

# 无锡威孚高科技股份有限公司

**WEIFU HIGH-TECHNOLOGY CO., LTD.  
2010 SEMI-ANNUAL REPORT**



**August 11, 2010**

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## **Section I. Important Notice**

Board of Directors and Supervisory Committee of Weifu High-Technology Co., Ltd. (hereinafter referred to as the Company) and its directors, supervisors and senior executives hereby confirm that there are no any important omissions, fictitious statements or serious misleading information carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.

This summary is abstracted from the full text of Semi-annual Report 2010 and is published on website [www.cninfo.com.cn](http://www.cninfo.com.cn). And the investors are suggested to read the full text of semi-annual report to understand more details.

No director, supervisor and senior executive stated that they couldn't ensure the correctness, accuracy and completeness of the contents of the Semi-annual Report or have objection for this report.

2010 Semi-annual Financial Report of the Company has not been audited.

Chairman the Company Wang Weiliang; General Manager Chen Xuejun; and Deputy General Manager as well as Person in Charge of Financing Sun Qingxian hereby confirm that the financial report in the Semi-annual Report 2010 is true and complete.

## Section II. Company profile

### I. Basic information

(I) Legal Company Name:

Name in Chinese: 无锡威孚高科技股份有限公司

Abbreviation in Chinese: 威孚高科、苏威孚 B

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

Abbreviation in English: WFHT

(II) Legal Representative: Mr. Wang Weiliang

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

Representative of Securities Affairs: Ms. Yan Guohong

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

Tel.: 0510-82719579

Fax: 0510-82751025

E-Mail: wfjt @ public1.wx.js.cn

(IV) Registered Address: No.5 of Huashan Road, National Hi-Tech Industry Development Zone, Wuxi

Postal Code of Registered Address: 214028

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

Postal Code of Head Office: 214031

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

E-Mail: web@ weifu.com.cn

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

Securities Times, China Securities Journal, Hong Kong Commercial Daily

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

Semi-annual Report for reference: Office of the Board of the Company

(VI) Stock Listing and Trading: Shenzhen Stock Exchange

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

Stock Code: 000581, 200581

(VII) Other Related Information of the Company

Initial registration date: Oct. 22, 1988

Address: No.107, Renmin West Road, Wuxi

Date of Change: Dec. 9<sup>th</sup>, 2008

Address: No.5 of Huashan Road, National Hi-Tech Industry Development Zone, Wuxi

Registration Number of enterprise legal person's business license: 320200000014926

Registration Number of taxation: 320208250456967

Certified Public Accountants engaged by the Company:

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

Address: No.28, Liangxi Road, Wuxi

## 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 in period-end of last year (%)
Total assets	6,057,194,805.19	5,035,871,583.02	20.28%
Owners' equity attributable to shareholders of the listed company	3,175,700,963.70	2,862,670,558.77	10.93%
Share capital	567,275,995.00	567,275,995.00	0.00%
Net assets per share attributable to shareholders of the listed company(RMB/Share)	5.5982	5.0463	10.94%
	This report period (Jan. to Jun.)	The same period of last year	Increase/decrease in this report period year-on-year (%)
Total operating income	2,650,687,135.98	1,261,148,413.32	110.18%
Operating profit	368,480,236.61	102,537,218.59	259.36%
Total profit	361,549,291.43	102,454,208.99	252.89%
Net profit attributable to shareholders of the listed company	319,107,461.52	87,842,946.80	263.27%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	316,146,898.70	85,878,606.53	268.13%
Basic earnings per share (RMB/Share)	0.56	0.15	273.33%
Diluted earnings per share (RMB/Share)	0.56	0.15	273.33%
Return on equity (%)	10.57%	3.49%	7.08%
Net cash flow arising from operating activities	-13,935,415.91	117,808,937.15	-111.83%
Net cash flow per share arising from operating activities (RMB/Share)	-0.0246	0.2077	-111.84%

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

Items of non-recurring gains and losses	Amount
Gains and losses from the disposal of non-current asset	3,987,322.38
Other non-operating income and expenditure beside for the aforementioned items	-564,223.22
Influenced amount of minority shareholders' equity	86,691.46
Impact on income tax	-549,227.80
Total	2,960,562.82

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

Unit: RMB

	Net profit attributable to shareholders of listed company		Owners' equity attributable to shareholders of listed company	
	Amount in the report period	Amount in last period	Amount in the report period	Amount in last period
IAS	319,107,461.52	87,842,946.80	3,175,700,963.70	2,862,670,558.77
CAS	319,107,461.52	87,842,946.80	3,175,700,963.70	2,862,670,558.77
Sub-items and total adjusted based on IAS:				
Total amount of differences between CAS and IAS	0.00	0.00	0.00	0.00
Explanations on differences between CAS and IAS	No differences			

## 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	100,075,226	17.64%						100,075,226	17.64%
1.State-owned shares									
2. State-owned legal person's shares	100,021,999	17.63%						100,021,999	17.63%
3. Other domestic shares									
Including: Domestic non-state-owned legal person's shares									
Domestic natural person's shares									
4. Foreign shares									
Including: Foreign legal person's shares									
Foreign natural person's shares									
5. Senior executives' shares	53,227	0.01%						53,227	0.01%
II. Unrestricted shares	467,200,769	82.36%						467,200,769	82.36%
1. RMB Ordinary shares	352,280,769	62.10%						352,280,769	62.10%
2. Domestically listed foreign shares	114,920,000	20.26%						114,920,000	20.26%
3. Overseas listed foreign shares									
4. Others									
III. Total shares	567,275,995	100.00%						567,275,995	100.00%

### II. About shareholders and shares held

Unit: Share

Total shareholders at the end of report period	39,766					
Particulars about shares held by the top ten shareholders						
Names of shareholders	Nature of shareholder	Proportion of	Amount of share held	Amount of restricted	Shares pledged or	

		share held		shares held	frozen
WUXI INDUSTRY DEVELOPMENT CROUP CO., LTD.	State-owned legal person	17.63%	100,021,999	100,021,999	0
ROBERT BOSCH GMBH	B-share shareholder	3.24%	18,387,200	0	0
GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED	B-share shareholder	1.944%	11,029,285	0	0
Construction Bank of China - FUGUO TIANBO INNOVATION THEME STOCK FUND	A-share shareholder	1.942%	11,017,502	0	0
DRAGON BILLION CHINA MASTER FUND	B-share shareholder	1.939%	11,000,527	0	0
HuaXia Growth STOCK FUND	A-share shareholder	1.72%	9,765,521	0	0
Bank of China - Huaxia Repay Stock Fund	A-share shareholder	1.67%	9,496,776	0	0
Industrial and Commercial Bank of China - E-FANG DA VALUE SELECTED STOCK FUND	A-share shareholder	1.59%	9,009,908	0	0
Bank of China - E FANG DA POSITIVE GROWTH STOCK FUND	A-share shareholder	1.32%	7,509,606	0	0
Construction Bank of China - HUAXIA BONUS COMBINATION OPEN STOCK FUND	A-share shareholder	1.20%	6,835,378	0	0

Particulars about shares held by the top ten unrestricted shareholders

Name of shareholder	Amount of unrestricted shares held	Type of share
ROBERT BOSCH GMBH	18,387,200	Domestically listed foreign share
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	11,029,285	Domestically listed foreign share
Construction Bank of China - FUGUO TIANBO INNOVATION THEME STOCK FUND	11,017,502	RMB common share
DRAGON BILLION CHINA MASTER FUND	11,000,527	Domestically listed foreign share
HuaXia Growth STOCK FUND	9,765,521	RMB common share
Bank of China - Huaxia Repay Stock Fund	9,496,776	RMB common share
Industrial and Commercial Bank of China - E-FANG DA VALUE SELECTED STOCK FUND	9,009,908	RMB common share
Bank of China - E FANG DA POSITIVE GROWTH STOCK FUND	7,509,606	RMB common share
Construction Bank of China - HUAXIA BONUS	6,835,378	RMB common share



COMBINATION OPEN STOCK FUND		
Bank of Communications - HUAAN INNOVATION STOCK FUND	6,504,638	RMB common share
Explanation on associated relationship or consistent actions among the above shareholders	INDUSTRY DEVELOPMENT CROUP CO., LTD., 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. HuaXia Growth, Huaxia Repay and HUAXIA BONUS COMBINATION OPEN STOCK FUND belong to consistent actionist. E- FANG DA VALUE SELECTED STOCK FUND and E FANG DA POSITIVE GROWTH STOCK FUND belong to consistent actionist.	

