn>

## Section VII. Financial Statement

I. The Interim 2007 Financial Statements of the Company were not audited.

II. Financial Report

### BALANCE SHEET

Prepared by Weifu High-Technology Co., Ltd.

Jun.30, 2007

Unit: RMB

Items	Amount at period-end		Amount at period-begin	
	Consolidation	Parent Company	Consolidation	Parent Company
Current assets:				
Monetary funds	803,396,096.18	253,774,498.94	817,487,438.01	367,016,919.83
Settlement provisions				
Capital lent				
Transaction finance asset				
Notes receivable	568,342,437.70	270,587,628.40	452,893,389.62	160,943,255.11
Accounts receivable	737,033,645.91	393,951,409.08	648,323,729.12	277,208,152.55
Accounts in advance	62,879,340.09	34,389,576.40	23,796,204.03	7,468,067.34
Insurance receivable				
Reinsurance receivables				
Contract reserve of reinsurance receivable				
Interest receivable				
Other receivables	42,183,165.14	32,729,712.07	9,156,681.16	23,988,732.13
Purchase restituted finance asset				
Inventories	657,293,410.88	309,194,572.76	724,610,866.46	326,925,070.09
Non-current asset due within one year				
Other current assets		28,897,124.52		
Total current assets	2,871,128,095.90	1,323,524,522.17	2,676,268,308.40	1,163,550,197.05
Non-current assets:				
Granted loans and advances				
Finance asset available sales				
Held-to-maturity securities				
Long-term account receivable				
Long-term equity investment	851,936,429.92	1,612,982,759.62	774,420,711.77	1,689,534,034.94
Investment property				
Fixed assets:	1,133,343,159.44	625,031,624.79	1,164,190,538.20	631,588,094.79
Construction in progress	160,064,623.02	153,499,426.63	152,840,416.62	131,046,189.13

Engineering material				
Disposal of fixed asset				
Consumable biological asset				
Oil and gas asset				
Intangible assets	97,666,463.02	29,082,432.33	92,136,897.67	13,731,118.59
Expense on Research and Development				
Goodwill				
Long-term expenses to be apportioned	1,212,750.19		1,091,087.41	
Deferred income tax asset	8,952,658.27	4,338,756.56	9,833,962.49	4,649,945.13
Other non-current asset				
Total non-current asset	2,253,176,083.86	2,424,934,999.93	2,194,513,614.16	2,470,549,382.58
Total assets	5,124,304,179.76	3,748,459,522.10	4,870,781,922.56	3,634,099,579.63

### BALANCE SHEET(Con.)

Prepared by Weifu High-Technology Co., Ltd.

Jun.30, 2007

Unit: RMB

Items	Amount at period-end		Amount at period-begin	
	Consolidation	Parent Company	Consolidation	Parent Company
Current liabilities:				
Short-term loans	1,525,940,600.00	833,426,100.00	1,464,069,600.00	803,426,100.00
Loan from central bank				
Absorbing deposit and interbank deposit				
Capital borrowed				
Transaction financial liabilities				
Notes payable	182,299,000.00	166,909,000.00	151,652,100.00	151,652,100.00
Accounts payable	611,177,039.22	322,141,668.29	548,934,656.91	269,770,168.69
Accounts received in advance	4,072,423.36	1,000,316.83	6,704,561.81	4,189,422.40
Selling financial asset of repurchase				
Commission charge and commission payable				
Wage payable	63,070,251.47	23,029,603.65	52,540,138.17	21,593,513.69
Taxes payable	24,017,266.28	231,361.91	4,065,206.98	-5,706,296.51
Interest payable				
Other accounts payable	110,848,112.75	70,847,268.53	121,962,688.90	104,435,923.57
Reinsurance payables				
Insurance contract reserve				
Security trading of agency				
Security sales of agency				
Long-term liabilities due within 1 year	30,000,000.00	30,000,000.00	73,000,000.00	70,000,000.00
Other current liabilities	67,870,731.30	5,071,641.99	10,267,944.84	1,415,483.00
Total current liabilities	2,619,295,424.38	1,452,656,961.20	2,433,196,897.61	1,420,776,414.84
Non-current liabilities:				
Long-term loans				

Bonds payable				
Long-term account payable	6,120,000.00		6,120,000.00	
Special accounts payable	1,450,000.00		1,596,000.00	
Projected liabilities				
Deferred income tax liabilities			88,200.00	
Other non-current liabilities				
Total non-current liabilities	7,570,000.00		7,804,200.00	
Total liabilities	2,626,865,424.38	1,452,656,961.20	2,441,001,097.61	1,420,776,414.84
Owner's equity (or shareholders' equity):				
Paid-in capital (or share capital)	567,275,995.00	567,275,995.00	567,275,995.00	567,275,995.00
Capital public reserve	926,861,588.64	926,861,588.64	926,861,588.64	926,861,588.64
Less: Inventory shares				
Surplus public reserve	287,272,241.45	249,888,236.81	290,774,487.89	249,888,236.81
Provision of general risk				
Retained profit	522,465,514.98	551,776,740.45	424,243,295.11	469,297,344.34
Balance difference of foreign currency translation				
Total owner's equity attributable to parent company	2,303,875,340.07	2,295,802,560.90	2,209,155,366.64	2,213,323,164.79
Minority interests	193,563,415.31		220,625,458.31	
Total owner's equity	2,497,438,755.38	2,295,802,560.90	2,429,780,824.95	2,213,323,164.79
Total liabilities and owner's equity	5,124,304,179.76	3,748,459,522.10	4,870,781,922.56	3,634,099,579.63

## PROFIT STATEMENT

Prepared by Weifu High-Technology Co., Ltd.

Jun.30, 2007

Unit: RMB

Items	This period		Same period of last year	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Total operating income	1,624,420,629.49	904,289,640.52	1,382,817,239.54	752,402,865.36
Including: Operating income	1,624,420,629.49	904,289,640.52	1,382,817,239.54	752,402,865.36
Interest income				
Insurance gained				
Commission charge and commission income				
II. Total operating cost	1,521,016,090.64	873,008,782.91	1,267,104,541.65	725,686,343.08
Including: Operating cost	1,222,408,943.26	748,787,617.09	1,031,274,781.80	623,136,273.93
Interest expense				
Commission charge and commission expense				
Cash surrender value				
Net amount of expense of compensation				

Net amount of withdrawal of insurance contract reserve				
Bonus expense of guarantee slip				
Reinsurance expense				
Operating tax and extras	10,070,572.90	4,344,096.69	8,684,111.43	3,214,852.49
Sales expenses	75,891,265.38	40,673,434.94	56,263,333.09	30,090,612.01
Administration expenses	173,919,937.85	55,424,794.72	123,976,196.20	45,025,800.32
Financial expenses	46,508,702.65	23,954,511.67	39,712,124.83	19,059,255.97
Losses of devaluation of asset	-7,783,331.40	-175,672.20	7,193,994.30	5,159,548.36
Add: Changing income of fair value(Loss is listed with “-”)				
Investment income (Loss is listed with “-”)	22,346,655.07	55,546,087.79	-3,671,373.36	58,016,592.46
Including: Investment income on affiliated company and joint venture	22,346,655.07	12,350,914.84	-3,671,373.36	-2,962,230.12
Exchange income (Loss is listed with “-”)				
III. Operating profit (Loss is listed with “-”)	125,751,193.92	86,826,945.40	112,041,324.53	84,733,114.74
Add: Non-operating income	5,740,646.80	164,349.38	2,193,892.83	95,309.48
Less: Non-operating expense	7,439,576.95	4,200,710.10	5,950,274.64	3,763,841.62
Including: Disposal loss of non-current asset	1,092,600.64	1,032,869.00	422,959.35	651,223.01
IV. Total Profit (Loss is listed with “-”)	124,052,263.77	82,790,584.68	108,284,942.72	81,064,582.60
Less: Income tax	12,850,267.16	311,188.57	6,522,477.61	2,363,466.70
V. Net profit (Net loss is listed with “-”)	111,201,996.61	82,479,396.11	101,762,465.11	78,701,115.90
Net profit attributable to owner’s equity of parent company	94,719,973.43	82,479,396.11	81,944,430.90	78,701,115.90
Minority shareholders’ gains and losses	16,482,023.18		19,818,034.21	
VI. Earnings per share				
i. Basic earnings per share	0.170	0.150	0.140	0.140
ii. Diluted earnings per share	0.170	0.150	0.140	0.140

## CASH FLOW STATEMENT

Prepared by Weifu High-Technology Co., Ltd.

Jan.-Jun., 2007

Unit: RMB

Item	This period		Same period of last year	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Cash flows arising from operating activities:				
Cash received from selling commodities and providing labor services	1,561,999,196.88	849,344,427.57	1,684,395,506.65	674,059,058.92
Net increase of customer deposit and				

interbank deposit				
Net increase of loan from central bank				
Net increase of capital borrowed from other financial institution				
Cash received from original insurance contract fee				
Net cash received from reinsurance business				
Insured savings and net increase of investment				
Net increase of disposal of transaction financial asset				
Cash received from interest, commission charge and commission				
Net increase of capital borrowed				
Net increase of returned business capital				
Write-back of tax received			879,750.85	
Other cash received concerning operating activities	12,934,909.32	4,874,314.17	11,505,373.17	65,175,327.71
Subtotal of cash inflow arising from operating activities	1,574,934,106.20	854,218,741.74	1,696,780,630.67	739,234,386.63
Cash paid for purchasing commodities and receiving labor service	1,088,564,143.37	780,077,247.58	1,127,609,675.66	536,436,961.80
Net increase of customer loans and advances				
Net increase of deposits in central bank and interbank				
Cash paid for original insurance contract compensation				
Cash paid for interest, commission charge and commission				
Cash paid for bonus of guarantee slip				
Cash paid to/for staff and workers	171,458,189.79	70,625,718.99	150,997,304.09	69,878,646.00
Taxes paid	108,677,597.85	45,761,531.76	101,360,264.06	38,443,956.71
Other cash paid concerning operating activities	56,891,755.71	34,396,037.77	56,388,079.48	37,517,607.25
Subtotal of cash outflow arising from operating activities	1,425,591,686.72	930,860,536.10	1,436,355,323.29	682,277,171.76
Net cash flows arising from operating activities	149,342,419.48	-76,641,794.36	260,425,307.38	56,957,214.87
II. Cash flows arising from investing activities:				
Cash received from recovering investment			3,344,000.00	3,344,000.00
Cash received from investment income	1,860,000.00	112,362,923.59	1,591,005.79	1,591,005.79
Net cash received from disposal of fixed, intangible and other long-term assets	9,191,238.42	3,736,511.21	9,638,882.39	1,002,072.39

Net cash received from disposal of subsidiaries and other units				
Other cash received concerning investing activities				
Subtotal of cash inflow from investing activities	11,051,238.42	116,099,434.80	14,573,888.18	5,937,078.18
Cash paid for purchasing fixed, intangible and other long-term assets	127,936,477.60	110,776,205.27	128,565,439.95	102,825,879.70
Cash paid for investment	9,162,685.00	9,162,685.00	6,003,700.00	6,003,700.00
Net increase of mortgaged loans				
Net cash received from subsidiaries and other units				
Other cash paid concerning investing activities				
Subtotal of cash outflow from investing activities	137,099,162.60	119,938,890.27	134,569,139.95	108,829,579.70
Net cash flows arising from investing activities	-126,047,924.18	-3,839,455.47	-119,995,251.77	-102,892,501.52
III. Cash flows arising from financing activities				
Cash received from absorbing investment				
Including: Cash received from absorbing minority shareholders' investment by subsidiaries				
Cash received from loans	1,520,163,100.00	813,298,600.00	1,207,256,000.00	569,168,000.00
Cash received from issuing bonds				
Other cash received concerning financing activities				
Subtotal of cash inflow from financing activities	1,520,163,100.00	813,298,600.00	1,207,256,000.00	569,168,000.00
Cash paid for settling debts	1,479,701,100.00	823,298,600.00	1,260,891,726.00	499,866,700.00
Cash paid for dividend and profit distributing or interest paying	68,453,909.11	22,761,171.06	40,168,413.52	18,133,450.21
Including: Dividend and profit of minority shareholder paid by subsidiaries	24,420,894.97			
Other cash paid concerning financing activities				
Subtotal of cash outflow from financing activities	1,548,155,009.11	846,059,771.06	1,301,060,139.52	518,000,150.21
Net cash flows arising from financing activities	-27,991,909.11	-32,761,171.06	-93,804,139.52	51,167,849.79
IV. Influence on cash due to fluctuation in exchange rate				
V. Net increase of cash and cash equivalents	-4,697,413.81	-113,242,420.89	46,625,916.09	5,232,563.14
Add: Balance of cash and cash equivalents	817,487,438.01	367,016,919.83	785,295,188.91	329,662,866.71

at the period -begin				
Less: Cash and cash equivalent at the period-begin	9,393,928.02			
VI. Balance of cash and cash equivalents at the period-end	803,396,096.18	253,774,498.94	831,921,105.00	334,895,429.85





3. Remedying loss with profit surplus																
4. Others			-3,502,246.44	3,502,246.44												
IV. Balance at the end of this year	567,275,995.00	926,861,588.64	287,272,241.45	522,465,514.98	193,563,415.31	2,497,438,755.38	567,275,995.00	925,249,818.64	267,449,061.69	665,922,393.04	206,314,172.41	2,632,211,440.78				

## CONSOLIDATED STATEMENT ON CHANGES OF OWNERS' EQUITY OF PARENT COMPANY

Prepared by Weifu High-Technology Co., Ltd.

Jun.30, 2007

Unit: RMB

Item	Amount in this year									Amount in last year								
	Owners' equity belonged to the parent company							Minority interest	Total owners' equity	Owners' equity belonged to the parent company							Minority interest	Total owners' equity
	Paid-up capital (Share capital)	Capital reserves	Less: Treasury Stock	Surplus reserves	General risk provision	Retained profit	Others			Paid-up capital (Share capital)	Capital reserves	Less: Treasury Stock	Surplus reserves	General risk provision	Retained profit	Others		
I. Balance at the end of the last year	567,275,995.00	926,861,588.64		249,888,236.81		464,489,022.82			2,208,514,843.27	567,275,995.00	925,249,818.64		241,029,441.30		611,670,261.24		2,345,225,516.18	
Add: Changes of accounting policy						4,808,321.52			4,808,321.52								1,970,636.29	
Error correction of the last period									-									
II. Balance at the beginning of this year	567,275,995.00	926,861,588.64		249,888,236.81		469,297,344.34			2,213,323,164.79	567,275,995.00	925,249,818.64		241,029,441.30		613,640,897.53		2,347,196,152.47	
III. Increase/ Decrease in this year (Decrease is listed with "-")						82,479,396.11			82,479,396.11						78,701,115.90		78,701,115.90	
(I) Net profit						82,479,396.11			82,479,396.11						78,701,115.90		78,701,115.90	
(II) Profits and losses calculating into owners' equity																		
1. Net changing amount of fair value of financial assets available for sale																		
2. Effect of changes of other owners' equity of invested units under equity method																		
3. Effect of income tax related to owners' equity																		
4. Others																		
Subtotal of (I) and (II)						82,479,396.11			82,479,396.11						78,701,115.90		78,701,115.90	
(III) Owners' devotion and decreased capital																		
1. Owners' devotion capital																		
2. Amount calculated into owners' equity paid in shares																		
3. Others																		
(IV) Profit distribution																		
1. Withdrawal of surplus reserves																		
2. Withdrawal of general risk provisions																		
3. Distribution for owners (shareholders)																		
4. Others																		
(V) Carrying forward internal																		

owners' equity																	
1.Capital reserves converted to capital (share capital)																	
2. Surplus reserves converted to capital (share capital)																	
3.Remedying loss with profit surplus																	
4.Others																	
IV. Balance at the end of this year	567,275,995. 00	926,861,588. 64		249,888,236. 81		551,776,740. 45			2,295,802,560.9 0	567,275,995. 00	925,249,818. 64		241,029,441. 30		692,342,013. 43		2,425,897,268.3 7

# Supplementary Statement of Profit

Jan-Jun, 2007

Prepared by: Wuxi Weifu High-Technology Co.,Ltd.