### III. 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 when could be listed for trade	Amount of additional shares	Restricted condition
1	WUXI INDUSTRY DEVELOPMENT CROUP CO., LTD.	100,021,999	5 April 2011	28,363,800	Non-circulating shares of Weifu Hi-tech held by Wuxi Industry Development Croup Co., Ltd. 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).
			5 April 2012	28,363,800	
			5 April 2013	43,294,399	

### IV. In the report period, there were no change in the controlling shareholder of the Company

## Section IV. Particulars about Directors, Supervisors and Senior Executives

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

Unit: share

Name	Position	Shares held at year begin	Shares increased to hold in the period	Shares decreased to hold in the period	Shares held at period end	Including restricted shares held	Stock option held at period end	Reason for change
Wang Weiliang	Chairman of the Board	12,673	0	0	12,673	9,505	0	
Chen Xuejun	Vice Chairman of the Board & General Manager	3,169	0	0	3,169	2,376	0	
Shi Xingyuan	Director	1,782	0	0	1,782	1,336	0	
Gao Guoyuan	Director	10,297	0	0	10,297	7,722	0	
Ge Songping	Director	25,468	0	0	25,468	19,101	0	
Rudolf Maier	Director	0	0	0	0	0	0	
Du Fangci	Independent director	0	0	0	0	0	0	
Ma Huilan	Independent director	0	0	0	0	0	0	
Yu Xiaoli	Independent director	0	0	0	0	0	0	
Han Jiangming	Chairman of Supervisory Committee	15,208	0	0	15,208	11,405	0	
Wang Xiaodong	Supervisor	521	0	0	521	0	0	
Yang Weiliang	Supervisor	0	0	0	0	0	0	
Sun Qingxian	Deputy General Manager & Person in Charge of Finance	0	0	0	0	0	0	
Miao Yuming	Deputy General Manager	0	0	0	0	0	0	
Wang Yawei	Deputy General Manager	0	0	0	0	0	0	
Zhou Weixing	Secretary of the Board	2,377	0	0	2,377	1,782	0	

II. There is no change in directors, supervisors and senior executives of the Company during the report period

III. The Company held the first 2010 Extraordinary Shareholders Meeting and 2009 Shareholders' General Meeting in the report period

## Section V. Report of the Board

### I. Analysis on financial condition and operation results of the Company in the report period

#### 1. Analysis on operation achievement

Compared to the same period of last year, no change has happened to the main business scope of the Company which is still engaging in manufacture of other currency spare parts and auto behind-disposal products (fuel injection system of diesel engines affiliated to autos, and automobile exhaust catalyze-purify device).

In the first half year, the overall situation of national economy performed well and developed continuously in the predicted direction of macro-control. Auto industry extended the flourishing tendency of 2009 owing to stimulation policy. The sales amount of automobile around the country was beyond 9 million in the first half year and accumulated increase speed reached 47.67%. Meanwhile commercial vehicle increased at high speed respectively with 2.2435 million and 2.2953 million in production and sales, 35.05% and 36.59% respectively up compared to the same period of last year.

Favored by rapid progress in auto industry, the Company actively grasped market and achieved historical promotion in both sales income and profit, realizing operation income of 2.65 billion which was 110.18% up compared to the same period of last year; realizing net profit (attributing to shareholders of listed companies) 0.319 billion which was 263.27% up compared to the same period of last year.

#### 2. Analysis on financial condition

Unit: RMB			
Items	Jan.-Jun., 2010	Jan.-Jun., 2009	Increase/decrease %
Total operation income	2,650,687,135.98	1,261,148,413.32	110.18
Operation profit	368,480,236.61	102,537,218.59	259.36
Net profit (Attributable to shareholders of the listed company)	319,107,461.52	87,842,946.80	263.27
	Amount at period-end	Amount at period-begin	
Total assets	6,057,194,805.19	5,035,871,583.02	20.28
Shareholder's equity (attributing to shareholders of the listed companies)	3,175,700,963.70	2,862,670,558.77	10.93

- (1) Total operation income increased by 110.18% year-on-year, mainly due to huge growth of main products of the Company favored by speedy increase of commercial-use auto, especially pump PW2000 and pump VE.
- (2) Operation profit increased by 259.36% year-on-year, mainly due to rapid growth of operation income and investment income.
- (3) Net profit (attributable to shareholders of the listed company) increased by 263.27% year-on-year, mainly due to the rapid growth of operating revenue and income increased by investment returns.
- (4) Total assets have a 20.28% growth than the beginning, major is receivable accounts and notes

receivable increase.

(5) Shareholders' equity (attributable to shareholders of the listed company) has a 10.93% growth than the beginning, mainly for the rapid growth of net profit during the report period.

### 3. Analysis on financial index

Unit: RMB

Items	Jan.-Jun., 2010	Jan.-Jun., 2009	Increase/decrease %
Operating expenses	75,256,111.83	27,190,285.68	176.78
Administration expenses	291,306,504.33	120,479,784.86	141.79
Financial expenses	17,439,278.30	15,186,243.79	14.84

(1) Operating expenses increased by 176.78% year-on-year, is mainly due to the growth of the total cost of the salary increase.

(2) Administration expenses increased by 141.79% year-on-year, mainly due to the development cost and salary increase

(3) Financial expenses increased by 14.84% year-on-year, mainly due to the company's centralized fund management, the growth rate of which is faster than the operating revenue growth.

### 4. Main operation classified according to industries

Unit: RMB'0000

Classified according to industries or products	Income from operations	Cost of operations	Gross profit ratio (%)	Increase/decrease in income from operations over the same period of last year (%)	Increase/decrease in cost of operations over the same period of last year (%)	Increase/decrease in gross profit ratio over the same period of last year (%)
Manufacture of other standard components and parts	243,621.33	188,499.51	22.63%	114.06%	102.27%	4.52%

### 5. Main operation classified according to products

Unit: RMB'0000

Classified according to industries	Total operating income	Total operating cost	Gross profit ratio (%)	Increase/decrease in income from operations over the	Increase/decrease in cost of operations over the same	Increase/decrease in gross profit ratio over the same
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				same period of last year (±%)	period of last year (±%)	period of last year (±%)
Diesel engine oil pump cherries and accessories	197,971.49	148,625.74	24.93%	117.40%	102.84%	5.39%
Automobile exhaust catalytic converter and accessories	34,466.14	29,565.41	14.22%	97.27%	98.28%	-0.44%
Import and export	9,163.58	8,705.30	5.00%	73.75%	73.70%	0.03%
Turbocharger	1,133.52	893.70	21.16%			
Other products	886.60	709.36	19.99%			

## 6. Main operations and areas

Unit: RMB'0000

Area	Operating income	Increase/decrease of operating income over the previous period (%)
Inside the country	234,418.75	116.34%
Outside the country	9,202.58	68.70%

## 7. Operations of main share-holding company

(1) Bosch Automotive Diesel System Co., Ltd., 31.50% equity held by the Company and consolidated statement subsidiary, mainly engaged in producing diesel automotive electronic control system, and realized net profit amounting to RMB 116.047 million in the first half year of 2010, and it was -5.319 million year-on-year.

(2) Zhonglian Automobile Electronics Co., 20% equity held by the Company, mainly engaged in producing automobile electronics control system, and realized net profit amounting to RMB 48 million in the 1<sup>st</sup> half year of 2010, and it was RMB 39 million year-on-year

## II. Problems and difficulties in operation

During the first half year, the commercial automobile market growth momentum appears. But in the second half year, the macroeconomic faces many uncertain factors, mainly displays in: whether the automobile market can keep the rapid growth like the first half year, the uncertainty of the raw material's price, the increasing cost of labor, and the increasing pressure of marketing competitive. Therefore, except actively exploring the market, the company will also make full use of these advantages: promoting the lean large-scale comprehensive cost management, further reducing the comprehensive cost, continuing to increase the research and development extent, and enhancing the ability to resist risk of market, consolidating and enhancing corporate core competitive power

### **III. Investment of the Company in the report period**

During the report period, the Company totally took RMB 198.5903 million for projects in technique reforms and external investments.

1. There was no application of raised proceeds in the report period

2. Investments with non-raised proceeds

(1) For annual 200,000 diesel electrical control and common rail injector nozzle project, the total investment amounted to RMB 49.96 million, and RMB 12.775 million was accumulatively invested in the report period.

(2) For purchasing Wuxi industry group Co., LTD and related stock equity project, the total investment amounted to RMB 127.5009 million, and RMB 123.2659 million was accumulatively invested in the report period.

(3) For other spare projects, RMB 62.5494 million was accumulatively invested in the report period.

**IV. The Board of Directors of the Company didn't recify the operation plan of the second half year.**

## **Section VI. Significant Events**

### **I. Corporation governance**

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

### **II. Profit Distribution**

1. The Company did not distribute bonus or implement capitalization of reserves in the interim of 2010.

2. The Company completed the implementation of the profit distribution plan of 2009 in July, 2009.

The distribution plan was: distributing cash bonus of RMB 1.5 per 10 shares (including tax).

### **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 held the 9<sup>th</sup> meeting of the 6<sup>th</sup> Board on Jan. 25<sup>th</sup>, 2010, follow purchases were discussed and approved in this meeting:

(1) Wuxi industry group Co., LTD. (the former wuxi weifu group Co., LTD.) hold "weifu automotive diesel systems Co., LTD" 30% equity.

(2) wuxi industry group Co., LTD. (the former wuxi weifu group Co., LTD.) hold "weifu international trade Co., LTD." 9.17% equity,

(3) Wuxi industry group Co., LTD. (the former wuxi weifu group Co., LTD.) hold "kunming xitong machinery Co., LTD" 50% equity,

The purchase has already passed by stock-holder's meeting on 3th March 2010. At the end of report period, the company has completed the "weifu automotive diesel system Co., LTD." and "weifu international trading Co., LTD" stock equity acquisitions.

The transfer price of the acquisition is RMB 127,500,900.00. At the end of report period, the company has already paid RMB 123,265,900.00.

## V. Related Transaction

Unit: RMB'0000

Type of related transaction	Contents of transaction	Related units	The 1 <sup>st</sup> half year of 2010	The 1 <sup>st</sup> half year of 2009
Purchase of goods and labor service	Purchase of components	Wuxi Weifu Environmental Catalyst Co., Ltd.	22738.2	9051.0
		Bosch Automotive Diesel Oil Systems Co., Ltd.	14398.6	2431.5
		Wuxi Weifu Precision Machinery Manufacturing Co., Ltd.	6092.0	3614.6
		Wuxi Longsheng Technology Co., Ltd.	1645.1	331.3
		Kunming Xitong Machinery Co., Ltd	268.2	0
		Wuxi Weifu Trade Co., Ltd.	102.1	61.0
		British Temai Engine Co., Ltd. Wuxi	41.5	0
		Wuxi Weifu Autocam Fine instruments Co., Ltd.	3.7	0.0
		Chaoyang Weifu Jialin Co., Ltd.	2.0	10.0
Sales of goods and labor service	Sales of oil pump and oil mouth products and components produced by the Company	Bosch Automotive Diesel Oil Systems Co., Ltd.	20705.6	10973.2
		Chaoyang Weifu Jialin Co., Ltd.	3912.1	2408.9
		Wuxi Weifu Precision Machinery Manufacturing Co., Ltd.	1042.3	545.1
		Wuxi Weifu Trade Co., Ltd	176.8	287.8
		Wuxi Weifu Autocam Fine instruments Co., Ltd	110.9	76.7
		Kunming Xitong Machinery Co., Ltd	26.6	4833.4
	Sales of raw material	Wuxi Weifu Environmental Catalyst Co., Ltd.	976.9	177.7
	Sales of fixed assets	Wuxi Weifu Precision Machinery Manufacturing Co., Ltd.	3.8	0
Use of trade mark and land lease	Paying fees for using trade mark and land lease	Wuxi Industry Development Group Co., Ltd.	405.4	298.0
Technical service fees and services	Technical service fees and services payable	Bosch Automotive Diesel Oil Systems Co., Ltd.	220.7	123.6
Rental fees receivable	Rents receivable	Wuxi Weifu Environmental Catalyst Co., Ltd.	0	54.0
Total			72872.5	35277.8



## 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. Till the reporting period ended, The Company provided guarantee amounting to RMB 7 million for its wholly-owned subsidiary-Wuxi Weifu Chang'an Co., Ltd.; guarantee amounting to RMB 8.75 million for Weifu Lida Catalytic Converter Co., Ltd.
3. The controlling subsidiary Wuxi Weifu Leader Catalytic Converter Co., Ltd. provided guarantee amounting to RMB 135 million for its subsidiary Wuxi Weifu Environmental Catalysts Co., Ltd.
4. Creditor's rights and debt intercourse with related party

Unit: RMB

Related parties	Balance at the year-begin of 2010	Occurred Amount of debtor in the first half year	Occurred Amount of debtee in the first half year	Balance at the period-end
Wuxi Weifu Autocam Precision Machinery Co., Ltd.	-	1,341,059.91	1,341,059.91	-
Bosch Automotive Diesel Oil Systems Co., Ltd.	7,346,561.49	283,131,672.31	259,127,019.26	31,351,214.54
Wuxi Weifu Environmental Catalyst Co., Ltd.	-51,652,972.78	249,806,002.72	273,986,325.06	-75,833,295.12
Chaoyang Weifu Jialin Co., Ltd.	24,867,075.32	45,771,140.76	46,027,617.99	24,610,598.09
Wuxi Weifu Trade Co., Ltd.	-314,666.54	3,258,962.30	3,231,117.15	-286,821.39
Wuxi Weifu Precision Machinery Manufacturing Co., Ltd.	-23,535,824.53	68,182,331.61	71,590,400.59	-26,943,893.51
Wuxi Longsheng Technology Co., Ltd.	-2,556,607.00	19,005,840.00	19,247,987.00	-2,798,754.00
Kunming Xitong Machinery Co., Ltd.	-8,144,096.98	2,810,680.84	3,227,189.80	-8,560,605.94
British Temai Engine Co., Ltd. Wuxi	436,108.98	-	1,408,256.53	-972,147.55
Total	-53,554,422.04	673,307,690.45	679,186,973.29	-59,433,704.88

5. In the report period, the Company did not entrust others to do 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 shareholders in process of Share Merger Reform and its implementation**

Comm itted events	Acceptor	Committed contents	Particulars of implementat ion
Share reform Comm itment	Wuxi Industry Group Co., Ltd.	Net profit amounted to 0.85 billion yuan from 2006-2008, the one in 2008 was 0.34 billion yuan. According to the rule of issuing 0.5 share per 10 shares aming at share A before share reform, the cash dividend from 2006 to 2008 was not lower than the 50% of the realized profit which can be distributed by investors.	Implementat ion has been completed
Comm itment to limit sales of shares	Wuxi Industry Group Co., Ltd.	Non-tradable shares of Weifu High-tech held by Industry Group can't be listed or transferred in 60 months after the day when it got 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).	Implementat ion in process, no holdings of shares
Other commi tments (includ ing additio nal commi tments )	Wuxi Industry Group Co., Ltd.	In order to promote healthy development of listed companies, fully motivate the enthusiasm of supervisors, make sure to combine the interest of shareholders and supervisors of the Company, Industry Group makes a pledge: After Weifu High-tech finishes the equity allocation reform, the Company will actively promote equity motivation plan in high-tech supervisors of Weifu according to related rules made by the country and Wuxi Government for the motivation mechanism of the supervisors.	Commitmen t arranged by motivation mechanism of supervisors is being carrying out and will bge implemented after related policies were issued.

#### IX. Other significant events

The shareholders holding over 5% shares of the Company had 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 and independent opinion

According to SZJGSZ No. 325 (2008) document released by Jiangsu Supervisory Bureau, CSRC on Further Standardizing Capital Current Between Listed Company, Big Shareholder as well as Other Related Parties, as independent directors of Weifu High-Technology Co., Ltd., we examined relevant resolution of Prediction on Daily Related Transaction Amount of 2010 of the Company and checked the Semi-Annual Report 2010, then we presented the following opinions:

1. Capital current and occupancy do exist between the Company, its large shareholder-Wuxi Weifu Industry Development Group Co., Ltd. as well as other related parties, which mainly belongs to the daily related transactions occurred from the daily production and operation activities of the

Company. The daily related transactions amount is in line with the normal business development of the Company. The daily related transaction of the Company are examined and approved in board meeting and shareholder's meeting and such legal procedure, and disclosed in the periodic reports and resolution notices of the Board and shareholders' meeting.

2. After inspection, it is not found that the Company has capital current and occupancy which are not disclosed.

3. With inspection, it is clear that except the normal operation capital current and occupancy, the Company, its large shareholder as well as other related parties have no other non-operation capital current and occupancy.

## **XI. Special explanation and independent opinion issued by independent directors on the external guarantee**

According to relevant regulations of document [2005] No.120 issued by CSRC, we verified the relevant financial information of the Company for the first half year of 2010; according to our independent judgment, we made the following explanations on the external guarantee of the Company:

1. The Company didn't provide guarantee for controlling shareholders, their subsidiaries, any non-legal units or individuals.

2. In the first half year of 2010, the total amount of external guarantee amounted to RMB 150.75 million, including:

(1) The Company, as a legal entity, totally provided external guarantee amounting to RMB 150.75 million, mainly including guarantee amounting to RMB 7 million for its wholly-owned subsidiary-Wuxi Weifu Chang'an Co., Ltd.; guarantee amounting to RMB 8.75 million for Weifu Lida Catalytic Converter Co., Ltd.

(2) The controlling subsidiary Wuxi Weifu Leader Catalytic Converter Co., Ltd. provided guarantee amounting to RMB 135 million for its subsidiary Wuxi Weifu Environmental Catalysts Co., Ltd.

3. The Company had no direct or indirect guarantee for objects whose assets liability rate was over 70%.

4. The Company's guarantee did not reach the requirement of Item 41 in Articles of Association.

5. The amount of single guarantee did not exceed 10% of the net profit latest audited.

6. We would timely supervise the Company to fulfill the obligation of information disclosure for external guarantee according to relevant regulations of Listed Rules and Articles of Association.