Profit in the report period	Return on equity		Earnings per Share	
	Fully diluted	Weighted average	Based	Diluted
Operating profit	5.46%	5.57%	0.2217	0.2217
Net profit	4.11%	4.20%	0.1670	0.1670
Net profit after deducting non-recurring gains and losses	3.51%	3.58%	0.1424	0.1424

## Details of Non-recurring gains and losses

Unit: RMB yuan

Items	Amount
Non-recurring losses	
Non-operating expenses	7,439,576.95
Less: foods allocation funds, flood control&security funds	4,663,095.08
Sub-total	2,776,481.87
Non-recurring gains	
Non-recurring income	5,740,646.80
Income from disposal of fixed assets	5,727,646.80
Other income	13,000.00
Charge off government appropriation for tech-reform	1,300,000.00
Switch back of allowance for bad debts	13,267,851.57
Switch back of provision for falling price of stockage	202,188.49
Sub-total	20,510,686.86
Net amount of non-recurring gains and losses(gains-losses)	17,734,204.99
Less: Impact on income tax due to non-recurring gains and losses	565,585.73
Less: Impact on minority interests due to non-recurring gains and losses	3,225,861.90
Impact on the company due to non-recurring gains and losses	13,942,757.36

**Combination of Net Profit difference adjustment  
Jan-Jun, 2006**

Items	Amount
Net profit during Jan-Jun,2006 (Original accounting policy)	79,689,551.67
Total amount of impact on tracing adjustment items	2,254,879.23
Among: Investment gains	1,046,737.40
Income tax	1,208,141.83
Net profit during Jan-Jun,2006 (New accounting policy)	81,944,430.90
Preparation information if operating wholly new accounting policy	
Total amount of impact on other items	1,957,495.59
Among: Investment gains	1,957,495.59
Model net profit during Jan-Jun,2006	83,901,926.49

## Notes to the Accounting Statements

### Note1. Basic information of the Company

By the approval of STGS (1992) No. 130 issued by Jiangsu Economic Restructuring Committee (hereinafter referred to as Jiangsu ERC), Wuxi Weifu High-Technology Co., Ltd. was established as a company of limited liability with funds raised from targeted sources, and registered at Wuxi Administration for Industry & Commerce in October 1992. The original share capital of the Company totaled RMB 115.4355 million, including state-owned share capital amounting to RMB 92.4355 million, public corporate share capital amounting to RMB 8 million and inner employee share capital amounting to RMB 15 million.

In the year 1994 and 1995, the Company was restructured and became a holding subsidiary of Wuxi Weifu Group Co., Ltd (hereinafter referred to as "Weifu Group"). The ultimate owner of Wuxi Weifu Group Co., Ltd. is State-owned Assets Supervision & Administration Commission of Wuxi People's Government.

By the approval of Jiangsu ERC and Shenzhen Securities Administration Office in August 1995, the Company issued 68 million special ordinary shares, with a face value of RMB 1 for each share, and the total value of those shares amounted to RMB 68 million. After the issuance, the Company's total share capital increased to RMB 183.4355 million.

By the approval of CSRC in June 1998, the Company issued 120 million RMB ordinary shares (A-share) at Shenzhen Stock Exchange through on-line pricing and issuing. After the issuance, the total share capital of the Company amounted to RMB 303.4355 million.

In the middle of 1999, deliberated and approved by the Board and Shareholders' General Meeting, the Company implemented the plan of granting 3 bonus shares for each 10 shares. After that, the total share capital of the Company amounted to RMB 394.46615 million, of which state-owned shares amounted to RMB 120.16615 million, public corporate shares RMB 10.4 million, foreign-funded shares (B-share) RMB 88.40 million, RMB ordinary shares (A-share) RMB 156 million and inner employee shares RMB 19.5 million.

In the year 2000, by the approval of the CSRC and based upon the total share capital of 303.4355 million shares after the issuance of A-share in June 1998, the Company allotted 3 shares for each 10

shares, with a price of RMB 10 for each allotted share. Actually 41.9 million shares was allotted, and the total share capital after the allotment increased to RMB 436.36615 million, of which state-owned corporate shares amounted to RMB 121.56615 million, public corporate shares RMB 10.4 million, foreign-funded shares (B-share) RMB 88.4 million and RMB ordinary shares (A-share) RMB 216 million.

In April 2005, Board of Directors of the Company has examined and approved 2004 Profit Pre-distribution Plan, and examined and approved by 2004 Shareholders' General Meeting, the Company distributed 3 shares for each 10 shares to the whole shareholders totaling to 130,909,845 shares in 2005.

The Company registered at the Wuxi High and New Technology Development Zone and the registration number was 25045696-7. The Company belongs to the mechanical industry and mainly engages in the production and sales of fuel injection pump of the diesel internal combustion engine as well as the fuel injector and other matching parts used in the fuel injection pump.

According to the Share Merger Reform Scheme of the Company that passed by related shareholders' meeting of Share Merger Reform and SGZF [2006] No.61 Reply on Questions about State-owned Equity Management in Share Merger Reform of Wuxi Weifu High-Technology Co., Ltd. issued by State-owned Assets Supervision & Administration Commission of Jiangsu Province, the Weifu Group etc. 8 non-circulating shareholders arranged pricing with granting 1.7 shares for each 10 shares to circulating A-share shareholders (totally granted 47,736,000 shares), so as to realize the originally non-circulating shares can be traded on market when satisfied certain conditions, the scheme has been implemented on Apr.5, 2007.

The Financial Report has been approved by the board of the Company on Aug.15, 2007 and disclosed.

#### Note2. The compiling basis of financial statement

This financial statement is presented according to the regulations of Accounting Standards for Business Enterprises No.30—Presentation of Financial Statement and Accounting Standards for Business Enterprises No.33—Consolidated Financial Statement, whose information carried were prepared in conformity with the Company's accounting policy and accounting estimate, and these accounting policy and accounting estimate are established according to the Accounting Standards for Business Enterprises as well as the Company's practical circumstance.

#### Note3. Declaration in accordance with the Accounting Standards for Business Enterprises

The Company declares that the financial statement prepared is accorded with the requirement of Accounting Standards for Enterprises, which truly and completely reflects the financial information of the Company such as financial status, operational results and cash flow etc.

#### Note4. Significant accounting policy and accounting estimates

##### (I) Accounting period

Adopt the Gregorian calendar system, that is, from Jan.1 to Dec.31 of Gregorian calendar is an accounting period.

##### (II) Recording currency

Accounting calculation takes RMB as the recording currency.

##### (III) Attribute of measurement

The Company measures in accordance with regulated accounting measurement attribute, the attribute of measurement of items in statement hasn't changed in the report period. The Company generally adopt historical cost when measuring accounting factors, for those adopting replacement cost, changeable net present value, present value, and fair value to measure, take the confirmed amount of accounting factors can be acquired and dependably measured as the basis.

#### (IV) Cash Equivalent

Cash Equivalent refers to short-term (be at term within 3 months since purchase date) investment held by the Company with strong fluidity and easy to be converted into known amount of cash which has slight changes in value.

#### (V) Calculation method of foreign currency business

When originally confirming, the occurred foreign currency transaction adopt spot exchange rate of transaction date to convert foreign currency amount into recording standard currency amount. At the end of the period, the monetary items of foreign currency adopt period-end spot exchange rate to convert, the exchange balance resulting from the difference of spot exchange rate between period-end and original confirmation or the previous one should calculate into profit and loss of current period; and the exchange balance resulting from foreign currency loans that related with purchasing or constructing asset that accorded with capitalization conditions should be dealt in accordance with the principle of loans expense capitalization. The non-monetary items of foreign currency that measured with historical cost in period-end still adopt spot exchange rate of transaction date, not change its recording currency amount.

#### (VI) The calculation method of financial assets and financial debts

##### 1. Classification of financial assets and financial debts

Financial assets including tradable financial assets, financial assets that designated fair value to calculate its changes and calculate into profit and loss of current period, investment held till at term, receivable account, and financial assets for sale etc.. Financial debts including tradable financial debts, and financial debts designated fair value to calculate its changes and calculate into profit and loss of current period.

##### 2. Confirmation evidence and measuring method of financial tools

i. When the Company becomes a party of financial tools contract, confirm an item of financial assets or financial debts. The financial assets that accord with following terminating confirmation conditions should terminate confirmation: the contract right of acquiring cash flow amount of financial assets terminates, the financial assets has already transferred which is conformed to regulation. And terminate confirming the financial debt or its one part that totally or partially released its current obligation.

ii. The financial assets or financial debts originally confirmed by the Company are measured according to fair value. For financial assets or financial debts that measured with fair value whose changes are calculated into profit and loss of current period, relevant transaction expenses directly calculate into profit and loss of current period; for other kinds of financial assets or financial debts, relevant transaction expenses calculate into original confirmation amount.

iii. The Company implements subsequent measurement on financial assets according to fair value, and not deduct the transaction expenses that may occurred in future disposal for the financial assets. But except following situations:

A. The investments held till at term and receivable accounts adopt actual interest rate method, and measure according to amortized cost;

B. The equity tool investments that haven't quoted price on active market and its fair value can't be dependably measured, and derivative financial assets that linked to equity tools and balance through delivering this equity tool, measure according to cost;

C. When the financial assets no longer suit to measure according to fair value resulting from the changes in holding purpose or ability, or its fair value can no longer be measured dependably etc., the Company alternated to measure according to cost, the cost is fair value of the financial asset on reclassification date.

iv. The Company adopts actual interest rate method, implement subsequent measure on financial debts according to amortized cost. But except the following situations:

A. The financial debt measured with fair value whose changes are calculated into profit and loss of current period, measure according to fair value, and not deduct future transaction expenses probably occur for its settling;



B. When financial debt no longer suit to measure according to fair value resulting from changes occurred in holding purpose or ability, or its fair value can't be dependably measured etc., the Company alternated to measure according to cost, the cost is book value of the financial debt on reclassification date;

C. The financial debt derivatives linked to equity tool that has no quoted price on active market whose fair value can't be dependably measured and should balance through delivering this equity tool, measure according to cost;

D. The financial guarantee contract that not belonging to designated for financial debt that measured with fair value and its changes are calculated into profit and loss of current period, or loan commitment not designating to measure with fair value, whose changes are calculated into profit and loss of current period, and will borrow with interest rate that less than the market, should implement subsequent measurement according to the higher one of the following two price amounts after initial confirmation:

a. The amount confirmed according to contingency standards;

b. The balance after initial confirmation amount deducting accumulated amortization that confirmed according to income standards.

v. Except those related with hedge, the Company deal with gains or losses formed in the fair value changes of financial assets or financial debts according to following regulations:

A. For the financial assets or financial debts measured with fair value whose changes are calculated into profit and loss of current period, the gains and losses resulted from fair value changes, calculate into profit and loss of current period;

B. The gains and losses result from fair value changes of tradable financial assets, excluding the depreciation loss and exchange balance resulting from foreign currency financial asset, calculate into capital public reserve, transfer out when the financial asset terminate confirmation, calculate into profit and loss of current period.

vi. The financial assets or financial debts that the Company measured with amortized cost, excluding related with the hedge, the gains or losses resulting from confirmation determination, depreciation or amortization calculate into profit and loss of current period.

vii. The Company calculates the offset result of fair value changes of hedge tool and hedged item in the same accounting period into profit and loss of current period.

### 3. Confirmation of fair value of financial assets and financial debts

The financial assets or financial debts that existing active market confirm its fair value with the quoted price on active market, the quoted price on active market including prices easy to be acquired from Exchange, broker, industry association, pricing service organization etc. termly, which represents the price of market transaction that actually occurred in a fair shake; the financial assets or financial debts not exist active market, adopt value estimation skill to confirm its fair value. The value estimation skill include refer to price used in recent market deals carried through by the parties that familiar with situation and deal by freewill, current fair value of other financial assets or financial debts that are essentially the same, discounted cash flow method, and option pricing model etc..

### 4. Depreciation provision for financial asset

At the end of the period, the Company checks the book value of financial asset beyond those measures with fair values whose changes are calculated into profit and loss of current period, and draw depreciation provision for the financial asset that has objective evidence to show its depreciation. When drawing the depreciation provision, implement single depreciation test on those has material single amount; and implement depreciation test in financial assets group that has characteristic of similar with credit risk on those hasn't material single amount. The detail method of drawing depreciation provision for main financial asset is as follows:

i. For tradable financial assets that can be measured dependably with fair value, draw depreciation provision for the part that fair value lowered than book value, and calculate into profit and loss of current period; for tradable financial asset that can not be dependably measured with fair value,

draw depreciation provision with the part that present value of estimated future cash flow (excluding not yet occurred future credit loss) lowered than book value, and calculate into profit and loss of current period. When the tradable financial asset occurring depreciation, even though the financial asset hasn't terminating confirmation, the accumulated loss that originally calculating into the owners' equity resulting from the decrease in fair value should be transferred out, and calculate into profit and loss of current period.

ii. Draw depreciation provision for investment held till at term with the part that present value of its estimated future cash flow (excluding not yet occurred future credit loss) lowered than book value, and calculate into profit and loss of current period.

5. The confirmation and measurement of financial asset transfer

i. The confirmation of financial asset transfer

When transferring almost all risk and reward of financial asset ownership to transferee in following situations, the enterprise confirm transfer of the financial asset, terminate confirmation of the financial asset.

A. The enterprise sell financial asset without recourse attachment;

B. Sell the financial asset, meanwhile sign agreement with the purchaser, repurchase it according to fair value of the financial asset on the promised time limit day;

C. Sell the financial asset, meanwhile sign put option contract with purchaser, but judging from articles of the contract, this put option is a material out of the money option.

ii. Measurement of financial asset transfer

A. Confirmation of financial asset whole transfer: confirm according to balance of book value of transferred financial asset and accumulated changing amount of received consideration and fair value that originally directly calculated into owner's equity, calculate into profit and loss of current period;

B. Confirmation of partial transfer of financial asset: financial asset partially transferring, should amortize book value of whole financial asset which is between the terminating confirmation part and not terminating confirmation part according to each relative fair value, and calculate into profit and loss of current period according to book value of terminating confirmation part and balance of received consideration of terminating confirmation part with the amount of corresponding terminating confirmation part in accumulated changes of fair value that originally directly calculating into owner's equity. The amount of terminating confirmation part in accumulated changes of fair value that originally calculating into owner's equity, should confirm after amortizing the accumulated amount according to relative fair value of terminating confirmation part and not terminating confirmation part of financial asset.