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

**Unit: RMB '000000**

Name of the company 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.	1,200.00	1,800.00	1.20%	1,200.00	180.00	0.00
Nanjing Hengtai Insurance and Broker Securities Co., Ltd.	100.00	100.00	1.85%	100.00	1.00	0.00
Jiangsu HSBC Insurance Agents Limited	50.00	50.00	10.00%	50.00	0.00	0.00
Total	1,350.00	1,950.00	-	1,350.00	181.00	0.00

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

Order of notice	Contents of notice	Date of notice	Name of newspapers
2010-001	Bulletin prescribed by the sixth of the 9 <sup>th</sup> Board of directors	27 January 2010	China Securities, Securities Times, Hong Kong Commercial Daily
2010-002	Acquisition of shares and associated transactions Notice	27 January 2010	
2010-003	Notice for 2009 expected performance	29 January 2010	
2010-004	Notice for 2010 the first Extraordinary General Meeting	10 February 2010	
2010-005	Referred bulletin for the first Extraordinary General Meeting	24 February 2010	
2010-006	Notice for 2010 decision of the first Extraordinary General Meeting	4 March 2010	
2010-007	Notice for performance of the first season of 2010	2 April 2010	
2010-008	Summary of Annual Report 2009	22 April 2010	
2010-009	Notice for the decision of 10 <sup>th</sup> of the 6 <sup>th</sup> board of Directors	22 April 2010	
2010-010	Notice for the decision of the 5 <sup>th</sup> of 6 <sup>th</sup> Board of Supervisors	22 April 2010	
2010-011	Notice for estimation of 2010 daily related transaction	22 April 2010	
2010-012	Notice for 2010 guarantee for others	22 April 2010	
2010-013	Notice for holding 2009 AGM	22 April 2010	
2010-014	Report of 2010 the first season	27 April 2010	
2010-015	Performance report of the first half year of 2010	27 April 2010	
2010-016	Referred bulletin for holding 2009 AGM	21 May 2010	
2010-017	Notice for decision of 2009 AGM	28 May 2010	

All the above documents were published on [www.cninfo.com.cn](http://www.cninfo.com.cn) which granted by Ahina Securities Regulatory Commission.

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

Date	Place	Way	The received parties	Contents discussed and materials supplied
7 January 2010	Reception room of the Company	Spot research	China Fund	Operation status and future development of the Company
8 January 2010	Reception room of the Company	Spot research	Jingying Fund	Operation status and future development of the Company
12 January 2010	Reception room of the Company	Spot research	Zhongxin Fund	Operation status and future development of the Company

20 January 2010	Reception room of the Company	Spot research	Jiashi Fund	Operation status and future development of the Company
3 February 2010	Reception room of the Company	Spot research	Huaan Fund、Huanshang 、Huitianfu、 Unit Securities	Operation status and future development of the Company
24 February 2010	Reception room of the Company	Spot research	East Securities、Huaxia Fund、Guolian Securities	Operation status and future development of the Company
12 March 2010	Reception room of the Company	Spot research	XinchengFund	Operation status and future development of the Company
3 June 2010	Reception room of the Company	Spot research	Dahe Capital	Operation status and future development of the Company
17 June 2010	Reception room of the Company	Spot research	Everbright Prudential、AnxinSecurities	Operation status and future development of the Company
24 June 2010	Reception room of the Company	Spot research	Zhongyin International、Huatai Securities	Operation status and future development of the Company

## **Section VII. Financial Statement**

- I. The Interim 2010 Financial Statements of the Company has not been audited.
- II. Financial Report (Supplementary I)
- III. Notes to financial statement (Supplementary II)

## **Section VIII. Document Available for Reference**

- I. The text of Interim Report bearing the signature of Chairman of the Board;
- II. The Accounting Statement bearing signatures and seals of legal representative, financial charger and accounting organ officer;
- III. All text documents disclosed in China Securities Journal, Securities Times, and Hong Kong Commercial Daily during the report period;
- IV. The text of Articles of Association of the Company.

**Chairman of the Board: Wang Weiliang**  
**Board of Directors of**  
**Weifu High-technology Co., Ltd.**  
**11 August 2010**

**Supplementary I. Financial Report (un-audited)**
**Balance Sheet**

Prepared by Weifu High-Technology Co., Ltd.

Jun.30, 2010

Unit: RMB

Items	Amount at period-end		Amount at year-begin	
	Consolidation	Parent Company	Consolidation	Parent Company
Current assets:				
Monetary funds	489,271,309.87	149,671,137.24	425,495,172.94	147,690,609.19
Settlement provisions				
Capital lent				
Transaction finance asset				
Notes receivable	852,885,922.75	377,564,496.44	453,653,565.32	213,409,328.00
Accounts receivable	1,033,649,178.02	615,165,148.12	746,386,907.24	551,362,144.36
Accounts paid in advance	51,380,415.61	37,194,159.27	40,727,577.69	22,923,823.09
Insurance receivable				
Reinsurance receivables				
Contract reserve of reinsurance receivable				
Interest receivable				
Dividend receivable	118,714,302.34	118,714,302.34	118,953,514.59	118,953,514.59
Other receivables	8,377,518.41	127,265,548.69	5,035,076.41	25,346,449.28
Purchase restituted finance asset				
Inventories	637,830,911.20	219,711,074.04	588,559,021.47	190,091,308.65
Non-current asset due within one year				
Other current assets	8,556,150.34		4,410,577.10	
Total current assets	3,200,665,708.54	1,645,285,866.14	2,383,221,412.76	1,269,777,177.16
Non-current assets:				
Granted loans and advances				
Finance asset available for sales				
Held-to-maturity investment				
Long-term account receivable				
Long-term equity investment	1,536,586,485.20	2,148,245,750.65	1,347,808,607.78	1,856,146,852.35
Investment property	5,234,888.86		480,226.64	
Fixed assets	1,112,297,423.92	602,724,252.79	1,152,721,081.59	636,153,023.49
Construction in progress	80,221,856.50	48,396,707.13	32,064,910.42	11,592,432.05
Engineering material				
Disposal of fixed asset				
Productive biological				

asset				
Oil and gas asset				
Intangible assets	70,960,358.06	27,068,871.21	72,512,044.82	27,403,978.05
Expense on Research and Development				
Goodwill				
Long-term expenses to be apportioned	6,359,119.34		1,246,567.09	
Deferred income tax asset	44,868,964.77	10,487,411.96	45,816,731.92	11,960,179.88
Other non-current asset				
Total non-current asset	2,856,529,096.65	2,836,922,993.74	2,652,650,170.26	2,543,256,465.82
Total assets	6,057,194,805.19	4,482,208,859.88	5,035,871,583.02	3,813,033,642.98

### Balance Sheet (CON.)

Prepared by Weifu High-Technology Co., Ltd.

Jun.30, 2010

Unit: RMB

Current liabilities:				
Short-term loans	792,251,906.78	740,000,000.00	532,985,925.72	466,985,925.72
Loan from central bank				
Absorbing deposit and interbank deposit				
Capital borrowed				
Transaction financial liabilities				
Notes payable	228,782,620.64	119,470,000.00	179,890,364.39	137,630,000.00
Accounts payable	1,309,568,584.62	747,337,718.52	861,714,156.40	556,506,677.80
Accounts received in advance	47,886,996.00	28,833,945.55	27,104,569.77	13,403,217.65
Selling financial asset of repurchase				
Commission charge and commission payable				
Wage payable	201,081,219.77	104,687,573.47	179,549,521.47	97,631,080.36
Taxes payable	49,394,117.42	11,909,259.89	30,359,533.71	6,972,875.05
Interest payable	170,000.00		807,622.50	620,000.00
Dividend payable				
Other accounts payable	85,135,173.96	57,087,033.61	95,854,679.34	57,502,685.46
Reinsurance payables				
Insurance contract reserve				
Security trading of agency				
Security sales of agency				
Non-current liabilities due within 1 year				



Other current liabilities	4,009,891.63	314,046.33	3,946,860.41	
Total current liabilities	2,718,280,510.82	1,809,639,577.37	1,912,213,233.71	1,337,252,462.04
Non-current liabilities:				
Long-term loans	3,000,000.00		3,000,000.00	
Bonds payable				
Long-term account payable	16,730,000.00		16,730,000.00	
Special accounts payable				
Projected liabilities		1,481,745.84		1,481,745.84
Deferred income tax liabilities				
Other non-current liabilities	12,213,100.00	4,060,000.00	11,675,000.00	4,060,000.00
Total non-current liabilities	31,943,100.00	5,541,745.84	31,405,000.00	5,541,745.84
Total liabilities	2,750,223,610.82	1,815,181,323.21	1,943,618,233.71	1,342,794,207.88
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	901,503,251.69	923,981,806.57	907,580,308.28	923,981,806.57
Less: Inventory shares				
Reasonable reserve				
Surplus public reserve	283,637,997.50	283,637,997.50	283,637,997.50	283,637,997.50
Provision of general risk				
Retained profit	1,423,283,719.51	892,131,737.60	1,104,176,257.99	695,343,636.03
Balance difference of foreign currency translation				
Total owner's equity attributable to parent company	3,175,700,963.70	2,667,027,536.67	2,862,670,558.77	2,470,239,435.10
Minority interests	131,270,230.67		229,582,790.54	
Total owner's equity	3,306,971,194.37	2,667,027,536.67	3,092,253,349.31	2,470,239,435.10
Total liabilities and owner's equity	6,057,194,805.19	4,482,208,859.88	5,035,871,583.02	3,813,033,642.98

### Profit Statement

Prepared by Weifu High-Technology Co., Ltd. Jan.-Jun., 2010

Unit: RMB

Items	Amount in this period		Amount in last period	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Total operating income	2,650,687,135.98	1,327,925,009.23	1,261,148,413.32	734,105,546.26
Including: Operating income	2,650,687,135.98	1,327,925,009.23	1,261,148,413.32	734,105,546.26
Interest income				
Insurance gained				
Commission charge and commission income				

II. Total operating cost	2,484,124,898.09	1,301,797,886.46	1,208,849,081.68	724,823,765.42
Including: Operating cost	2,093,055,787.60	1,170,004,402.17	1,037,201,767.49	656,684,631.88
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	16,291,617.38	6,433,506.73	8,644,301.39	3,439,770.72
Sales expenses	75,256,111.83	37,610,680.96	27,190,285.68	16,713,941.58
Administration expenses	291,306,504.33	85,142,336.99	120,479,784.86	35,503,558.94
Financial expenses	17,439,278.30	12,598,125.00	15,186,243.79	13,007,373.51
Losses of devaluation of asset	-9,224,401.35	-9,991,165.39	146,698.47	-525,511.21
Add: Changing income of fair value(Loss is listed with “-”)				
Investment income (Loss is listed with “-”)	201,917,998.72	178,193,119.57	50,237,886.95	74,864,946.23
Including: Investment income on affiliated company and joint venture	200,107,998.72	176,383,119.57	49,337,886.95	40,454,774.35
Exchange income (Loss is listed with “-”)				
III. Operating profit (Loss is listed with “-”)	368,480,236.61	204,320,242.34	102,537,218.59	84,146,727.07
Add: Non-operating income	672,941.34	385,891.83	3,432,978.71	104,569.88
Less: Non-operating expense	7,603,886.52	4,973,495.20	3,515,988.31	2,407,479.66
Including: Disposal loss of non-current asset	3,955,948.67	3,136,382.19	1,578,073.93	1,418,046.11
IV. Total Profit (Loss is listed with “-”)	361,549,291.43	199,732,638.97	102,454,208.99	81,843,817.29
Less: Income tax expense	25,056,036.34	2,944,537.40	8,248,563.39	-34,154.05
V. Net profit (Net loss is listed with “-”)	336,493,255.09	196,788,101.57	94,205,645.60	81,877,971.34
Net profit attributable to owner’s of parent company	319,107,461.52	196,788,101.57	87,842,946.80	81,877,971.34
Minority shareholders’	17,385,793.57		6,362,698.80	

gains and losses				
VI. Earnings per share				
i. Basic earnings per share	0.56	0.35	0.15	0.14
ii. Diluted earnings per share	0.56	0.35	0.15	0.14
VII、 Other comprehensive income				
VIII、 Total comprehensive income	336,493,255.09	196,788,101.57	94,205,645.60	81,877,971.34
Total comprehensive income attributable to owners of parent company	319,107,461.52	196,788,101.57	87,842,946.80	81,877,971.34
Total comprehensive income attributable to a few shareholders	17,385,793.57		6,362,698.80	

### Cash Flow Statement

Prepared by Weifu High-Technology Co., Ltd.

Jan.-Jun., 2010

Unit: RMB

Items	Amount in this period		Amount in last period	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Cash flows arising from operating activities:				
Cash received from selling commodities and providing labor services	1,846,936,620.16	1,234,026,176.66	1,215,432,954.86	781,653,438.71
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	8,782,547.76		12,041,064.74	
Other cash received	8,590,049.83	4,854,255.88	13,949,605.17	12,089,232.02

concerning operating activities				
Subtotal of cash inflow arising from operating activities	1,864,309,217.75	1,238,880,432.54	1,241,423,624.77	793,742,670.73
Cash paid for purchasing commodities and receiving labor service	1,376,818,187.49	1,138,742,380.50	830,438,191.11	493,572,114.75
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	218,927,995.72	98,598,556.63	145,799,411.44	66,598,030.34
Taxes paid	189,330,563.69	68,043,762.87	96,388,954.92	34,265,879.71
Other cash paid concerning operating activities	93,167,886.76	38,660,315.63	50,988,130.15	22,741,901.90
Subtotal of cash outflow arising from operating activities	1,878,244,633.66	1,344,045,015.63	1,123,614,687.62	617,177,926.70
Net cash flows arising from operating activities	-13,935,415.91	-105,164,583.09	117,808,937.15	176,564,744.03
II. Cash flows arising from investing activities:				
Cash received from recovering investment				
Cash received from investment income	13,379,333.52	13,379,333.52	900,000.00	11,750,323.36
Net cash received from disposal of fixed, intangible and other long-term assets	12,123,918.21	7,665,524.53	4,275,129.34	1,605,612.50
Net cash received from disposal of subsidiaries and other units				
Other cash received concerning investing activities				
Subtotal of cash inflow from investing activities	25,503,251.73	21,044,858.05	5,175,129.34	13,355,935.86
Cash paid for purchasing fixed, intangible and other long-term assets	100,113,353.54	47,833,488.20	55,635,824.60	25,412,480.15
Cash paid for investment	123,265,900.00	127,045,900.00	5,000,000.00	5,000,000.00
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	223,379,253.54	174,879,388.20	60,635,824.60	30,412,480.15
Net cash flows arising from investing activities	-197,876,001.81	-153,834,530.15	-55,460,695.26	-17,056,544.29
III. Cash flows arising from financing activities				
Cash received from absorbing investment	1,490,490.00			
Including: Cash received from absorbing minority shareholders' investment by subsidiaries	1,490,490.00			
Cash received from loans	1,069,864,006.14	1,017,612,099.36	711,000,000.00	510,000,000.00
Cash received from issuing bonds				
Other cash received concerning financing activities				
Subtotal of cash inflow from financing activities	1,071,354,496.14	1,017,612,099.36	711,000,000.00	510,000,000.00
Cash paid for settling debts	810,598,025.08	744,598,025.08	806,036,725.49	605,000,000.00
Cash paid for dividend and profit distributing or interest paying	15,613,973.26	14,134,432.99	94,163,324.75	88,418,801.64
Including: Dividend and profit of minority shareholder paid by subsidiaries				
Other cash paid concerning financing activities	2,265,668.46			
Subtotal of cash outflow from financing activities	828,477,666.80	758,732,458.07	900,200,050.24	693,418,801.64
Net cash flows arising from financing activities	242,876,829.34	258,879,641.29	-189,200,050.24	-183,418,801.64
IV. Influence on cash due to fluctuation in exchange rate				
V. Net increase of cash and cash equivalents	31,065,411.62	-119,471.95	-126,851,808.35	-23,910,601.90
Add: Balance of cash and cash equivalents at the period -begin	327,527,351.45	85,790,609.19	495,284,817.23	141,771,078.18
VI. Balance of cash and cash equivalents at the period-end	358,592,763.07	85,671,137.24	368,433,008.88	117,860,476.28

## Consolidated Statement on Changes of Owners' Equity

Prepared by Weifu High-Technology Co., Ltd.

Jun. 30, 2010

Unit: RMB

[illegible]

paid in shares										
3. Others		-6,077,056.59							-115,698,353.44	-121,775,410.03
(IV) Profit distribution										
1. Withdrawal of surplus reserves										
2. Withdrawal of general risk provisions										
3. Distribution for owners (shareholders)										
4 . Other										
(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 surplus reserve										
4 . Other										
( VI ) Special reserve										
1 . Withdrawal in this period										
2 . Usage in this period										
IV. Balance at the end of the report period	567,275,995.00	901,503,251.69			283,637,997.50		1,423,283,719.51		131,270,230.67	3,306,971,194.37

## Consolidated Statement on Changes of Owners' Equity(CON.)

Prepared by Weifu High-Technology Co., Ltd.

Jun. 30, 2010

Unit: RMB

Items	Amount in last year								
	Owners' equity attributable to the parent company								Minority's equity
	Paid-up capital (Share capital)	Capital reserves	Less: Treas ury Stock	Reas onab le reser ve	Surplus reserves	Genera l risk provisi on	Retained profit	Ot he rs	
I. Balance at the end of last year	567,275,995.00	907,580,308.28			262,439,505.87		769,048,706.26		220,556,514.26
Add: Changes of accounting policy									
Error correction of the last period									
Others									
II. Balance at the beginning of this year	567,275,995.00	907,580,308.28			262,439,505.87		769,048,706.26		220,556,514.26
III. Increase/ Decrease in this year (Decrease is listed with "-")							-4,055,764.39		-1,872,208.61
(I) Net profit							87,842,946.80		6,362,698.80
( II ) Other general revenue									
Sub-total of the above (I) and (II)							87,842,946.80		6,362,698.80
(III) Owners' devoted and decreased capital									
1. Owners' devoted capital									
2. Amount calculated									



into owners' equity paid in shares										
3. Others										
(IV) Profit distribution							-91,898,711.19		-8,234,907.41	-100,133,618.60
1. Withdrawal of surplus reserves										
2. Withdrawal of general risk provisions										
3. Distribution for owners (shareholders)							-91,898,711.19		-8,234,907.41	-100,133,618.60
4. Other										
(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 surplus reserve										
4. Other										
(VI) Reasonable reserve										
1. Withdrawal in this period										
2. Usage in this period										
IV. Balance at the end of the report period	567,275,995.00	907,580,308.28			262,439,505.87		764,992,941.87		218,684,305.65	2,720,973,056.67

## Statement on Changes of Owners' Equity of Parent Company

Prepared by Weifu High-Technology Co., Ltd.