(VII) Confirmation standards of bad debt of receivable account and withdrawal method of bad debt provision

1. Confirmation standards of bad debt: for the receivable account that still can't be reclaimed after discharging with its bankrupt property or heritage due to the debtor go bankruptcy or die, and that the debtor hasn't performed the repaying obligation while exceeding the time limit, and there's obvious characteristic showing it can't be reclaimed, confirm as bad debt.

2. Calculation method of bad debt loss: adopt allowance method.

3. Draw bad debt provision for receivable account (including receivable account and other receivables) according to aging schedule method. According to financial status and cash flow etc. of the debtor unit, the receivable account that has sufficient evidence showing its difficulty of reclaiming adopt specific identification method to draw bad debt provision.

The withdrawal proportion of bad debt provision for various aging mix is as follows:

Account age	Withdrawal proportion
Within 6 months(the average credit period in industry is 6 months)	Don't draw
6 months to 1 year	10%
1 year to 2 years	20%

2 years to 3 years	40%
Above 3 years	100%

(VIII) Calculation method of inventory

1. Inventory classification

Classified mainly as inventory material, low-value consumption goods, product in process, and finished goods etc..

2. Inventory pricing

The inventory material daily adopt planned cost to calculate, fix the differences of material cost separately according to first grade, carry forward material cost difference that should undertake at the end of the period according to planned cost of the raw material drawn or sent, adjust the planned cost to actual cost; pricing the finished product according to actual cost, and adopt weighted average method to carry forward sales cost when sending.

3. Amortization of low-value consumption goods

Pricing the low-value consumption goods according to actual cost when acquired, adopt one-off amortization method to calculate when drawing, while the amount is relatively large, amortize it within one year. The drawn and amortized brand-new imported tool's spare part retain residual value RMB 1.

4. Inventory system

Adopt perpetual inventory system.

5. Provision for inventory depreciation

At the end of the period, estimate price of the inventory according to the lower one between cost and net realizable value, the details are:

i. Inventory material and low-value consumption goods: draw depreciation provision and calculate into profit and loss of current period according to the balance of net realizable value lowered than the cost of single material.

ii. Product in process: draw depreciation provision and calculate into profit and loss of current period according to the balance of net realizable value lowered than the cost of single product in process.

iii. Finished product draw depreciation provision according to specific situations:

A. The finished product that has sales in current year whose cost is more than the sales price calculates according to following formula and draw depreciation provision:

Depreciation provision for single item= inventory cost of single finished product capital in period-end- average sales price of current year\*(1-sales expense of current year/sales revenue of current year)

B. For those haven't sales in current year, draw depreciation provision according to following aging schedule method:

Account age	Withdrawal proportion
Old products of 6 months to 1 year	10%
1 year to 2 years	30%
2 years to 3 years	50%
Above 3 years	100%

(IX) Calculation method of long-term equity investment

1. Confirmation of initial investment cost of long-term equity investment

i. For the consolidation of enterprises that under the same control, take the book value proportion of the owner's equity of consolidated party on consolidation date as initial investment cost of long-term equity investment. The balance of initial investment cost of long-term equity investment and paid cash, transferred non-cash asset, and book value of debt taken, should adjust capital public reserve; and adjust retained earning while the capital public reserve isn't enough to offset.

ii. For the consolidation of enterprises that under different control, take assets paid out in order to acquire the control right of purchased party on purchase date, occurred or undertaken debt and fair

- value of issued equity securities as initial investment cost of long-term equity investment.
- iii. The long-term equity investment acquired in other manners except from the enterprise consolidation, should confirm its initial investment cost according to following regulations:
- A. The long-term equity investment acquired by paying cash, should take purchasing price that actually paid as initial investment cost. Initial investment cost including expense, tax and other necessary payout that directly related with acquiring the long-term equity investment.
- B. The long-term equity investment acquired by issuing equity securities, should take fair value of the issued equity securities as initial investment cost.
- C. The long-term equity investment invested by investors, should take the promised value in investment contract or agreement as initial investment cost, excluding those promised in the contract or agreement that the value is not fair.
- D. The long-term equity investment acquired by non-monetary asset exchange, its initial investment cost should be confirmed according to Accounting Standards of Business Enterprise No.7—Non-monetary Asset Exchange.
- E. The long-term equity investment acquired by debt reorganization, its initial investment cost should be confirmed according to Accounting Standards No.12—Debt Restructuring.

2. Subsequent measurement of long-term equity investment

i. The following long-term equity investments adopt cost calculation method:

- A. The equity investment of the Company to its subsidiaries.
- B. The long-term investment that the Company hasn't together control or material influence on invested party, and hasn't quoted price on active market so its fair value can't be dependably measured.

ii. The long-term equity investment that the Company has together control or material influence on the invested party, adopt equity method to calculated.

(X) The fixed assets pricing and depreciation method

1. Definition of fixed assets

The fixed assets refer to housing, buildings, machinery and equipment, means of transportation and other equipment, instrument and tools etc. related to production and operation that has over 1 year lifetime and unit value amounting to more than RMB 2 thousand as well as other assets not in connection with production and operation with a unit value amounting to more than RMB 2,000 and over 2 years lifetime.

2. Pricing of fixed assets

The fixed assets are recorded in account according to actual cost upon its acquisition.

3. Classification and deprecation method of fixed assets

Depreciation of fixed assets adopt average lifetime method to draw with classification according to estimated lifetime after original value of fixed asset deducting residual value (the fixed asset newly added after the year 2006 is 5% of its original value, others are 3%).

The fixed asset classification, the estimated lifetime and annual depreciation rate of various fixed assets are as follows:

Fixed assets	Estimated lifetime	Residual value rate	Depreciation Rates
Housings, buildings and constructions	30 years	3%~5%	3.17%~3.23%
Machinery and Equipment (including productive measurement physical equipments)	10 years	3%~5%	9.5%~9.7%
Transportation equipments	10 years	3%~5%	9.5%~9.7%
Office equipments (including electronic equipments,	5 years	3%~5%	19%~19.4%

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air-conditioning, computer, scanner, projection etc.)

Decoration expenses of houses

5 years

3%~5%

19%~19.4%

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#### (XI) Calculation method of construction in process

Construction in process refers to workshop, equipment and other facilities in process, when the construction reached estimated workable status, confirm it as fixed asset according to occurred necessary payout before it reaching the estimated workable status; if the fixed asset in process has already reached estimated workable status but not yet transacted complete final accounts, should confirm its cost according to estimated value and draw depreciation, and adjust original temporarily estimated value according to actual cost after transacting complete final accounts procedure, but won't adjust the depreciation originally drawn.

#### (XII) Intangible assets pricing and amortization method

##### 1. Intangible assets pricing:

The intangible asset is initially measured according to cost:

- i. The cost of purchased intangible asset include purchase amount, related taxes and other payout occurred directly attributed to help this asset reaching its estimated purpose.
- ii. The cost of self developed intangible asset include total payout amount that occurred after satisfying asset confirmation condition and meanwhile satisfying the following conditions before reaching its estimated purpose, but exclude the payout that has already been expenses in previous period:

Completing this intangible asset to make it workable or tradable is technically feasible;

Have the intention of completing this intangible asset and using or selling it;

The manner of intangible asset producing economic interest include be able to verify the product produced by this intangible asset or the intangible asset itself exist market, the intangible asset that will be used interiorly should verify its usefulness;

Have enough technique, financial resource and other resources to support, so as to complete the development of this intangible asset, and have ability to use or sell this intangible asset;

The payout attributed to development phase of this intangible asset can be measured dependably.

- iii. The cost of intangible asset that investors invested is confirmed according to promised value in the investment contract or agreement.

- iv. The cost of intangible asset acquired from non-monetary asset exchange, debt restructuring, government grants and enterprise consolidation, should be confirmed respectively according to Accounting Standards for Business Enterprises No.7—Non-monetary Asset Exchange, Accounting Standards for Business Enterprises No.12—Debt Restructuring, Accounting Standards for Business Enterprises No.16—Government Grants and Accounting Standards for Business Enterprises No.20—Business Combinations.

##### 2. Amortization of intangible assets

- i. The intangible asset that has a limited lifetime adopt straight-line method to amortize averagely within lifetime since it's workable, and be calculated into profit and loss of current period, the Company recheck the lifetime and amortization method of intangible asset that has limited lifetime at least at each end of the year, once discovering the lifetime and amortization method is different from previous estimation, should change the years of amortization and amortization method;

- ii. The intangible asset that has an uncertain lifetime doesn't amortize, the Company recheck the lifetime of intangible asset with uncertain lifetime in each accounting period, but if there's evidence shows the lifetime of intangible asset is limited, then should estimate its lifetime and amortize according to the aforesaid method i.

- iii. The years of amortization of various intangible assets of the Company and subsidiaries are as follows:

The land use right of parent company amortize according to land usage term.

The trademark use right of Nanjing Weifu Jinning Co., Ltd. (shareholding subsidiary, hereinafter referred to as "Weifu Jinning") would be amortized over 30 years on average; except for the land

use right at the High and New Technology Development Zone amortized over 50 years, other land use right would be amortized over 30 years; computer software would be amortized as per 5 years. The franchise of Wuxi Weifu Automotive Diesel System Co., Ltd. (shareholding subsidiary, hereinafter referred to as “Weifu Diesel System”) would be amortized over 10 years; administrative software would be amortized as per 5 years.

(XIII) Confirmation method of the provision for long-term assets depreciation

1. On the balance sheet day, the Company made an examination on the long-term assets; when the following sign existed in assets which showed that depreciation may occur in the assets, estimate its reclaimable amount, and withdraw the provision for assets depreciation and losses and gains in current period according to the balance of reclaimable amount of the asset lowered than the book value. These signs include:

- i The Market price of assets decreased sharply in current period, and the fall was obviously greater than the pre-estimated fall due to time process or normal use.
- ii. There are or will be significant changes happening to the economic, technical or legal environment etc. of the Company’s operations as well as the assets’ market in current period and it causes or will cause unfavorable influence to the Company.
- iii. The market interest rate or other market remuneration rate has risen in current period and it influences the Company’s calculating the discount rate of future cash flow’s present value of assets pre-estimation, resulting in the sharp decrease in the assets’ receivable amount.
- iv. There were evidences showing that the asset had been old and out of date or its entity had been damaged.
- v. The assets have been or will be left unused, terminated or planed to be disposed in advance.
- vi. The internal report’s evidence shows that the economic performance has been or will be lower than that of anticipation, e.g. the net cash flow that the Company has created or the realized operating profit (or loss) is far below (or above) the pre-estimated amount.
- vii. Other signs showing that depreciation may have occurred to the assets

2. For the intangible assets whose goodwill and utilization life-span were uncertain formed by enterprise consolidation, they needed to be tested every year no matter whether there are depreciation signs in existence.

3. For the goodwill formed by enterprise consolidation, it should be distributed to relevant asset group or asset group combination at the end of every year; then, it is needed to make a depreciation test on the asset group or asset group combination which includes goodwill, calculate the receivable amount and compare it with its book value. If the receivable amount of asset group or asset group combination is below its book value, the balance should firstly be reduced and distributed to the book value of the goodwill in the asset group or asset group combination; if the book value of goodwill is not enough to offset and reduce the balance, the balance which is not offset and reduced will be distributed by other assets according to their book value.

4. Basis for withdrawal of provision for long-term investment depreciation, provision for fixed assets depreciation, provision for project under construction depreciation and provision for intangible assets depreciation: the Company withdraws provision for assets depreciation according to the balance of the receivable amount of single asset below book value at period-end; the receivable amount is confirmed based on the higher one of asset pre-estimation future cash flow’s present value and the net amount left by fair value of assets minus disposal expenses. If it is difficult to estimate the receivable amount of single asset, its receivable amount will be confirmed based on the asset group which the asset belongs to.

5. Cognizance of the asset group during the depreciation test: the relevant minimum asset group which can share the coordination benefit from consolidation pre-estimated in internal company. Cognizance of the asset group should base on whether the main cash flow-in resulted from asset group is independent of the cash flow-in of other assets or asset groups; meanwhile, when recognizing the asset group, it is needed to consider the method used by enterprises’ management level to manage the production and operation activities (such as by production line, business type,

by area or region) and decision-making method for the continuous use or disposal, etc.

6. Once the loss on long-term investment depreciation is confirmed, it can not be switching back.

(XIV) Amortization method of long-term expenses to be apportioned

The long-term expenses to be apportioned occurred to the Company is priced on actual cost, and equally amortized according to the pre-estimated benefiting term; for the long-term items to be apportioned with no benefits in the later accounting period, it is needed to totally calculate their amortization balance value into losses and gains in current period when confirming them.

(XV) Calculation method of loan expenses

1. The loan expenses occurred to the Company includes loan interest, amortization of reduction price and premium price, assistant expenses and the exchange balance from foreign currency loan, etc.

2. For the loan expenses occurred to the Company that can be directly attributed to the construction or production of the assets according with capitalization terms, they can be capitalized and calculated into relevant assets costs; for other loan expenses, they can be confirmed as expenses according to the occurred amount when they occurred and calculated into losses and gains in current period.

3. When the assets expenditure have happened, loan expenses have happened and the necessary construction and production activities for making the assets achieve the expected usable and for sale state have begun, it is the time to start the capitalization of loan expenses. If non-normal discontinuity with discontinuity time continuously exceeding 3 months occurred to the assets according with capitalization terms during the construction and production, the capitalization of loan expenses should be paused. When the constructed assets achieved the expected usable state, the capitalization of loan expenses can be paused, and the later loan expenses are to be confirmed as losses and gains in the occurring current period.

4. The capitalized loan expenses in every accounting period are confirmed by calculating based on the weighted average amount of assets construction accumulative expenses and capitalization rate by the end of current period. For the interest expenses needed to be capitalized from the special loan borrowed in order to construct or produce the assets according with the capitalization terms, their capitalized amount is the actually occurred interest expenses of special loans minus the interest income from the loan capital yet unused and deposited in banks or the amount of investment yields obtained from temporary investment; if it occupied general loans in order to construct or produce the assets according with the capitalization terms, its capitalized amount is based on the method of calculating interest amount of which the general loans should be capitalized: the weighted average amount of assets expenditure from accumulative assets expenditure exceeding special loans multiply the capitalization rate of occupied general loans, that is the weighted average rate of general loans.

(XVI) Calculation method of deferred income tax assets and deferred income tax liabilities

1. If there is the temporary difference that can be offset and deducted between the book value of assets and liabilities and the tax calculating basis, it is needed to confirm the deferred income tax assets from temporary difference that can be offset and deducted, with the income amount that should be paid taxes for and that it is likely to obtain to offset and deduct the temporary difference that can be offset and deducted as the limit.

Yet, these deferred income tax assets generated due to the initial confirmation of assets or liabilities in the transactions simultaneously bearing the following features can not be confirmed:

i. This transaction is not an enterprise consolidation;  
ii. The transaction affects neither accounting profit nor income amount payable (or it can offset or deduct the losses) when it happened;

2. With regard to the temporary difference that can be offset and deducted and is relating to subsidiaries, associated enterprises and joint ventures' investment, if it can simultaneously satisfy the following terms, the relevant deferred income tax assets can be confirmed:

i. The temporary difference is likely to be switched back in the foreseeable future.

- ii. It is likely to gain the income amount that should be paid taxes for and can be used for offsetting and deducting the temporary difference that can be offset and deducted.
- 3. For the losses that can be offset and deducted and taxes offset and reduction, which can carry forward in the latter years, it is needed to confirm relevant deferred income tax assets with the future tax-payable income amount that is likely to be obtained to offset and deduct the losses that can be offset and deducted and taxes offset and reduction as the limit.
- 4. On the balance sheet day, it is needed to make a recheck on the book value of deferred income tax assets. If it is likely to be unable to obtain enough tax-payable income amount for offsetting and deducting the benefit of deferred income tax assets in future, it is needed to decrease and calculate the book value of deferred income tax assets. When it is likely to obtain enough tax-payable income amounts, the decreased and calculated amount can be switched back.
- 5. If there is tax-payable temporary difference between the book value of assets and liabilities and the tax calculating basis, it can be confirmed as deferred income tax liabilities in the current period when it occurred.

( XVII ) Calculating method on salary payable to staff

The staff' salary means that the enterprise gives various remunerations for obtaining services providing by the employees or other relevant expenses. It includes:

- i. Staff's salary, bonus, allowance and subsidy;
- ii. Staff's welfare;
- iii. Hospitalization insurance, endowment insurance, unemployment insurance, occupational injury insurance and childbirth insurance, etc. social insurances;
- iv. Housing public reserve and housing subsidy;
- v. Labor union expenditure and personnel education expense;
- vi. Non-monetary welfare;
- vii. Compensation for rescinding the labor relationship with employee;
- viii. Other expenses related with the services the employee supply.

During the accounting period of the services the employee supply to the company, the employee's salary payable is confirmed to be liabilities and reckoned into current gains and losses.

The social insurance such as hospitalization insurance, endowment insurance, unemployment insurance, occupational injury insurance and childbirth insurance; and housing public reserve handed by the company for the staff should be calculated in proportion of total salary according to the relevant regulations of local government during the accounting period of the services the employee supply to the company.

Before the expiration of the contract, the company rescinds the labor relationship between the company and the staff or encourage staff accept the suggestion on compensation for accepting reduction at will, at the same time satisfy the following conditions, projected liabilities occurs for confirming rescinding the labor relationship with employee and giving compensation and is reckoned into current gains and losses:

- i. The company officially established the plan on rescinding the labor relationship or brings forward the suggestions on reduction at will, and will be implemented;
- ii. The company could not singly withdraw rescinding the labor relationship or suggestions of reduction.

(XVIII) Projected liabilities

If the obligations relevant to contingencies conform to following conditions, the company will confirm it as projected liabilities:

- 1. The obligation is the current one born by the company;
- 2. The implementation of the obligation possibly resulted in outflow of economic profit from the company;
- 3. The amount of the obligation could rely on calculation.

If the discharge has been confirmed that projected liabilities need to expend wholly or partially projected and compensate by the third party or other party, then compensation is confirmed singly



as asset when basically confirmed receiving only. The confirmed compensation does not surpass the book value of confirmed liabilities.

(XIX) Accounting management method of lease

The company takes actual transfer of all the risks and lease of remuneration relevant to ownership of asset confirmed into financing lease, other lease except for financing lease is confirmed as operation lease.

Before the beginning date of lease, the company takes the lower part between the lease asset fair value and lowest lease payment as the entry value of financing lease-in asset, takes the lowest lease payment as the entry value of long-term payment and the balance as the unconfirmed financing expense. The unconfirmed financing expense is confirmed as financial expense in actual interest rate within various periods of leasehold.

The hire of operation lease is calculated into relevant asset cost or current gains and losses in straight-line method within various periods of leasehold.

(XX) Confirmation method of income

1. Selling merchandise

Main risks or remuneration in ownership of commodity are transferred to purchaser, and did not implement continuous management or actual control on that commodity; relevant income has gained or obtained receipt of gathering, the income and cost from selling that commodity could be reliably measured which is confirmed as the realization of operating income.

2. Supplying labor force

The total labor force income and cost can be reliably measured, the economic profit relevant with transaction possibly flows into enterprise, for the labor force which is begun and finished within same accounting year, the company confirms as income when accomplish the labor force; for the labor force which is begun and finished in different accounting years, under the circumstances that the results of supplying labor force transaction could be reliably estimated, the company confirms as income on the date of asset liabilities statement in percentage method.

3. Transferring the asset usage right

Economic profit relevant to transfer of asset usage right could flow into and the income amount could be reliably estimated, while the company confirms as the realization of income from transfer the asset usage right.

(XXI) Confirmation principle of income tax

The accounting management of income tax adopts debt method of asset liabilities. Current income tax payable and deferred income tax is reckoned into current gains and losses as income tax, but except for the followings:

i. Enterprise merger

ii. Transaction or matters confirmed in owners' equity directly.

(XXII) The preparation method of consolidated accounting statement

The company could bring all the subsidiaries controllable into the consolidated scope of consolidated financial statement.

The consolidate statement of the company takes financial statements of parent company and subsidiaries as basis, according to other relevant materials, after adjusting long-term equity investment of subsidiaries in accordance with equity method, prepared by the parent company. When prepared the consolidated financial statements, the accounting policy of the parent company is asked to be in line with the requirement of accounting period, on the basis of whole offsetting of investment, inner current, asset purchase and sales, and other significant transaction and unrealized gains and losses, and takes merger item by item.

The amount of minority shareholders' equity is confirmed on calculation of that the amount of owners' equity of parent company minus the shares owned by the parent company. The minority shareholders' equity is confirmed on calculation of balance after the gains and losses realized by subsidiaries of parent company in current year deduct the investment owned by parent company.

Note 5. Explanation on accounting policy, accounting estimation change and mistake corrections

The Company began to implement 38 material items of Enterprise Accounting Standards No.1---Inventory etc. dated Jan.1, 2007, in accordance with the regulations of Information Disclosure Standard Interlocution No.7 of Companies Publicly Issuing Securities---Comparison on Compilation and Disclosure of Financial Accounting Information During the Transition Period of New and Former Accounting Standards issued by China Securities Regulatory Commission when compiling financial statements, and adjusted the tracing events prescribed by Item 5-Item 19 in Enterprise Accounting Standards No.38---Initial Implementation of Enterprise Accounting Standards as follows:

(I) Adjusting to increase the shareholders' equity on Dec.31, 2006 by RMB 5,558,812.83, in which:

1. Long-term equity investment balance

According to the former accounting standard, the Company confirmed the equity investment balance caused by the accepting of Wuxi Weifu Lida Catalytic Converter Co., Ltd.'s equity, and ended Dec.31, 2006, the equity investment balance that had not been amortized yet was RMB 4,186,949.66. According to the regulations of New Accounting Standards, the balance that had not been amortized yet of the debit balance of long-term equity investment caused by enterprises consolidation under the same control should be totally transferred into retained earnings and undistributed profit should be decreased accordingly by RMB 4,186,949.66.

2. Income tax

According to regulations of Enterprise Accounting Standards No.18--- Income Tax, the Company made a tracing adjustment on the income tax influence on temporary difference formed by the different calculation on the book value of assets and liabilities as well as tax initial implementation date; the Company totally accumulative adjusted deferred income tax assets of RMB 9,833,962.49 and deferred income tax liabilities of RMB 88,200.00 as increase, retained earnings of RMB 9,745,762.49, including undistributed profit of RMB 8,995,271.18 and minority shareholders' equity of RMB 750,491.31 adjusted as increase.

(II) Adjusting to increase the net profit in the same period of last year by RMB 2,254,879.23, in which:

1. Earnings from investment

The amortization switching back of long-term equity investment balance of Wuxi Weifu Lida Catalytic Converter Co., Ltd. formed by enterprises consolidation under the same control increased net profit of RMB 1,046,737.40.

2. Income tax

The increase in deferred income tax assets influenced the net profit by RMB 1,208,141.83.

The net profit of former accounting standards during Jan.-Jun., 2006 was RMB 79,689,551.67. The net profit of New Accounting Standards after the aforesaid tracing adjustment was RMB 81,944,430.90.

(III) Adjusting to increase the shareholders' equity on Dec.31, 2005 by RMB 2,781,784.48, in which:

1. Long-term equity investment balance

According to the former accounting standard, the Company confirmed the equity investment balance caused by the accepting of Wuxi Weifu Lida Catalytic Converter Co., Ltd.'s equity, and ended Dec.31, 2005, the equity investment balance that had not been amortized yet was RMB 6,280,424.46. According to the regulations of New Accounting Standards, the balance that had not been amortized yet of the debit balance of long-term equity investment caused by enterprises consolidation under the same control should be totally transferred into retained earnings and undistributed profit should be decreased accordingly by RMB 6,280,424.46.

2. Income tax

According to regulations of Enterprise Accounting Standards No.18--- Income Tax, the Company

made a tracing adjustment on the income tax influence on temporary difference formed by the different calculation on the book value of assets and liabilities as well as tax initial implementation date; the Company totally accumulative adjusted deferred income tax asstes of RMB 9,062,208.94 as increase, retained earnings of RMB 9,062,208.94, including undistributed profit of RMB 8,251,060.75 and minority shareholders' equity of RMB 811,148.19 adjusted as increase.

#### Note 6. Taxes

##### 1. Turnover tax

Value-added tax: sales of commodities would be taxed value-added tax and the tax rate is 17%.

Business tax: 5% of the incomes such as lease income; etc would be taxed as business tax.

##### 2. Circulation tax addition

The Company and the subsidiaries pay urban maintenance and construction taxes, which are 7% of the total sum of value-added tax and business tax payable, and education additional charges, which are 4% of the total sum of value-added tax and business tax payable.

##### 3. Income tax

The Company, its subsidiaries Weifu Jinning, Weifu Diesel System and Wuxi Weifu Lida Catalytic Converter Co., Ltd. are all high-tech enterprises registered at the High and New Technology Development Zone, and enjoy a preferential tax rate of 15% according to relevant state regulations on income taxation;

Income tax rates of other shareholding subsidiaries are all 33%.

#### Note 7. Shareholding Subsidiaries and Joint Ventures

##### 1. Shareholding subsidiaries

Shareholding subsidiaries refer to investees for which the Company's investments take up over 50% of their total registered capital (excluding 50%), or which have actually been controlled by the Company even though the Company's investments take up less than 50% of their total registered capital.

By Jun.30, 2007, the Company's shareholding subsidiaries are as follows:

Investee	Registration place	Registered capital (RMB'0000)	Equity held (%)	Business scope
Weifu Jinning	Downtown Nanjing	34,628.68	80.00	Accessories and matching parts of internal combustion engine
Wuxi Weifu Mashan Oil Pump and Oil Nozzle Co., Ltd.	Mashan, Wuxi	4,500.00	100.00	Accessories and matching parts of internal combustion engine
Wuxi Weifu-Jilin University New Material Application and Development Co., Ltd.	Development zone, Wuxi	500.00	70.00	Metal nano powder
Wuxi Weifu Chang'an Oil Pump and Oil Nozzle Co., Ltd.	Chang'an, Wuxi	6,000.00	100.00	Accessories and matching parts of internal combustion engine
Jiangsu Weifu Nano-Science and Technology Co., Ltd.	Huishan District, Wuxi	3,000.00	80.00	Nano materials
Weifu Lida Catalytic Converter Co., Ltd.	New District, Wuxi	26,000.00	94.81	Muffle, purifier
Weifu Diesel System	New District, Wuxi	30,000.00	70.00	Accessories and matching parts of internal combustion engine

Wuxi Weifu Mashan Oil Pump and Oil Nozzle Co., Ltd. hereinafter referred to as "Weifu Mashan";

Wuxi Weifu-Jilin University New Material Application and Development Co., Ltd. hereinafter referred to as "Weifu Jida";

Wuxi Weifu Chang'an Oil Pump and Oil Nozzle Co., Ltd. hereinafter referred to as "Weifu Chang'an";

Jiangsu Weifu Nano-Science and Technology Co., Ltd hereinafter referred to as "Weifu Nano";

The equity of Weifu Mashan is held by the Company and Weifu Chang'an, and the equity of Weifu Chang'an is held by the Company and Weifu Mashan, so the Company actually holds 100% equity of Weifu Mashan and Weifu Chang'an.

## 2. Change of the consolidation scope of the financial statements

Investee	Consolidation scope of last year	Consolidation scope of this year	Reasons for the change
Weifu Jinning	Yes	Yes	No change
Weifu Mashan	Yes	Yes	No change
Weifu Jilin University	Yes	Yes	No change
Weifu Chang'an	Yes	Yes	No change
Weifu Nano	Yes	Yes	No change
Weifu Lida	Yes	Yes	No change
Weifu Diesel System	Yes	Yes	No change

## 3. Joint venture

Joint venture refers to enterprises whose operating activities are controlled by 2 investors or more according to articles of a contract.

By Jun.30, 2007, the Company' joint venture companies are as follows:

Investee	Registration place	Registered capital (RMB'0000)	Equity held (%)	Business scope
Weifu Environmental Protection	New District, Wuxi	5,000.00	49.00	Catalyst
Weifu-Autocam	New District, Wuxi	USD 600.00	50.00	Accessory of automobiles
Weifu-Jialin	Chaoyang, Liaoning	800.00	50.00	Fittings and accessories of internal combustion engine

Weifu Environmental Protection: founded collectively by Weifu Lida, which is the Company's subsidiary; Huawei (Shanghai) Nano-Technology Co., Ltd and BVI Yingdong Holdings Co., Ltd in May 2004. According to the Company's Articles of Association, Weifu Lida, Huawei (Shanghai) Nano-Technology Co., Ltd and BVI Yingdong Holdings Co. would jointly control this company. The Company consolidated it in the proportion method last year, and will cancel the consolidation in the proportion method according to new enterprises accounting standards this year.

Wuxi Weifu-Autocam Fine Machinery Co. LTD. (hereinafter referred to as Weifu-Autocam): a Sino-Foreign joint venture company founded by the Company and American Autocam in August 2005. Each of the two parties holds a stake of 50% in Weifu-Autocam and control the company jointly.

Chaoyang Weifu-Jialin Machinery Manufacturing Co. LTD (hereinafter referred to as Weifu-Jialin): a limited company founded by the Company and Chaoyang Jialin Machinery Manufacturing Co. LTD in June 2006. Each of the two parties holds a stake of 50% in Weifu-Jialin and control the company jointly.