Jan.-Jun., 2010

Unit: RMB

Items	Amount in this report period							
	Paid-up capital (Share capital)	Capital reserves	Less: Treas ury Stock	Reas onab le reser ve	Surplus reserves	General risk reserve	Retained profit	Total owners' equity
I. Balance at the end of last year	567,275,995.00	923,981,806.57			283,637,997.50		695,343,636.03	2,470,239,435.10
Add: Changes of accounting policy								
Error correction of the last period								
Others								
II. Balance at the beginning of this year	567,275,995.00	923,981,806.57			283,637,997.50		695,343,636.03	2,470,239,435.10
III. Increase/ Decrease in this year (Decrease is listed with "-")							196,788,101.57	196,788,101.57
(I) Net profit							196,788,101.57	196,788,101.57
( 2 ) Other comprehensive income								
Subtotal of the above (1)and (2)							196,788,101.57	196,788,101.57
(III) Owners' devoted and decreased capital								
1. Owners' devoted 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 reserve								
3. Distribution for owners (shareholders)								
4. Others								
(V) Carrying forward internal owners' equity								
1. Capital reserves conversed to capital (share capital)								
2. Surplus reserves conversed to capital (share capital)								
3. Remedying loss with surplus reserves								
4. Others								
( VI ) Special reserve								
1 . Withdrawal in this period								
2 . Usage in this period								
IV. Balance at the end of the report period	567,275,995.00	923,981,806.57			283,637,997.50		892,131,737.60	2,667,027,536.67

## Statement on Changes of Owners' Equity of Parent Company(CON.)

Prepared by Weifu High-Technology Co., Ltd.

Jan.-Jun., 2010

Unit: RMB

Items	Amount in the first half year							
	Paid-up capital (Share capital)		Paid-up p capital (Share capital )		Paid-up capital (Share capital)		Paid-up capital (Share capital)	
I. Balance at the end of last year	567,275,995.00	923,981,806.57			262,439,505.87		437,920,412.74	2,191,617,720.18
Add: Changes of accounting policy								
Error correction of the last period								
Others								
II. Balance at the beginning of this year	567,275,995.00	923,981,806.57			262,439,505.87		437,920,412.74	2,191,617,720.18
III. Increase/ Decrease in this year (Decrease is listed with "-")							-10,020,739.85	-10,020,739.85
(I) Net profit							81,877,971.34	81,877,971.34
( 2 ) Other comprehensive income								
Subtotal of the above (1)and (2)							81,877,971.34	81,877,971.34
(III) Owners' devoted and decreased capital								
1. Owners' devoted capital								
2. Amount calculated into owners' equity paid in shares								
3. Others								

(IV) Profit distribution							-91,898,711.19	-91,898,711.19
1. Withdrawal of surplus reserves								
2 . Withdrawal of general risk reserve								
3. Distribution for owners (shareholders)							-91,898,711.19	-91,898,711.19
4. Others								
(V) Carrying forward internal owners' equity								
1. Capital reserves conversed to capital (share capital)								
2. Surplus reserves conversed to capital (share capital)								
3. Remedying loss with surplus reserves								
4. Others								
( VI ) Special reserve								
1 . Withdrawal in this period								
2 . Usage in this period								
IV. Balance at the end of the report period	567,275,995.00	923,981,806.57			262,439,505.87		427,899,672.89	2,181,596,980.33

**Note 1: Basic information of the Company****1. Historical Evolution of the Company**

By the approval of STGS (1992) No. 130 issued by Jiangsu Economic Restructuring Committee (hereinafter referred to as Jiangsu ERC), 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 3200001103404. 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 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, 2006.

On 27<sup>th</sup> May 2009, Weifu Group, complying with the above Share Merger Reform and taking the A shares before the Reform as the basic, arranged the distribution of 0.5 share per 10 shares by valuable consideration, with the actual additional distribution of 14,039,979 shares. After the additional distribution, the Weifu Group held 100,021,999 shares, namely 17.63% of the Company’s total share capital.

Pursuant to <Approval of Merge of Wuxi Weifu Group Co., Ltd. into Wuxi Industry Development Group Co., Ltd.> of State-owned Assets Supervision and Administration Commission of Wuxi Municipality of People (Wuxi SASAC Corporate No. 46 [2009]), Wuxi Industry Development Group Co., Ltd. (hereafter referred as ‘Wuxi Industry Group’) absorbed and merged Weifu Group; upon the merge and then the cancellation of Weifu Group, Wuxi Industry Group inherited Weifu Group’s assets and liabilities and debts and became the first largest shareholder of the Company.

## 2. Registered address, organization structure and headquarter of the Company

Registered address and headquarter: Wuxi City, Jiangsu Province  
Boards of shareholders, directors and supervisors are set up.  
Subordinately set up were departments and subsidiaries as departments of executive, personnel, operation & sales, accounting control, project procurement, and divisions of MS (precision machine), AC (auto parts) and institution of project technology research, and subsidiaries as Wuxi Flead Purifier and Catalytic Converter Co., Ltd., (hereafter referred as Flead), Nanjing Weifu Jinning Co., Ltd. (hereafter referred as Weifu Jinning), Wuxi Weifu Diesel System Co., Ltd. (hereafter referred as Weifu Diesel System).

## 3. Business nature and main business of the Company

Business scope of the Parent Company: production of internal combustion engine (I. C. engine) fuel system products, testing instrument and equipment; sales of energy utility machine, hardware power and chemical products and material (dangerous chemical products excluded), auto parts, autos (9-seat-below passenger car excluded), service of I.C. engine, technology development and consultation in machine industry; self-support and agency of import and export of all products and technology (products and technology restricted or forbidden by the state excluded).  
Production and sales of the I.C. engine parts, auto parts, muffler, purifier, respectively by the main subsidiaries.

## 4. Approval entity and date of presentation of Financial Statements

The Financial Report was approved to present by the Company's Board of Directors on 9<sup>th</sup> August 2010.

## Note2: Main accounting policies, estimation and previous errors

### 1. Preparation basis of Financial Statements

Recognitions and measurements of the Financial Statements are based on continual operations, in line with actual transactions and events, and pursuant to the corporate accounting principles and application guidance promulgated by the Treasury Ministry on 15<sup>th</sup> February 2010, while presentation of the Statements pursuant to *Corporate Accounting Principle No. 30—Presentation of Financial Statements*.

### 2. Declaration of obedience to corporate accounting principles

The Financial Statements are up to requirements of corporate accounting principle, a true and thorough reflection to the Company's financial information as financial position, operation results, and cash flow.

### 3. Accounting period

The accounting period is divided as the annual and interim ones, with the former from 1<sup>st</sup> January to 31<sup>st</sup> December of Gregorian calendar, the latter as monthly, quarterly and semi-annual.

### 4. Bookkeeping standard currency

The RMB is taken as the bookkeeping standard money.

### 5. Accounting methods for consolidation of enterprises under the same control or otherwise

(1) Consolidation of enterprises under the same control  
Consolidation of enterprises under the same control: Measured by the book value are consolidation consideration value paid by and net assets received by the consolidating party. The difference between the book value of the net assets and the consideration value with total book value of stock is used for reserve adjustment while it is used for retained earnings adjustment as not sufficient for eat up part of reserve. Directly related expenses for corporate combination are reckoned into the current loss/gain as service charge and brokerage of equity shares or bonds offering are into initial measurement of shareholders' equity/liability.

## (2) Consolidation of enterprises not under the same control

Consolidation of enterprises not under the same control: Measured by fair value is consolidation cost and recognized assets of the purchaser. The plus difference between fair values of the consolidation cost and the recognized net assets is recognized as business fame while the minus one is reckoned into current loss/gain. Directly related expenses for corporate combination are reckoned into cost as service charge and brokerage of equity shares or bonds offering are into initial measurement of shareholders' equity/liability.

## **6. Preparation methods for corporate consolidated statements**

Consolidation scope in consolidated financial statements includes the Company and subsidiaries.

The Company starts to consolidate subsidiaries from the day of obtaining the actual control over them; and the Company ceases consolidation from the day of loss of the control. Balance and profit of all substantive intra-group dealings and transactions are set off in preparation of consolidated financial statements. Shareholders' equity in subsidiaries not attributable to the Company, is listed specifically in minority shareholders' equity in the consolidated financial statement.

As for inconsistency in accounting policies and periods between the Company and subsidiaries, the subsidiaries' financial statements are adjusted and consolidated according to the Company's.

As for subsidiaries obtained by consolidation of enterprises not under the same control, several statements are adjusted on the basis of fair value of the recognized net assets on that purchasing day. As for subsidiaries obtained by consolidation of enterprises under the same control, the participants in consolidation are taken existent in the present state, namely time of the actual control.

## **7. Determination criteria of cash equivalent in cash flow statements**

Cash equivalents are investment of short-term (generally due within 3 months from the purchase day), strong mobility and easy transfer to known sum cash, and slight risk of value vibration.

## **8. Foreign currency exchange**

Upon foreign currency exchange, the accounts are kept on the basis of the current rate of the trading day. The actual foreign currency exchange or related transaction is converted at the actual exchange rate (namely bank buy-in or sell-out one).