## Note 8. Commentary on main items of consolidated financial statements

### 1. Monetary capital

	Jun.30, 2007	Dec.31, 2006
	RMB'000	RMB'000
Cash	748	327
Current deposit in bank (RMB)	430,200	493,674
Current deposit in bank (US\$ 3,274,000)	24,999	25,567
Current deposit in bank (EUR 501,000)	5,128	19,673
Current deposit in bank (YEN 4,097,000)	253	3,953
Fixed deposit in bank	178,300	169,000
Other monetary capital (RMB)	117,698	95,027
Other monetary capital (US\$ 1,000)	8	-
Other monetary capital (EUR 4,500,000)	46,062	10,266
	<u>803,396</u>	<u>817,487</u>

[Note 1] RMB 115,000,000 of the other monetary capital (RMB) at period-end is deposit for banker's acceptance.

[Note 2] For the other monetary capital (EUR), Weifu Diesel System left the deposit in foreign currency (EUR 4,500,000) which is used to pay foreign exchange in 2007 to the management of bank, with the term from June 15, 2007 to July 3, 2007 and annual yield ratio from 2.00% to 2.50%.

## 2. Notes receivable

	Jun.30, 2007	Dec.31, 2006
	RMB'000	RMB'000
Bank acceptance	91,730	126,274
Trade acceptance	476,612	326,619
	<u>568,342</u>	<u>452,893</u>

The due date of notes receivable at year-end is before Dec.31, 2006. Of the total, Bank acceptance of RMB 24,390,000 is mortgaged for opening notes payable.

## 3. Accounts receivable

	Jun.30, 2007				
	Amount	Proportion	Provision for bad debts	Proportion of provision Provision	Net amount
	RMB'000	%	RMB'000	%	RMB'000
Within 6 months	659,767	83.92	-	-	659,767
From 6 months to 1 year	63,692	8.10	6,369	10.00	57,323
From 1 year to 2 years	23,072	2.93	4,615	20.00	18,457

From 2 years to 3 years	2,478	0.32	991	40.00	1,487
3 years above	3,863	0.49	3,863	100.00	-
Individual cognizance	33,342	4.24	33,342	100.00	-
	<u>786,214</u>	<u>100.00</u>	<u>49,180</u>	<u>6.26</u>	<u>737,034</u>

Dec.31, 2006

	Amount	Proportion	Provision for bad debts	Proportion of provision Provision	Net amount
	RMB'000	%	RMB'000	%	RMB'000
Within 1 year	665,812	93.43	25,941	3.90	639,871
From 1 year to 2 years	6,855	0.96	685	10.00	6,170
From 2 years to 3 years	2,168	0.30	650	30.00	1,518
From 3 years to 4 years	987	0.14	494	50.00	493
From 4 years to 5 years	203	0.03	162	80.00	41
5 years above	1,890	0.27	1,890	100.00	-
Individual cognizance	34,745	4.87	34,514	99.34	231
	<u>712,660</u>	<u>100.00</u>	<u>64,336</u>	<u>9.03</u>	<u>648,324</u>

[Note 1] The balance of accounts receivable at period-end does not include debts owned by major shareholders possessing more than 5% (including 5%) of the Company's shares.

[Note 2] The accounts receivable at period-end have withdrawn provisions for bad debts according to the estimation policy of provisions for bad debts of the Company.

For the accounts receivable of provision for bad debts totally withdrawn in the method of individual cognizance, they are totally withdrawn by prudent principles considering the former customers' repayment situation, mainly according to the customers' actual financial status and cash flows, and other relevant information.

[Note 3] The total amount owed by the top five units in arrears in accounts receivable amounted to RMB 343,150,107, accounting for 43.65% of the total accounts receivable.

[Note 4] For debts owned by the related units in arrears in accounts receivable at period-end, see the ninth item in Note 10.

#### 4. Other accounts receivable

Jun.30, 2007

	Amount	Proportion	Provision for bad debts	Proportion of provision Provision	Net amount
	RMB'000	%	RMB'000	%	RMB'000
Within 6 months	42,128	89.42	-	-	42,128
From 6 months to 1 year	29	0.06	3	10.00	26
From 1 year to 2 years	28	0.06	6	20.00	22
From 2 years to 3 years	11	0.02	4	40.00	7

3 years above	82	0.17	82	100.00	-
Individual cognizance	4,837	10.27	4,837	100.00	-
	47,115	100.00	4,932	10.47	42,183

Dec.31, 2006

	Amount	Proportion	Provision for bad debts	Proportion of provision	Net amount
	RMB'000	%	RMB'000	Provision	RMB'000
Within 1 year	8,990	63.25	139	1.55	8,851
From 1 year to 2 years	247	1.74	4	1.62	243
From 2 years to 3 years	18	0.13	5	27.78	13
From 3 years to 4 years	47	0.33	8	17.02	39
From 4 years to 5 years	54	0.38	43	80.00	11
5 years above	23	0.16	23	100.00	-
Individual cognizance	4,834	34.01	4,834	100.00	-
	14,213	100.00	5,056	35.57	9,157

[Note 1] It does not include debts owned by major shareholders possessing more than 5% (including 5%) of the Company's shares at period-end.

[Note 2] Except for the debts owned by related companies and reserve fund for employment in other accounts receivable that were not withdrawn as the provision for bad debts, others were all withdrawn as provision for bad debts according to relevant proportions.

[Note 3] For the balance of debts owned by related units, see the ninth item in Note 10.

[Note 4] The total amount owed by the top five units in arrears in other accounts receivable amounted to RMB 40,588,133, accounting for 86.15% of the total other accounts receivable. The main units in arrears are as follows:

	Nature or Content	Jun. 30, 2007
		Unit: RMB
Bosch Auto Diesel System	Payment for goods	19,943,445
Weifu Environmental Protection [note 5]	Land use accounts	12,194,300
Nanjing University etc. [note 6]	Advance investment fund	4,400,000

[Note 5] The land use right of Bosch Auto Diesel System was transferred to Weifu Environmental Protection.

[Note 6] Arrears of RMB 2,400,000 from Nanjing University, Southeast University, Nanjing Science and Technology University and Nanjing Industrial University was the investment fund that the Company advanced each amount of RMB 600,000 for the aforesaid universities when Weifu Nano was jointly sponsored by the Company and the aforesaid four universities, which will be returned annually by using the dividends from Weifu Nano according to the cooperation agreement by each university.

The debt of RMB 2,000,000 owed by Jiangsu Province Technology & Science Center was the

Company's advance account. As there are difficulties in receiving the aforementioned accounts by dividends from Weifu Nano year by year, the total amount was withdrawn as provision for bad debts in accordance with prudence principle.

#### 5. Inventory

	Amount at period-begin	Increase in this period	Decrease in this period	Amount at period-end
	RMB'000	RMB'000	RMB'000	RMB'000
Inventory materials	177,495	1,783,585	1,785,504	175,576
Goods in process	148,442	1,220,051	1,218,915	149,578
Finished goods	470,826	1,216,988	1,278,683	409,131
Total of inventory original price	796,763	4,220,624	4,283,102	734,285

	Amount at period-begin	Withdrawal amount in this period	Decrease in this period (Switching back)	Decrease in this period (Write-off)	Amount at period-end
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Inventory materials	29,104	-	-	-	29,104
Goods in process	130	286	-	-	416
Finished goods	42,918	4,923	202	167	47,472
Total of provision for inventory impairment for	72,152	5,209	202	167	76,992

	Amount at period-begin	Amount at period-end
	RMB'000	RMB'000
Inventory materials	148,391	146,472
Goods in process	148,312	149,162
Finished goods	427,908	361,659
Total of inventory book value	724,611	657,293

[Note 1] The net realizable value of the inventories is determined by reference to the estimated price for sales of inventories deducting the estimated finished cost and sales expenses in the normal course of operation.

#### 6. Long-term equity investment

(1) Associated enterprise and unconsolidated joint venture (long-term equity investment calculated under equity method)



Name of investees	Investment proportion	Original investment cost	Amount at period-begin	Increase or decrease in investment in this period	Increase or decrease in equity in this period	Dividends received	Increase or decrease in accumulated equity	Amount at period-end
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bosch Auto Diesel System [note 1]	31.50%	549,557	457,445	-	-16,718	-	-108,830	440,727
Zhonglian Automobile Electronic Co.	20.03%	120,124	213,086	-	28,000	-	120,962	241,086
Weifu Precision Manufacturing	20.00%	2,000	5,090	-	843	-	3,933	5,933
Weifu International Trade [note 2]	45.00%	2,250	3,314	-	141	900	305	2,555
Weifu-Autocam [note 3]	50.00%	23,547	11,611	9,163	-1,051	-	-3,824	19,723
Weifu-Jialin [note 4]	50.00%	4,000	3,885	-	175	-	60	4,060
Wuxi Longsheng Technology Co., Ltd.	20.00%	200	1,005	-	-	-	805	1,005
Weifu Environmental Protection [note 5]	49.00%	24,500	-	47,866	9,996	-	33,362	57,862
Weifu Masha [note 6]		2,004	2,004	-	-	-	-	2,004
Weifu Chang'an [note 7]		4,964	4,964	-	-	-	-	4,964
		733,146	702,404	57,029	21,386	900	46,773	779,919

[Note 1] Bosch Auto Diesel System: The registered capital is US\$ 200,000,000, in which The Company funded US\$ 60,000,000, accounting for 30% of registered capital, and Weifu Jinning funded US\$ 3,000,000, accounting for 1.5% of registered capital.

[Note 2] Weifu International Trade Co., Ltd. (hereinafter referred to "Weifu International Trade") is a limited liability company founded by the Company, subsidiary company Weifu Lida and Weifu Group with joint funds in April, 2004; the Company invested RMB 750,000, the controlling subsidiary Weifu Lida invested RMB 1,500,000, respectively accounting for 15% and 30% of the registered capital RMB 5,000,000 of Weifu International Trade.

[Note 3] Weifu-Autocam is joint venture founded by the Company and American Autocam in Aug. 2005. The registered capital is US\$ 6,000,000. The Company is supposed to fund US\$ 3,000,000. Ended Jun.30, 2007, US\$ 6,000,000 had been invested to Weifu-Autocam. Among it, US\$ 3,000,000 is from the Company.

[Note 4] Weifu-Jialin Machinery Manufacture Co. LTD was co-founded by the Company and Chaoyan Jialin Machinery Manufacture Co. LTD in June 2006, with registered capital RMB 8,000,000. The Company has funded RMB 4,000,000, accounting for 50% of registered capital of Weifu Jialin.

[Note 5] Weifu Environmental Protection: founded collectively by Weifu Lida, which is the Company's subsidiary; Huawei (Shanghai) Nano-Technology Co., Ltd and BVI Yingdong Holdings Co., Ltd in May 2004. According to the Company's Articles of Association, Weifu Lida, Huawei (Shanghai) Nano-Technology Co., Ltd and BVI Yingdong Holdings Co. would jointly control this company. The Company consolidated it in the proportion method last year, and will calculate in equity method according to new enterprises accounting standards this year.

[Note 6] The long equity investment balance of Weifu Mashan is the natural person shareholders equity that Weifu Chang'an accepted of Weifu Mashan in June, 2005; it caused the investing costs of Weifu Chang'an bigger than the possessing relevant shares of owners's equity of Weifu Mashan and resulted in balance; the balance was equally amortized in 5 years in the method of lines from July 1, 2005 on. Due to Weifu Chang'an's first bringing into the scope of consolidation financial statement in this period, the balance amortization value at period-begin of long-term equity investment balance of Weifu Chang'an to Weifu Mashan was listed as increase in this period.

[Note 7] The long equity investment balance of Weifu Chang'an is the natural person shareholders equity that Weifu Mashan accepted of Weifu Chang'an in June, 2005; it caused the investing costs of Weifu Mashan bigger than the possessing relevant shares of owners's equity of Weifu Chang'an and resulted in balance; the balance was equally amortized in 5 years in the method of lines from

July 1, 2005 on. The reason for the increase in this period is ditto [Note 3].

(2) Other equity investment (Long-term equity investment calculated by cost method)

Name of investees	Investment proportion	Amount at period-begin	Increase/Decrease in this period	Amount at period-end
	%	RMB'000	RMB'000	RMB'000
Wuxi Guolian Securities Co.	1.20	12,000	-	12,000
Guangxi Liufa Co., Ltd.	1.22	1,600	-	1,600
Changchai Group, Financing Co.		800	-	800
Chaoyang Diesel Engine Operating Co.	9.09	200	-	200
Hejun Initiative Investment Co.	11.72	33,000	-	33,000
Nanjing Hengtai Insurance Broker Co.	1.85	1,000	-	1,000
Jiangsu Huifeng Insurance Agency Co.	10.00	500	-	500
Yangdong Co., Ltd.	1.18	2,356	-	2,356
Henan Gushi Weining Oil Pump & Nozzle Co., Ltd. [Note 1]		3,166	-	3,166
Jiangnan Hoisting and Conveying Machinery Co. LTD of Changcai Group [Note 2]		1,621	-	1,621
Wuxi Keda Chuangxin Investment Co., ltd.	1.875	3,000	-	3,000
Beijing Futian Environmental Power Holding Co., Ltd.	12.95	56,940	-	56,940
		116,183	-	116,183

[Note 1] Over 4 investees including Henan Gushi Weining Oil Pump & Nozzle Co., Ltd. amounted to RMB 3,166,400, were invested by Nanjing Weifu Jinning Co. Details of those companies will not be listed herein considering their smaller production scale. Henan Province Gushi Weining Oil Pump & Nozzle Co. fully appropriated provision for devaluation amounting to RMB 2.03 million in 2001. Because of being unable to keep in touch with Pufa Machinery Industrial Co., Ltd., Nanjing Machinery Industry Foreign Trading Co. and Changjiang Economic Development Co. and other investing companies, it fully appropriated provision for devaluation in their investment in 2002. The situation of the aforesaid companies remained unchanged, thus, the appropriated provision for devaluation is not adjusted.

[Note 2] Over 6 investees including Jiangnan Hoisting and Conveying Machinery Co. LTD of Changcai Group amounted to RMB 1,621,000, were invested by Nanjing Weifu Jinning Co. Details of those companies will not be listed herein considering their smaller production scale.

(3) Provision for devaluation of long-term investment

	Amount at period-begin	Increase in this period	Decrease in this period	Amount at period-end
	RMB'000	RMB'000	RMB'000	RMB'000
Hejun Initiative Investment Co.	30,000	-	-	30,000
Henan Gushi Weining Oil Pump & Nozzle Co., Ltd. etc.	3,166	-	-	3,166
Beijing Futian Environmental Power Holding Co., Ltd.	11,000	-	-	11,000
	44,166	-	-	44,166

## 7. Fixed assets and accumulated depreciation

	Amount period-begin	at	Increase in this period	Reclassification	Decrease in this period	Amount period-end	at
	RMB'000		RMB'000	RMB'000	RMB'000	RMB'000	
Original value of fixed assets							
Buildings	544,360		18,173	-	13,674	548,859	
General equipment	138,425		14,961	14,391	4,924	162,853	
Special equipment	781,529		30,351	-	7,622	804,258	
Transportation equipment	19,462		1,227	-	1,011	19,678	
Other equipment	203,110		8,375	-14,391	11,590	185,504	
	<u>1,686,886</u>		<u>73,087</u>	<u>-</u>	<u>38,821</u>	<u>1,721,152</u>	
Accumulated depreciation of fixed assets							
Buildings	92,628		14,065	-	745	105,948	
General equipment	46,475		13,813	-	829	59,459	
Special equipment	299,893		30,469	-	1,991	328,371	
Transportation equipment	7,650		820	-	258	8,212	
Other equipment	73,196		12,576	-	2,700	83,072	
	<u>519,842</u>		<u>71,743</u>	<u>-</u>	<u>6,523</u>	<u>585,062</u>	
Provision for fixed assets depreciation							
Buildings	-		-	-	-	-	
General equipment	624		-	-	105	519	
Special equipment	2,229		-	-	1	2,228	
Transportation equipment	-		-	-	-	-	
Other equipment	-		-	-	-	-	
	<u>2,853</u>		<u>-</u>	<u>-</u>	<u>106</u>	<u>2,747</u>	
Net amount of fixed assets							
Buildings	451,732		-	-	-	442,911	
General equipment	91,326		-	-	-	102,875	
Special equipment	479,407		-	-	-	473,659	
Transportation equipment	11,812		-	-	-	11,466	
Other equipment	129,914		-	-	-	102,432	
	<u>1,164,191</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>1,133,343</u>	

[Note 1] Original value of fixed assets has increased RMB 73,086,877 this year; it's mainly because of the transfer-in amounting to RMB 53,629,328 from project in construction, and the rest are direct outsourcing.

[Note 2] Decrease of original value of fixed assets is mainly due to selling and canceling the proportion consolidation of Weifu Environmental protection.

[Note 3] There are no fixed assets used for renting-in through financing or for mortgage in the fixed assets at period-end.

[Note 4] Transfer to accumulative depreciation from old equipment outsourcing in increase in accumulative depreciation in this period is RMB 12,950,269.

[Note 5] The sealed general and special equipment in the fixed assets at period-end can be withdrawn as provision for devaluation according to the balance as the receivable amount is lower than its book value. Decrease in provision for devaluation of fixed assets is mainly because that the fixed assets for withdrawing the provision for devaluation of fixed assets in previous years had been disposed this year.

## 8. Project in construction

	Amount at period-begin	Increase in this period	Amount of transfer to fixed assets	Other decrease	Amount at period-end
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Project of PW Pump 2000	2,952	-	-	-	2,952
Project of Productivity Improving on High Pressure Track Joint	13,240	-	8,584	-	4,656
Project of Technology Reform on Nationalizing Parts of Fuel System	12,495	133	-	-	12,628
Project of No.103 Plot in New Developed Area	44,691	43,695	2,205	-	86,181
Huishan Development Zone Project	28,771	3,456	13,911	-	18,316
Miscellaneous Projects	50,691	19,495	28,929	5,925	35,332
	<u>152,840</u>	<u>66,779</u>	<u>53,629</u>	<u>5,925</u>	<u>160,065</u>
Provision for depreciation of project in construction	-				-
	<u>152,840</u>				<u>160,065</u>

[Note 1] Capital source of project in construction: Project of Productivity Improving on High Pressure Track Joint, Project of Technology Reform on Nationalizing Parts of Fuel System, Project of No.50 Plot in New Developed Area, Project of No.103 Plot in New Developed Area, Huishan Development Zone Project and Miscellaneous Projects are projects of self-raised funds, capital source of PW Pump 2000 is special capital of national debt technology renovation.

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

[Note 3] Other decrease of Miscellaneous Projects is because Weifu Environmental Protection canceled proportion consolidation.

## 9. Intangible assets

	Amount at period-begin	Increase	Decrease	Amount at period-end	Residual terms for amortization
	RMB'000	RMB'000	MB'000	RMB'000	
Land use right (Wuxi Hi-tech No.46 Plot)	4,287	-	-	4,287	37 years and 4 months
Land use right (Wuxi Hi-tech No.50 Plot)	10,482	48	-	10,530	37 years-41 years
Land use right (Wuxi Huishan Development Zone)	-	15,635	-	15,635	49 years and 6 months
Land use right (Weifu Jinning)	28,752	-	-	28,752	20 years and 9 months
Trademark permit use right (Weifu Jinning)	26,356	-	-	26,356	21 years and 5 months
Software (Weifu Jinning)	346	-	-	346	3 years
Proprietary technology (Weifu Environmental Protection)	8,575	-	8,575	-	
Chartered right (Weifu Diesel oil System)	37,109	-	-	37,109	7 years
Management software (Weifu Diesel oil System)	5,380	112	-	5,492	8 years
<b>Total of original price of intangible assets</b>	<b>121,287</b>	<b>15,795</b>	<b>8,575</b>	<b>128,507</b>	
Land use right (Wuxi Hi-tech No.46 Plot)	1,038	43	-	1,081	
Land use right (Wuxi Hi-tech No.50 Plot)	-	132	-	132	
Land use right (Wuxi Huishan Development Zone)	-	156	-	156	
Land use right (Weifu Jinning)	8,385	479	-	8,864	
Trademark permit use right (Weifu Jinning)	7,081	438	-	7,519	
Software (Weifu Jinning)	104	35	-	139	
Proprietary technology (Weifu Environmental Protection)	1,989	-	1,989	-	
Chartered right (Weifu Diesel oil System)	9,262	1,857	-	11,119	
Management software (Weifu Diesel oil System)	1,291	540	-	1,831	
<b>Total of accumulative amortization amount of intangible assets</b>	<b>29,150</b>	<b>3,680</b>	<b>1,989</b>	<b>30,841</b>	
<b>Total of accumulative amount of provision for depreciation of intangible assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Land use right (Wuxi Hi-tech No.46 Plot)	3,249	-	-	3,206	
Land use right (Wuxi Hi-tech No.50 Plot)	10,482	-	-	10,398	
Land use right (Wuxi Huishan Development Zone)	-	-	-	15,479	
Land use right (Weifu Jinning)	20,367	-	-	19,888	
Trademark permit use right (Weifu Jinning)	19,275	-	-	18,837	
Software (Weifu Jinning)	242	-	-	207	
Proprietary technology (Weifu Environmental Protection)	6,586	-	-	-	
Chartered right (Weifu Diesel oil System)	27,847	-	-	25,990	
Management software (Weifu Diesel oil System)	4,089	-	-	3,661	
<b>Total of book value of intangible assets</b>	<b>92,137</b>	<b>-</b>	<b>-</b>	<b>97,666</b>	

[Note 1] Land use right (Wuxi Huishan Development Zone) is purchased by the Company this year.

[Note 2] Decrease in proprietary technology (Weifu Environmental Protection) is canceling

proportion consolidation.

#### 10. Deferred income tax asset and deferred income tax liabilities

	Jun. 30, 2007	Dec. 31, 2006
	RMB'000	RMB'000
Provision for bad debts	3,536	5,160
Provision for depreciation of inventory	4,487	3,751
Provision for devaluation of fixed asset	342	421
Subsidy for staff housing [Note 1]	588	502
Total deferred income tax asset	<u>8,953</u>	<u>9,834</u>
Financial allotment of Weifu Environmental [Note 2]	-	88
Total deferred income tax liabilities	<u>-</u>	<u>88</u>

[Note 1] The subsidy for staff housing paid by the Company in year 2005, 2006 and 2007 would be calculated into current gains and losses, for taxation dealing, deduction before income tax is required by stages. According to New Accounting Standards, the Company took the balance between the book value of asset which is lower than asset tax basis calculating into deferred income tax assets.

[Note 2] The decrease of deferred income tax caused by financial allotment of Weifu Environmental is cancelling the proportion combination.

#### 11. Provision for devaluation of asset

	Amount at the period-begin	Amount withdrawal in this period	Decrease in this period ( Switching back )	Decrease in this period ( Written off )	Amount at the period-end
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Provision for bad debts	69,392	497	13,268	2,509	54,112
Provision for depreciation of inventory	72,152	5,209	202	167	76,992
Provision for devaluation of long-term equity investment	44,166	-	-	-	44,166
Provision for devaluation of fixed assets	2,853	-	-	106	2,747
	<u>188,563</u>	<u>5,706</u>	<u>13,470</u>	<u>2,782</u>	<u>178,017</u>

## 12. Short-term loans

	<b>Jun. 30, 2007</b>	<b>Dec. 31, 2005</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Guaranteed loan (RMB)	322,000	282,000
Mortgage loan	100	-
Credit loan (RMB)	1,040,000	1,119,600
Credit loan (USD 8,000,000)	61,504	62,470
Credit loan (EURO 10 million)	102,337	-
	<u>1,525,941</u>	<u>1,464,070</u>

[Note 1] No short-term loans which have fallen due but not been repaid occurred in this account.

[Note 2] The Guaranteed Loan includes: RMB 60,000,000 for Weifu Jinning by the Company; RMB 37,000,000 for Weifu Mashan by the Company; RMB 80,000,000 for Weifu Chang'an by the Company and RMB 5,000,000 for Weifu Lida the Company and another RMB 140,000,000 for the Company by Weifu Group.

## 13. Notes payable

Balance of notes payable as at the end of Jun.30, 2007 was RMB 182,299,000, all of which are banker's acceptance. They will fall due in July to Jul.-Dec., 2007.

#### 14. Accounts payable

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

[Note 2] Accounts payable overdue 3 years amounted to RMB 2,175,383, and the concerned party has not yet asked to be settled.

#### 15. Salary payable to staff

Item	Amount at the period-begin	Increase in this period	Paid in this period	Amount at the period-end
	RMB'000	RMB'000	RMB'000	RMB'000
I. Salary, bonus, allowance and subsidy	9,254	101,058	109,145	1,167
II. Employees' welfare	19,848	10,920	8,623	22,145
III. Social insurance	15,644	50,434	41,246	24,832
Including: 1. Hospitalization insurance	3,882	10,162	9,007	5,037
2. Basic endowment insurance	10,140	35,513	28,725	16,928
3. Annuity charge	-	-	-	-
4. Unemployment insurance	1,029	3,266	2,311	1,984
5. Occupational injury insurance	247	636	538	345
6. Childbirth Insurance	346	857	665	538
IV. Housing Fund Social Insurance	-	10,576	10,197	379
V. Labour union expenditure and Personnel education	1,735	8,124	1,857	8,002
VI. Non-currency welfare	-	-	-	-
VII. Compensation for rescinding the labour relationship	-	-	-	-
VIII. Others	6,059	813	327	6,545
Includin: Stock paymen in cash settlement	-	-	-	-
Total salary payable to staff	52,540	181,925	171,395	63,070

[Note] Other is maly Note endowment insurance inner the Company, according to the implementation plan on supplementing endowment and staff reserve endowment insurance of the Compnay, since the second year of new employee' entering the Company, the staff personnel hand in 2% in line with last year' average salary with supplement of 1% by the enterprise, and will be withdrawn till the retiring of staff.

#### 16. Taxes payable



	<u>Jun. 30, 2007</u>	<u>Dec. 31, 2006</u>
	<b>RMB'000</b>	<b>RMB'000</b>
VAT	12,667	4,536
Operating tax	3	3
Tax for maintaining and building	837	465
Housing property tax etc.	162	306
Tax of land use	212	30
Individual income tax	-328	-88
Income tax of enterprise	7,603	-3,490
Stamp tax	270	90
Fund for grains, materials and flood-prevention	2,115	1,907
Extras of education expense	476	306
	<u>24,017</u>	<u>4,065</u>

[Note] In the report period, revenue policy of VAT, tax for maintaining and building cities and income tax performed referred to Note 6 Taxable.

#### 17. Other payables

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

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

<u>Nature and content</u>	<u>Jun. 30, 2007</u>
	<b>RMB'000</b>
Other payables	38,820
Land purchase in Nanjing New& High Technology Industry Development Zone	13,913
Enterprise employee - Housing subsidy      Employee's housing subsidy	8,500
Enterprise employee - bonus payable      Assess to cash	6,000
Nanjing Steamship Engine Group Co., Ltd. (over 3 years)      Loan	4,000
Running royalty payable and landmark using charge payable	10,952

Land purchase: The account payable amounting to RMB 19,500,000 to Nanjing New&High-tech Development Corp. is for land use right of 200,000 square meters in High-tech District, Nanjing Weifu Jinning got in Dec. 2002. Balance of period-end is account that had not been account payable in 2006.

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

Bonus payable: Weifu Jinning appropriated bonus according to accomplishment of sales tasks.

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

Other payable was that for Weifu Jinning and Weifu diesel oil system

#### 18. Non-current liabilities due within 1 year

	<u>Jun. 30, 2007</u>	<u>Dec. 31, 2006</u>
	<b>RMB'000</b>	<b>RMB'000</b>
Guarantee loan	30,000	70,000
Mortgage loan	-	3,000
	<u>30,000</u>	<u>73,000</u>

[Note] Weifu Group supplied guarantee for the loan amounting to RMB 30,000,000 for the Company

#### 19. Other current liabilities

	<u>Jun. 30, 2007</u>	<u>Dec. 31, 2006</u>
	<b>RMB'000</b>	<b>RMB'000</b>
Dividend payable	19,539	416
Projected expense	48,332	9,852
	<u>67,871</u>	<u>10,268</u>

#### 20. Long-term accounts payable

Items	<u>Jun. 30, 2007</u>
	<b>RMB'000</b>
Nanjing Finance Bureau New&Hi-tech Branch [Note 1] Financial supporting fund (2001)	1,880
Nanjing Finance Bureau New&Hi-tech Branch [Note 1] Financial supporting fund (2003)	140
Nanjing Finance Bureau New&Hi-tech Branch [Note 3] Financial supporting fund (2004)	1,710
Nanjing Finance Bureau New&Hi-tech Branch [Note 4] Financial supporting fund (2005)	1,140
Nanjing Finance Bureau New&Hi-tech Branch [Note 5] Financial supporting fund (2006)	1,250
	<hr/> <u>6,120</u> <hr/>

[Note 1] To encourage Weifu Jinning to enter Nanjing New& High Technology Industry Development Zone, financial supporting capital is allotted by New & High branch of Finance Bureau of Nanjing for supporting use, the term is from Dec.20, 2001 to Aug.18,2 007, Provided that the operation period in the zone is less than 10 years, financial supporting capital will be reimbursed.

[Note 2] To encourage Weifu Jinning to enter Nanjing New& High Technology Industry Development Zone, financial supporting capital is allotted by New & High branch of Finance Bureau of Nanjing for supporting use, the term is from Dec. 24, 2003 to Dec. 24, 2007, Provided that the operation period in the zone is less than 10 years, financial supporting capital will be reimbursed. The original calculating into the other account payable should be transferred to long-term account payable.