Principles of differentiation of foreign monetary items and non-monetary items on the assets/liabilities statements' day, are as follows:

Foreign monetary items are converted at the current rate on the assets/liabilities statements' day, and items in the normal business period reckoned into the current loss/gain. Exchange loss/gain from borrowing related to constitution of capital assets, is based upon the principle of borrowing expense capitalization. Monetary items are currency capital held by the Company or assets taken or liabilities paid at fixed or certain sum, composed of inventory cash, bank deposit, account receivable, other account receivable, long-term account receivable, short-term borrowing, account payable, other account payable, long-term borrowing, bond payable and long-term payable.

Foreign non-monetary items are converted at current rate of the trading day without the change of the bookkeeping standard currency. Non- monetary items are items to exclusion of monetary items.

Foreign non-monetary items are converted at current exchange rate on the day of recognition by fair value; upon conversion, the difference between the converted sum and the original sum is taken as fair value vibration (exchange rate included) and reckoned into the current loss/gain.

## **9. Financial instruments**

### (1) Recognition of financial assets

When the Company becomes a party of financial instrument contract, confirm an item of financial assets or financial liabilities. The termination of the contract has to be up to one of the following conditions:



① termination of the contract right of acquiring cash flow of financial assets;

② the financial assets already transferred and up to the conditions of transfer of financial assets stipulated in the *Corporate Accounting Standards No. 23--Transfer of Financial Assets*.

Upon the termination of all or part of the current obligation, termination of recognition of all or part of the financial liabilities is available.

#### (2) Categories and measurement of financial assets and liabilities

According to the investment purpose and economy substance, financial assets are divided into four categories as tradable financial assets, financial assets available for sale, account receivable, and investment held due. Among that, financial assets are measured at fair value and the changes reckoned into current gain factor/loss; financial assets available for sale measured at fair value and changes in fair value into shareholders' equity; account receivable and investment held due measured by diluted cost.

According to the economy substance, the financial liabilities responsible for are divided into two categories as ones measured at fair value and reckoned into the current loss/gain, and measured by diluted cost.

#### (3) Recognition of fair value of financial assets and liabilities

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) Recognition and measurement of transfer of financial assets

Transfer of the financial assets is that the Company gives out to the third party besides the offering party of financial assets. The transferred part can be part or all of the financial assets. That is composed of two forms:

① Transfer of the right to take the financial assets cash flow;

② Transfer of financial assets but retaining of right to take the financial assets cash flow and take the duty of taking the cash flow to pay for the final receiver.

As the Company has transferred to the transferring-in part nearly all risk and compensation of all or part of the financial assets, termination of recognition of all or part of the financial parts is available, and difference between consideration value received and book value of the transferred financial assets is recognized as loss/gain, and originally recognized accumulated profit/loss of financial assets in the owners' equity transferred into gain/loss. As nearly all risk and compensation are retained, the recognition of all or part of the financial assets continues, and received consideration value were recognized as financial liabilities.

As for financial assets of almost all risk and compensation neither transferred nor retained, and without the give-up of the control over the financial assets, it was recognized according to the extension of the continual entry into the transferred financial assets and relevant liabilities are correspondingly recognized.

#### (5) Termination of recognition of financial assets and liabilities

Termination of financial assets recognition is up to the one of the following conditions:

① Termination of the contract right to take the cash flow of the financial assets;

② Transfer of the financial assets up to the conditions of termination of recognition of financial assets stipulated in *Corporate Accounting Principles No.23—Transfer of Financial Assets*.

Only is released all or part of actual duties of financial liabilities, termination of recognition of all or part of financial liabilities is available.

#### (6) Impairment of financial assets

On the asset/liabilities day, besides check on book value of financial asset to exclusion of tradable financial assets, preparation for assets impairment is made if there is objective evidence to prove impairment. There is need for impairment test for single substantive financial assets. As for single small financial assets or financial assets with the test results of no occasion of impairment, the Company may make impairment test in credit portfolio according to the customer's credit and actual state of bad debts in the previous years to recognize the impairment.

The objective evidence for occurrence of financial assets impairment is events which actually occurred after the initial recognition of financial assets, impacted the future expected cash flow, and influence of which can be measured reliably by the Company. Objective evidence includes:

A. Severe financial difficulties of offering part or debtor;

B. Breach of the contract, as in payment of interest or principal or payment overdue

Recession making for debtors by creditors inconsideration of economic or legal factors;

Probable bankruptcy or other financial restructuring of debtors;

Incapability of trading the financial assets in the market as the offering party's substantive financial difficulties;

Incapability of recognize whether cash flow of certain assets decreases or not but the discovery after the general evaluation that as can be measured, the expected future cash flow surely decreases since the initial recognition;

Material unfavorable changes in the debtor's operation environment of technology, market, economy and law;

Severe or permanent fall-down in fair value of equity instrument investment

Other objective evidence to prove the impairment

Loss of impairment of financial assets measured by diluted cost is measured by the difference between the book value and value of expected future cash flow discounted at actual original rate.

After the recognition of impairment of the above assets, if there is objective evidence to show that the asset has recovered, which is related to events following up the loss, the previous impairment loss is taken back.

As for impairment of financial assets available for sale, accumulated loss from decrease of fair value, which was directly reckoned into owners' equity, is transferred out into the current gain/loss.

## **10. Account receivable**

(1) Recognition standards and accrual methods of bad account preparation for single substantive account receivable:

Recognition standards of bad account preparation for single substantive account receivable	The single account receivable above 100 million is recognized as single substantive account receivable. The single substantive account receivable with the debtor bankrupt or dead, can not be taken back even with the bankruptcy or remained assets or of over-3-year over-due payment is recognized as bad debt.
Recognition standards and accrual methods of bad account preparation for single substantive account receivable	The single substantive account receivable which cannot be directly recognized as bad debt, is accrued as provision for bad debt according to the book aging analysis. The single substantive account receivable which can be directly recognized as bad debt, is accrued as provision for bad debt at 100% proportion.

(2) Recognition standards and accrual methods of bad account preparation for account receivables as not substantive singly but rather risky portfolio

Recognition criteria of credit risk portfolio	Account receivable which is singly not substantive receivable with the debtor bankrupt or dead, can not be taken back even with the bankruptcy or remained assets or of over-3-year over-due payment is recognized as bad debt.		
Accrual methods for credit portfolio			
Accrual percentage proportion of account receivable ( % )	100%	Accrual percentage proportion of other account receivable ( % )	100%

(3) Aging analysis of accounts

Aging	Accrual proportion of account receivable	Accrual proportion of other account receivable
Within 6 months	Not accrued	Not accrued
6 months—1 year	10%	10%
1 year—2 years	20%	20%
2 year—3 years	40%	40%
Above 3 years	100%	100%
Explanation	The loss of bad debts is audited by allowance. The single substantive account receivable is tested singly. The singly small account receivables of high risk portfolio are accrued based on the difference between the book value and value of expected future cash flow. Accounts singly not substantive and without impairment, Accounts singly not substantive, without credit risk portfolio are accrued by period-end aging. Accrued bad debt provisions are reckoned into the current loss/gain.	

## 11. Inventory

(1) Categories of inventory

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

(2) Valuation method of inventory delivered

A. 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.  
 B. Being products is measured at the actual cost while being transferred into the products upon transfer.  
 C. Self –support products are measured by the actual cost; goods foreign purchased (import-export trade) is transferred into sales cost individually.

(3) Recognition basis of net realizable value of inventory, and accrual methods of preparation 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, draw depreciation provision and calculate into profit and loss of current period according to the balance of net realizable value lowered than the book cost of single material for the inventory with various quantity and low single price.  
 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 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

(4) Inventory system

Adopt perpetual inventory system.

(5) Dilution methods of low-value consumables

One-time dilution as utilization.

## 12. Long-term stock investment

### (1) Recognition of initial investment cost

The long-term equity investment includes: the Company's equity investment in subsidiaries, joint enterprises, affiliated enterprises as well as equity investment in invested units without control or common control over or significant impact which is not quoted in the active market and fair value of which cannot be reliably measured.

Methods of the initial investment cost of the long-term stock investment are different according to ways of reception.

① 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.

② 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.

3) 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) Follow-up measurement and gain/loss recognition

#### ① Investment in subsidiaries audited in cost

Subsidiaries are equity investment held by the Company able to executive control over the invested units. If the Company has over 50% stock in certain entity or less than 50% but the Company can control the entity, the entity is the Company's subsidiaries.

#### ② Investment in joint or affiliated enterprises audited in equity

The joint enterprise is equity investment held by the Company and able to execute common control over the invested units with the other joint parts. The affiliated enterprise is equity investment held by the Company and able to executive significant impact on the invested units. If the company has the 20%-50% stock and with no substantial control over the entity, or less than 20% stock and with significant impact on it, the entity is the Company's joint or affiliated enterprise.

#### ③ Equity investment without control, common control or significant impact

Long-term equity investment with no quotation in the active market or reliable measurement

of the fair value, is audited in cost.

Long-term equity investment with no quotation in the active market but reliable measurement of the fair value, is presented in items of sales of financial assets, audited at fair value, and the fair value is reckoned into shareholders' equity.

**(3) Recognition basis of common control over and significant impact on invested unit**

The common control over the invested units is the common control over certain economic activity according to the contract.

**(4) Method of impairment test and accrual**

As there are clues of impairment of long-term equity investment after the Company's Period-end check, it is necessary to estimate the sum that can be taken back. As the sum is lower than the book value, the provision for the impairment of the long-term is accrued.