[Note 3] To encourage Weifu Jinning to enter Nanjing New& High Technology Industry Development Zone, financial supporting capital is allotted by New & High branch of Finance Bureau of Nanjing for supporting use, the term is from Aug.15, 2004 to Aug.4, 2012, Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

[Note 4] To encourage Weifu Jinning to enter Nanjing New& High Technology Industry Development Zone, financial supporting capital is allotted by New & High branch of Finance Bureau of Nanjing for supporting use, the term is from Oct. 20, 2005 to Oct. 20, 2020, Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

[Note 5] To encourage Weifu Jinning to enter Nanjing New& High Technology Industry Development Zone, financial supporting capital is allotted by New & High branch of Finance Bureau of Nanjing for supporting use, the term is from Jul. 20, 2006 to Jul. 20, 2021, Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

## 21. Special accounts payable

	<u>Dec.31, 2006</u>	<u>Increase in the period</u>	<u>Decrease in the period</u>	<u>Jun.30,2007</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Allotment from technology	1,596	1,030	1,176	1,450
	<u>1,596</u>	<u>1,030</u>	<u>1,176</u>	<u>1,450</u>

[Note] Increase of allotment from technology renovation of finance in 2006 is the received financing allotment; decrease is offsetting the proportion combination of Weifu Environmental.

## 22. Share capital

	<u>Dec.31, 2006</u>	<u>Increase or decrease in the period</u>	<u>Jun.30, 2007</u>
	RMB'000	RMB '000	RMB'000
Non-circulating share capital with restricted trade conditions			
- Share capital of the sponsor	114,062	-	114,062
- Raised legal person's shares	9,758	-9,758	-
	<u>123,820</u>	<u>-9,758</u>	<u>114,062</u>
Circulating share capital			
-Domestically listed foreign shares (B-share)	114,920	-	114,920
-Domestically listed ordinary shares (A-share)	328,536	9,758	338,294
	<u>443,456</u>	<u>9,758</u>	<u>453,214</u>
	<u>567,276</u>	<u>-</u>	<u>567,276</u>

## 23. Capital Reserves

[Note 1] Capital premium refers to the part of exceeding share capital when the Company issues

	<u>Dec.31, 2006</u>	<u>Increase or decrease in the period</u>	<u>Jun.30, 2007</u>
	RMB'000	RMB'000	RMB'000
Capital premium [Note 1]	908,919	-	908,919
Other capital reserve [Note 2]	146	-	146
Equity investments reserve[Note 3]	17,797	-	17,797
	<u>926,862</u>	<u>-</u>	<u>926,862</u>

B-shares and A-shares;

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

[Note 3] Equity investment reserve belongs to public reserve confirmed from subsidiary based on investment proportion and from affiliated company based on equity method.

## 24. Surplus Public Reserve

	Dec.31, 2006	Increase in the period	Decrease in the period	Jun.30, 2007
	RMB'000	RMB'000	RMB'000	RMB'000
Statutory surplus public reserve	285,488	-	-	285,488
Arbitrary surplus public reserve	1,784	-	-	1,784
Reserve fund	2,335	-	2,335	-
Enterprise development fund	1,168	-	1,168	-
	<u>290,775</u>	<u>-</u>	<u>3,503</u>	<u>287,272</u>

[Note]The decrease is offsetting the proportion combination of Weifu Environmental and transfer into undistributed profit.

## 25. Undistributed profit

	Jun.30, 2007
	RMB'000
Undistributed profit in the period beginning	419,435
Add: Changes of accounting policy	4,808
Undistributed profit in year-begin	424,243
Add: Transfer-in of surplus reserve of Weifu Environmental	3,503
Add: Net profit in this year	94,720
Profit available for distribution	<u>522,466</u>
Less: Statutory surplus public reserve withdraw	-
Dividends of ordinary shares	-
Ordinary dividends converted into share capital	-
Undistributed profit in the period end	<u>522,466</u>

## 26. Income from business and cost from business

	Jan.-Jun., 2007	Jan.-Jun., 2006
	RMB'000	RMB'000
The income from core business	1,532,891	1,290,184
The income from other business	91,530	92,633
<b>Total income of business</b>	<u>1,624,421</u>	<u>1,382,817</u>
The cost from core business	1,133,835	943,549
The cost from other business	88,574	87,726
<b>Total cost of business</b>	<u>1,222,409</u>	<u>1,031,275</u>

The total income of the top 5 customers of the income from core business is RMB 696,534,502, accounting for 45.44% of the total income from core business.

## 27. Tax of core business and associate charges

	<u>Jan.-Jun., 2007</u>	<u>Jan.-Jun., 2006</u>
	RMB'000	RMB'000
City maintenance and construction tax	6,337	5,526
Education associate charge	3,617	3,147
Business tax	117	11
	<u>10,071</u>	<u>8,684</u>

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

## 28. Financial expenses

	<u>Jan.-Jun., 2007</u>	<u>Jan.-Jun., 2006</u>
	RMB'000	RMB'000
Loan interest expenses	48,483	39,097
Draft discount interest	6,282	2,925
Cash discount of sales	-	1,999
Commission expenses	55	220
Exchange losses	-2,781	1,981
Bank deposit interest income	-5,530	-6,510
	<u>46,509</u>	<u>39,712</u>

## 29. Losses from devaluation of asset

	<u>Jan.-Jun., 2007</u>	<u>Jan.-Jun., 2006</u>
	RMB'000	RMB'000
Losses of bad debts	-12,770	7,580
Losses of depreciation of inventory	5,007	-142
Losses of devaluation of fixed asset	-20	-244
	<u>-7,783</u>	<u>7,194</u>

### 30. Investment income

	<u>Jan.-Jun., 2007</u>	<u>Jan.-Jun., 2006</u>
	RMB'000	RMB'000
Income of unconsolidated subsidiaries and affiliated companies [Note 1]	21,387	-3,305
Other long-term equity investment income	960	360
Income from transfer of fund	-	105
Income from transfer of equity	-	1,126
mortize balance of long-term equity investment [Note 2]	-	-1,957
	<u>22,347</u>	<u>-3,671</u>

#### [Note 1] Income of unconsolidated subsidiaries and affiliated companies

	<u>Jan.-Jun., 2007</u>	<u>Jan.-Jun., 2006</u>
	RMB'000	RMB'000
Weifu Autocam	-1,051	-
Weifu Jialin	175	-
Zhonglian Auto Electronic Co., Ltd.	28,000	28,000
Weifu Precision Manufacturing	842	201
Bosch Auto Diesel System	-16,716	-31,547
Weifu International Trade	141	41
Weifu Environmental	9,996	-
	<u>21,387</u>	<u>-3,305</u>

#### [Note 2] List on amortization balance of long-term equity investment:

	<u>Jan.-Jun., 2007</u>	<u>Jan.-Jun., 2006</u>
	RMB'000	RMB'000
Weifu Lida	-	-
Bosch Auto Diesel System	-	-1,248
Weifu Chang'an	-	-709
	<u>-</u>	<u>-1,957</u>

### 31. Non-operating income

	<b>Jan.-Jun., 2007</b>	<b>Jan.-Jun., 2006</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Income of disposing fixed assets	5,728	518
Drawback of value-added tax		880
Allotment from financial supporting fund		700
Others	13	96
	<u>5,741</u>	<u>2,194</u>

### 32. Non-operating cost

	<b>Jan.-Jun., 2007</b>	<b>Jan.-Jun., 2006</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Adjustment fund of the market price	4,663	4,017
Loss of disposing fixed assets <b>[Note]</b>	1,093	423
Expenses of donation	196	610
Others	1,488	900
	<u>7,440</u>	<u>5,950</u>

[Note] The loss of disposing fixed assets mainly refers to the losses caused on selling and disposing the old equipments by the Company.

### 33. Expense of income tax

	<b>Jan.-Jun., 2007</b>	<b>Jan.-Jun., 2006</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Income tax payable	12,028	7,730
Deferred income tax asset	822	-1,208
	<u>12,850</u>	<u>6,522</u>

### 34. Earnings per share



	<u>Jan.-Jun., 2007</u>	<u>Jan.-Jun., 2006</u>
	RMB	RMB
Net profit attributable to owner of parent company	94,719,973.43	81,944,430.90
Share capital in period-begin	567,275,995.00	567,275,995.00
Share capital in period-end	567,275,995.00	567,275,995.00
Basic earnings per share	<u>0.17</u>	<u>0.14</u>
Diluted earnings per share	<u>0.17</u>	<u>0.14</u>

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

	<u>Jan.-Jun., 2007</u>
	RMB'000
Technological upgrading of finance project and supporting fund received	2,360
Interest income from bank deposit	5,530
Income of lease of fixed assets	2,984
Other	2,061
	<u>12,935</u>

### 36. Cash paid for other activities related to operating activities

	<u>Jan.-Jun., 2007</u>
	RMB'000
Cash amount in administrative expenses	34,790
Cash amount in operating expenses	22,646
Others	-544
	<u>56,892</u>

### 37. Net profit subject to cash flow arising from operating activities

Supplementary material	<u>Jan.-Jun., 2007</u>	<u>Jan.-Jun., 2006</u>
------------------------	------------------------	------------------------

	RMB	RMB
I. Net profit subject to cash flow arising from operating activities		
Profit, net	111,201,996.61	101,762,465.11
Add: Provision for fixed assets devaluation	-7,783,331.40	7,193,994.30
Fixed assets depreciation	59,708,450.29	49,899,436.61
Allocations of intangible assets	3,680,335.15	3,740,870.43
Allocations of long-term expenses to be allocated	128,363.22	-
Losses from disposal of fixed, intangible and other long-term assets(Income is listed with “-”)	-4,635,046.16	655,238.27
Losses from obsolete fixed assets(Income is listed with “-”)	-	-
Losses from changes of fair value(Income is listed with “-”)	-	-
Financial expenses(Income is listed with “-”)	50,427,373.30	38,790,487.42
Losses from investment(Income is listed with “-”)	-22,346,655.07	3,671,373.36
Decrease of deferred income tax(Increase is listed with “-”)	881,304.22	-1,200,571.76
Increase of deferred income tax(Decrease is listed with “-”)	-88,200.00	-
Decrease of inventory(Increase is listed with “-”)	37,174,385.28	68,714,433.95
Decrease of operating receivables(Increase is listed with “-”)	-247,811,738.52	-232,631,077.17
Increase of operating payables(Decrease is listed with “-”)	168,805,182.56	219,828,656.86
Other	-	-
Net cash generated from operations	149,342,419.48	260,425,307.38
II. Investment and financial activities not related to cash flows		
Capital transferred from debts		
Convertible company bonds due within one year		
Fixed assets leasing for financing		
III. Net increase in cash /cash equivalent		
Balance of cash at period-end	803,396,096.18	831,921,105.00
Less: Balance of cash at period-beginning	817,487,438.01	785,295,188.91
Add: Balance of cash at period-beginning(Proportion in the first half merger affiliated enterprises)	9,393,928.02	-

Add: Balance of cash equivalent at period-end	-	-
Less: Balance of cash equivalent at period-beginning	-	-
Net increase in cash /cash equivalent	-4,697,413.81	46,625,916.09

### 38. Cash and cash equivalents

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
	RMB	RMB
I. Cash	803,396,096.18	831,921,105.00
Including: Cash on hand	748,286.20	820,707.69
Bank deposit usable for payment at any time	638,879,900.98	584,961,251.37
Other currency capital usable for payment at anytime	163,767,909.00	246,139,145.94
Deposits and required reserve in central bank usable for payment	-	-
Deposits in other banks	-	-
Call loans from banks	-	-
II. Cash equivalents	-	-
Including: Bond investment due within 3 months	-	-
III. Cash and cash equivalents at the report-end	803,396,096.18	831,921,105.00
Including: Restricted cash and cash equivalent used in parent company or subsidiaries inside the group	-	-

## Note 9. Notes to the main items in the financial statements of the parent company

### 1. Accounts receivable

June 30, 2007

	Amount	Proportion	Provision for bad debts	Proportion of provision	Net amount
	RMB'000	%	RMB'000	%	RMB'000
Within six months	345,021	80.91	-	-	345,021
Between 6 months- 1 year	38,336	8.99	3,834	10.00	34,502
Between 1-2 years	17,791	4.17	3,558	20.00	14,233
Between 2-3 years	325	0.08	130	40.00	195
Above three years	1,976	0.46	1,976	100.00	-
Recognized by single	22,976	5.39	22,976	100.00	-
	426,425	100.00	32,474	7.62	393,951

Dec. 31, 2006

	Amount	Proportion	Provision for bad debts	Proportion of provision	Net amount
	RMB'000	%	RMB'000	%	RMB'000
Within 1 year	290,262	91.64	14,723	5.00	275,539
Between 1-2 years	1,433	0.45	143	10.00	1,290
Between 2-3 years	205	0.07	62	30.00	143
Between 3-4 years	422	0.13	211	50.00	211
Between 4-5 years	123	0.04	98	80.00	25
Over 5 years	1,261	0.40	1,261	100.00	-
Recognized by single	23,024	7.27	23,024	100.00	-
	316,730	100.00	39,522	12.48	277,208

## 2. Other accounts receivable

	<b>Jun.30, 2007</b>
	<b>RMB'000</b>
Within six months	32,730
Between 6 months- 1 year	-
Between 1-2 years	-
Between 2-3 years	-
Above three years	-
Recognized by single	4,400
	<hr/>
Less: bad debts reserve	4,400
	<hr/>
	<b>32,730</b>
	<hr/>

	<b>Dec.31, 2006</b>
	<b>RMB'000</b>
Within 1 year	23,783
Between 1-2 years	206
Between 2-3 years	-
Recognized by single	4,400
	<hr/>
Less: bad debts reserve	4,400
	<hr/>
	<b>23,989</b>
	<hr/>

**Note:** At the end of June, 2007 mainly composes of payments receivable or advance money of the subsidiaries and related parties, till money borrowed by employees, investment incurred for other shareholders of Weifu Narometer etc. The investment withdrawn 100% bad debts reserve incurred for other shareholders of Weifu Narometer by the Company amounting to RMB 4,400,000.

### 3. Long-term equity investment

	<b>Jun. 30, 2007</b>
	<b>RMB'000</b>
Consolidated subsidiaries [Note 1]	900,531
Joint companies and affiliated companies [Note 2]	690,996
Other long-term equity investment [Note 3]	51,456
Provision for devaluation of long-term investment [Note 4]	-30,000
	<hr/>
	<b>1,612,983</b>
	<hr/>

[Note 1] Consolidated subsidiaries

Name of the investee	Investment proportion	Amount at the period-begin	Increase /decrease in investment in the period	Increase /decrease in equity in the period	Bonus gained	Increase/decrease amount of accumulative equity	Amount at the period-end
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Weifu Jinning	80.00%	328,233	-	-	31,855	117,739	296,378
Weifu Lida	94.81%	249,730	-	-	-	27,653	249,730
Weifu Nanometer	80.00%	23,585	-	-	-	-415	23,585
Weifu Diesel Oil System	70.00%	276,509	-	-	48,883	87,625	227,626
Weifu Mashan	92.60%	44,183	-	-	1,134	-1,436	43,049
Weifu Chang'an	94.63%	73,937	-	-	14,933	-18,326	59,004
Weifu Jida	70.00%	1,159	-	-	-	-2,341	1,159
		997,336	-	-	96,805	210,499	900,531

[Note 2] Joint companies and affiliated companies

Name of the investee	Investment proportion	Initial investment cost	Amount at the period-begin	Increase /decrease in investment in the period	Increase /decrease in equity in the period	Bonus gained	Increase/decrease amount of accumulative equity	Amount at the period-begin
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Weifu Autocam	50.00%	23,547	11,611	9,163	-1,051	-	-3,824	19,723
Weifu Jialin	50.00%	4,000	3,885	-	175	-	60	4,060
Bosch Automobile Diesel Oil System Co., Ltd.	30.00%	523,695	435,965	-	-16,717	-	-104,447	419,248
Zhonglian Automobile Electronic Company Limited	20.03%	120,124	213,086	-	28,000	-	120,962	241,086
Wuxi Weifu Precise Machinery Manufacturing Co., Ltd.	20.00%	2,000	5,090	-	843	-	3,933	5,933
Wuxi Weifu International Trade Co., Ltd.	15.00%	750	1,105	-	141	300	196	946
		674,116	670,742	9,163	11,391	300	16,880	690,996

[Note 3] Other long-term equity investment (long-term equity investment accounted by cost method)

Name of investee	Investment proportion	Amount in the period beginning	Increase/decrease in the period	Amount in the period end
	%	RMB'000	RMB'000	RMB'000
Gulian Securities Co., Ltd.	1.20	12,000	-	12,000
Guangxi Liufa Co., Ltd.	1.22	1,600	-	1,600
Finance Company of Changchai Group		800	-	800
Zhaoyang Diesel Operating Co., Ltd.	9.09	200	-	200
Hejun Venture Capital Co., Ltd.	11.72	33,000	-	33,000
Nanjing Hengtai Insurance and Broker Securities Co., Ltd.	1.85	1,000	-	1,000
Jiangsu HSBC Insurance Agents Limited	10.00	500	-	500
Yangdong Co., Ltd.	1.18	2,356	-	2,356
		<u>51,456</u>	<u>-</u>	<u>51,456</u>

[Note 4] Provision for devaluation of long-term investment\

	Amount in the period beginning	Increase in the period	Decrease in the period	Amount in the period end
	RMB'000	RMB'000	RMB'000	RMB'000
Hejun Venture Capital Co., Ltd.	30,000	-	-	30,000

#### 4. Investment income

	Jan.-Jun., 2007	Jan.-Jun., 2006
	RMB'000	RMB'000
Consolidated subsidiaries	43,195	60,979
Joint companies and affiliated companies	11,391	-3,305
Other long-term equity investment income	960	360
Transferring income of equity	-	1,126
Transferring income of fund	-	105
Balance of long-term equity investment	-	-1,248
	<u>55,546</u>	<u>58,017</u>

Note: the investment income from Jan.-Jun., 2007 of subsidiaries in consolidated statement was cash dividend of Weifu Jinning, Weifu Diesel Oil System and Weifu Lida. Jan.-Jun., 2007 was the investment income calculated based on equity method.

Note 10. The relationship of the related parties and transactions (Unit: RMB' 000)

## 1. The related parties existing controlling relationship

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

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

Name of enterprise	Amount in the period beginning	Increase in the period	Decrease in the period	Amount in the period end
	RMB'000	RMB'000	RMB'000	RMB'000
Weifu Group	134,830	-	-	134,830
Weifu Mashan	45,000	-	-	45,000
Weifu Jida	5,000	-	-	5,000
Weifu Changan	60,000	-	-	60,000
Weifu Lida	260,000	-	-	260,000
Weifu Narometer	30,000	-	-	30,000
Weifu Jingning	256,000	90,287	-	346,287
Weifu Diesel Oil System	200,000	100,000	-	300,000



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

Name of enterprises	Amount in the period beginning		Increase in the period	Decrease in the period	Amount in the period end	
	Amount	%			Amount	%
	RMB'000		RMB'000	RMB'000	RMB'000	
Weifu Group	114,062	20.11	-	-	114,062	20.11
Weifu Mashan	45,000	100.00	-	-	45,000	100.00
Weifu Jida	3,500	70.00	-	-	3,500	70.00
Weifu Changan	60,000	100.00	-	-	60,000	100.00
Weifu Lida	246,500	94.81	-	-	246,500	94.81
Weifu Narometer	24,000	80.00	-	-	24,000	80.00
Weifu Jingning	204,800	80.00	72,229	-	277,029	80.00
Weifu Diesel Oil System	140,000	70.00	70,000	-	210,000	70.00

### 4. The related parties existing joint controlling relationship

Name of enterprise	Registered address	Core business	Relationship with the Company	Economic type	Legal representative
Weifu Environmental	New district of Wuxi	Catalyst	Affiliated company of Weifu Lida	Sino-foreign joint venture enterprise	Xu Liangfei
Weifu Autocam	New district of Wuxi	Spare parts of automobiles	Joint venture enterprise	Sino-foreign joint venture enterprise	Gao Guoyuan
Weifu Jialin	Zhaoyang, Liaoning	Accessories of internal-combustion engine	Joint venture enterprise	Limited company	Li Xiaofeng

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

Name of enterprise	Amount in the period beginning	Increase in the period	Decrease in the period	Amount in the period end
	RMB'000	RMB'000	RMB'000	RMB'000
Weifu Environmental	50,000	-	-	50,000
Weifu Autocam	USD6,000	-	-	USD6,000
Weifu Jialin	8,000	-	-	8,000

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

Name of enterprises	Amount in the period beginning		Increase in the period	Decrease in the period	Amount in the period end	
	Amount	%			Amount	%
	RMB'000		RMB'000	RMB'000	RMB'000	
Weifu Environmental	24,500	49	-	-	24,500	49.00
Weifu Autocam	USD3,000	50.00	-	-	USD3,000	50.00
Weifu Jialin	4,000	50.00	-	-	4,000	50.00

#### 7. Type of the related parties without existing joint controlling relationship

Name of enterprises	Relationship with the Company
Bosch Auto Diesel System	Affiliated company
Weifu Precise Machinery	Affiliated company
Wuxi Weifu International Trade Co., Ltd.	The same parent company
Wuxi Weifu Economic Trade Co., Ltd.	The same parent company

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

##### (1) Purchase of commodities or labor force

Name of enterprises	Jan.-Jun., 2007	Jan.-Jun., 2006
	RMB'000	RMB'000
Weifu Group	1,811	4,022
Weifu Precise Machinery	69,887	47,458
Bosch Auto Diesel System	19,346	20,400
Wuxi Weifu International Trade Co., Ltd.	3,209	76
Wuxi Weifu Economic Trade Co., Ltd.	940	-
Weifu Environmental	43,640	37,698

##### (2) Sale of commodities

Name of enterprises	Jan.-Jun., 2007	Jan.-Jun., 2006
	RMB'000	RMB'000
Weifu Group	108,060	96,520
Weifu Precise Machinery	8,474	8,052
Bosch Auto Diesel System	56,553	38,877
Wuxi Weifu International Trade Co., Ltd.	14,052	2,435
Weifu Jialin	28,380	-
Wuxi Weifu Economic Trade Co., Ltd.	896	-

##### (3) Leasing fees, technological service fee, Commission fees and fees for land use

	<u>Jan.-Jun., 2007</u>	<u>Jan.-Jun., 2006</u>
	RMB'000	RMB'000
Leasing fees for equipments of Weifu Autocam receivable	52	-
Fees for land use of Weifu Environmental receivable	17,414	-
Technological service fees for Bosch Diesel Oil System payable	3,000	-
Commission fees for the import of Wuxi Weifu International Trade Co., Ltd.	-	212

#### (4) Purchase of fixed assets

<u>Name of enterprises</u>	<u>Jan.-Jun., 2007</u>	<u>Jan.-Jun., 2006</u>
	RMB'000	RMB'000
Weifu Group	9,591	-
Weifu Precise Machinery	-	168

#### (5) Other transaction of the Company and Weifu Group

The following agreements with Weifu Group:

##### (a) The agreement of using trademark

The Company sells products using the trademark of Weifu Group, and pays 0.3% of the total sales amount for using trademark. The amount every year would be no less than RMB 1,200,000. The agreement takes effect from May 1, 1995 with the duration of 10 years. Due to that the duration was expired, the two parties concerned signed the following supplementary agreement on April 19, 2005: the original contract will be prolonged for ten years till April 30, 2015 and other articles of original contract will continuously take effect.

##### (b) The leasing agreement of land using right

The Company paid the first rent fees amounting to RMB 327,285 to Weifu Group in order to obtain use right for land, with an increase of 10% year by year. The agreement takes effect from March 1, 1995 with the duration of 50 years. Due to that the rent land area changed, the two parties concerned signed the following supplementary agreement on April 19, 2005: The Company agreed to pay annual rent price amounting to RMB 1,200,000 to Weifu Group in order to obtain use right for land occupied for plants. The execution for the said price dated from Jan 1, 2005 to Dec. 31, 2014.

The significant transactions of the company and Weifu Group are as follows:

	<u>Jan.-Jun., 2007</u>	<u>Jan.-Jun., 2006</u>
	RMB'000	RMB'000
Expenses for using land and trademark	2,861	2,485
Amount of guarantee for loans of the Company and subsidiaries	170,000	177,000

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

## 9. The Balance of accounts receivable and payable of the related parties

	Jun.30, 2007	Dec.31, 2006
	RMB'000	RMB'000
Accounts receivable:		
Bosch Auto Diesel System	73	144
Weifu International Trade	611	275
Wuxi Weifu Economic Trade Co., Ltd.	665	196
Weifu Jialin	16,043	6,878
Weifu Autocam	-	125
Other account receivable		
Weifu Precise Machinery	-	3,111
Bosch Auto Diesel System	19,943	-
Weifu Autocam	52	-
Weifu Environmental	12,194	-
Accounts payable in advance:		
Weifu Environmental	27,566	25
Account receivable in advance		
Wuxi Weifu Economic Trade Co., Ltd.	-	49
Account payable:		
Weifu group	1,194	2,735
Weifu International Trade	-	31
Weifu Precise Machinery	260	38
Wuxi Weifu Economic Trade Co., Ltd.	14	-
Bosch Auto Diesel System	14,589	11,583
Other account payable:		
Bosch Auto Diesel System	-	40,113
Weifu Precise Machinery	1,908	-

Note 11. Impact of IAS adjustments on net profit and net assets

	Net profits		Net assets	
	Jan. -Jun., 2007	Jan.-Jun., 2006	Jun.30, 2007	Dec.31, 2006
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts accounted according to Chinese Accounting System	94,720	81,944	2,303,875	2,209,155
Adjustment according to International Accounting Standards				
Investment income confirmed by using equity method (Loss)	-	-	12,966	12,966
Investment adjusted due to affiliated company cutting down land lease cost with government subsidy	-	-	-10,618	-10,618
Good will amortization rising from switch back of purchasing affiliated company according to International Accounting Standards 3	-	1,248	351	351
Losses rising from disposal of real property, plant building and equipment in order to exchange shares of affiliated company	-	-	-	-
Amortized and confirmed income tax credited by homemade equipment as deferred income	323	323	-4,206	-4,529
Government subsidy of unconfirmed income	-	-1,091	-13,349	-13,349
Withdrawal of deferred income tax	-	-	15,262	15,262
Confirmed negative goodwill produced by establishing affiliated company as income in that year	-	-	6,178	6,178
Purchase of inventory of unconsolidated subsidiaries and the unrealized gross profit	-	-	-4,168	-4,168
Employees' bonus and welfare fund	-	-	-	-
The above adjustments' influences on minority shareholders' interest	-	-	-1,279	-1,279
Amount compiled by International Accounting Standards	95,043	82,424	2,305,012	2,209,969

#### Note 12. Contingencies

Ended Jun.30, 2007, the Company had no significant contingent debts and losses:

#### Note 13. Commitments

Ended June 30, 2007, the Company and its subsidiaries had the following material commitments: The Company and its subsidiaries need pay RMB 35,000,000 for build factory buildings and purchase equipments (which has signed contract).

Note 14. Subsequent Non-adjustment Event on the Balance Sheet Date

Except the followings, there existed no other significant after date non-adjusted events in balance sheet:

1. On July 11, 2007 profit distribution 2006 was accomplished.
2. Ended Aug. 15, 2007, RMB 65 million in notes payable has been paid.
3. The controlling subsidiary Weifu Diesel Oil System Co., Ltd has entrusted the bank to manage the capital amounting to EURO 4.5 million, and was taken back in July, 2007.

Note 15. Other Significant Event

Non-recurring gains and losses

	<u>Jan.-Jun., 2007</u>
	<b>RMB'000</b>
Gains and losses from disposal of non-current asset	4,635
Any tax refund or exemption illegally approved or without supporting documents in writing	-
Governmental subsidy reckoned into current gains and losses	1,300
Income deriving from use by non-financial entities of an enterprise's own fund	-
Gains and losses caused by that the merger cost of merger enterprise is smaller than the fair recognizable fair value of net asset enjoyable by the merger unit when taking merger	-
Exchanging gains and losses of non-currency assets	-
Gains and losses of entrusted investment	-
Accrual of provisions for asset impairment due to natural disasters and other majure	-
Gains and losses caused by debts reorganization	-
Expenses caused by enterprises reconstruction	-
Profit/loss attributable to unfair portion of the value resulting from unfair priced transactions	-
Current net gains and losses during period-begin to merger date of subsidiaries caused by merger of enterprises under the same control	-
Gains and losses caused by projected liabilities irrelevant to main operations of the Company	-
Net amount of other non-operating income and cost excluded the afforsaid items	-1,671
Amount of switching back the provision for bad debts	13,268
Amount of switching back the provision for depreciation of inventory	202

Other non-recurring gains and losses recognized by CSRC	-
Subtotal of non-recurring gains and losses	17,734
Less: Amount of income tax influenced by non-recurring gains and losses	565
Less: Amount of minority shareholders influenced by non-recurring gains and losses	3,226
Net amount of non-recurring gains and losses	13,943

Note 16. Supplementary information

Reconciliation Statement on Difference of Consolidated Net Profit as Jan.-Jun., 2006.

Item	Amount
	RMB
Net profit as Jan., 2006-Jun., 2006 (Original Accounting Standards)	79,689,551.67
Add: Total amount influenced by retroactive adjustment	2,254,879.23
Including: Investment income	1,046,737.40
Income tax	1,208,141.83
Net profit as Jan., 2006-Jun., 2006 (New Accounting Standards)	81,944,430.90
Assuming information of fully implementing New Accounting Standards for reference	
Total amount influenced by other items	1,957,495.59
Including: Investment income	1,957,495.59
Simulated net profit as Jan.-Jun., 2006	83,901,926.49

Note 17. Approval date of financial statements

The aforesaid financial statement and supplementary to financial statements was approved and publicly published by the Board of Directors of the Company on Aug. 15, 2007.

## Section VIII. Document for Reference

- I. The text of Interim Report bearing the signature of the Chairman of the Board;
- II. The Accounting Statement bearing signature and seal of legal representative, financial charger and accounting organ officer;
- III. All text documents disclosed in China Securities, Securities Times, Hong Kong Ta Kung Pao and Hong Kong Wen Wei Po;
- IV. The text of Articles of Association of the Company.

Chairman of the Board: Xu Liangfei  
**Board of Directors**  
**Of Wuxi Weifu Hi-technology Co., Ltd.**  
August 18, 2007