As for the long-term stock investment without quotation in the active market or a reliable measurement, if the book value is lower than the sum of discount of the future cash flow according to the market return similar to the financial assets, the difference is recognized as loss of impairment and reckoned into the current loss/gain.

As for long-term equity investment besides financial assets available for sale, once the impairment provision is accrued, it is not transferred back in the asset duration period; however, loss of impairment of financial assets available for sale is able to be transferred back by equity.

### **13. Investment property**

Investment property was included in entry value according to its cost. Including, the costs of external investment property comprise purchase price, relevant taxes and other expense directly attributable to this asset; the cost of self-built investment property consists of necessary expense for construction of this asset before it reaches a state of being predicted usable; investment property the investors invested was included in entry value according to the agreed value on investment contract or term, but it will be included in accounts if the agreed value is not fair.

The Company adopts cost model to make subsequent valuation of investment property, the depreciation and amortization will be calculated in line way according to predicted life expectancy of assets.

Provision for accrue of investment property devaluation should conform to method of provision for accrue of relevant fixed assets.

### **14. Fixed assets**

**( 1 ) Confirmation terms of fixed assets**

Fixed assets refer to housing and building, machinery appliance, transport equipment and other equipments relevant to administration which were held for over one year for goods production, labors offers, leasing or administration. Economic interests related to this fixed asset have possibility to flow into the Company, and it will be confirmed as fixed asset if the cost of this fixed asset can be calculated accountably.

**(2) Depreciation method of various fixed assets**

Fixed assets	Depreciation age limit	Residual values	Annual depreciation rates
Housings	35 years	5%	2.71%
Buildings and	20 years	5%	4.75%

constructions			
Machinery Equipment	10 years	5%	9.50%
Transportation equipments	4 years	5%	23.75%
Electronic Equipment	3 years	5%	31.67%
Other Equipment	5-10 years	5%	9.50%-19.00%

### ( 3 ) Impairment testing, impairment provisioning methodology of fixed assets

At the end of the fixed assets of the company to check if the following conditions are found, then the calculation of the recoverable amount of fixed assets to determine whether the asset is impaired. The recoverable amount is lower than its book value of fixed assets, the recoverable amount of the asset below its book value of the difference between impaired. Provision for accrued time according to the individual assets, individual assets is difficult to estimate the recoverable amount, the assets owned by the group of assets based on accrual. Provision for impairment upon, the duration of the assets is not reversed.

- ① substantially fixed price has declined significantly higher than that due to the passage of time or normal use is expected to decline
- ② the obsolescence of fixed assets have been damaged or its physical
- ③ Fixed assets is expected to use the material adverse change in the way, such as the fixed assets have been or will be idle, business plan termination or restructuring of business which the asset belongs, ahead of situations such as disposal of assets, which have a negative impact on the enterprise;c
- ④ business in their economic, technical or legal environment and market in which the fixed assets in the current period or significant change in the near future to have a negative impact on the enterprise;
- ⑤ the same period in market interest rates or other market rates of return in the current period has increased, thus affecting the enterprise computing assets, the present value of expected future cash flows discount rate, resulting in a significant reduction in the recoverable amount of assets;
- ⑥ internal report evidence that the economic performance has been lower than fixed or will be lower than expected, such as the fixed assets created by the realization of net cash flow or operating profit (or loss) is far below (or above) the estimated amount of ;
- ⑦ Other signs

### ( 4 ) Identification basis and the valuation method of fixed assets financed by leasing,

The Company will comply with the following one or more standards, as a finance lease of fixed assets

- ① has been agreed in the lease contract (or the inception of the lease to make reasonable judgments under the relevant conditions), the lease expires, ownership of leased fixed assets can be transferred to the Company;
- ② The company has option to buy leasing of fixed assets, the established purchase price will be much Diyuxingshi Yuji right choice of the fair value of leased fixed assets, thus inception of the lease it is reasonably certain the company will exercise the option ;;

③ not even transfer the ownership of fixed assets, but the lease on the life of the leased fixed assets of 75% or more;

④ the company's inception of the lease the present value of minimum lease payments, the equivalent of leased fixed assets fair value of 90% or more; the lessor at the inception of the lease the present value of minimum lease receipts, equivalent to inception of the lease the fair rental value of fixed assets 90% or more;

⑤ the special nature of the leased asset, if not for a larger transformation, only the company can use.

⑥ finance lease rental income of the fixed assets, leased assets, fair value and present value of minimum lease payments, whichever is lower, as the recorded value.

## **15. Projects in construction**

The calculation method of construction in progress and the confirmation standard and the withdrawing method of provision for the devaluation of construction in progress

1. The confirmation of construction in progress carrying forward into fixed asset

When construction engineering in process has reached the scheduled state in commission, and has proceeded the final accounts of completing, validate all the actual expenses as the fixed asset; if the fixed asset has reached the scheduled state in commission without proceeding the final accounts of completing, validate the cost and provide the devaluation, and adjust the original provisional estimated value according to the actual costs after finishing the final accounts of completing, without adjusting the original withdrawal devaluation.

2. Devaluation provision of construction in progress

Completely check over the construction in progress at the end of the period. If some evidence show that the construction in progress has depreciated, the provision of devaluation preparation of the construction in progress will be calculated into the losses and gains in current period. In general, provide the devaluation provision of the construction in progress when existing one or several situations as follows:

i. The construction in progress ceased for a long time and will not start working again in the following 3 years;

ii. The construction in progress has dropped behind either in performance or in technology, and its economic benefits have much uncertainty;

iii. Other situations which shows that the construction in progress had happened devaluation.

## **16. loan expenses**

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.

The amortization of the interest, discount or premium and exchange difference from the specific loan from purchasing fixed assets, if meeting the following three conditions, loan expenses should be capitalized.

① Asset disburse has been occurred.

② The borrowing costs has already incurred.

③ Purchase construction activity for achieving the asset utility condition has started.

Other loan interest, amortization of reduction price and premium price and the exchange balance from foreign currency loan should be deemed as expenses of the period while they occur.

(2) Where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the enterprise shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted

average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used. Auxiliary expense of general loan should be counted into current loss and interest.

(3) To determine capitalized amount : Capitalized interest for purchasing fixed asset at the end of the current period is the accumulated expense and weight average asset multiplied capitalization rate. And the capitalization rate is determined by following principles :

① Interest of the specialized loan for purchasing fixed assets is the capitalization rate ;

② Above single specialized loan for purchasing fixed assets, the capitalization rate is the weighted average interest rate of these general borrowings.

(4) Temporary stop of capitalization: If the purchase and building activities for fixed assets stop abnormally and the interruption interval exceeds three months, the capitalization of borrowing cost should be stopped temporarily and deemed as the expenses of current period until the re-start of purchasing and building activities for assets.

(5) Stop of capitalization: When the purchased fixed assets have reached the expected serviceable condition, stop the capitalization of borrowing cost.

## 17. Intangible assets

Intangible assets pricing and amortization policy, the confirmation standard and withdrawing method of the provision for the devaluation of intangible asset

### 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:

① Completing this intangible asset to make it workable or tradable is technically feasible;

② Have the intention of completing this intangible asset and using or selling it;

③ 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;

④ 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;

⑤ 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 land use right of the Company and subsidiaries take average amortization in accordance with residual usage years.

iv. 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; computer software would be amortized as per 5 years.

v. 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.

#### **18.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.

#### **19.Projected liabilities**

( 1 ) Confirmation principle :

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.

The estimated debts shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation. To determine the best estimate, an enterprise shall take into full consideration of the risks, uncertainty, time value of money, and other factors pertinent to the Contingencies.

The company shall check the book value of the estimated debts on the balance sheet date. If there is any exact evidence indicating that the book value cannot really reflect the current best estimate, the enterprise shall adjust the book value in accordance with the current best estimate.

#### **20.Income**

The company's operating revenues include sales of merchandise revenue.

( 1 ) Confirmation principle of sales of merchandise revenue :

- ① Main risks or remuneration in ownership of commodity are transferred to purchaser,
- ② No reservations are usually associated with ownership to management, The Company did not implement continuous management or actual control on that commodity;
- ③ the income and cost from selling that commodity could be reliably measured
- ④ related economic benefits are likely to flow to the enterprise;
- ⑤ Related costs occurred or which will occur can be measured reliably.

( 2 ) . Confirmation principle of 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 ) Confirmation principle of 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.

## **21. Government subsidy**

Government subsidy concerning the income, if compensating the relevant expenses or losses in later periods, than recognized as deferred income and reckoned into current gains and loss; if compensating the relevant expenses or losses that the Company had been occurred, than reckoned into current gains and losses directly.

Government subsidy concerning the assets recognized as deferred income and distributed average in the assets' use life reckoned into current gains and losses. But the government subsidy measured base on the notional sum will accounted into current gains and losses directly.

## **22. Deferred income tax assets and deferred income tax liabilities**

The difference between the book value of assets/liabilities and the calculated taxes, the proper tax rate of the predict recoverable assets or predict liabilities payment will calculated recognized the deferred income tax or deferred income liabilities.

The recognized deferred income tax assets has the limitation on the payable taxes of deductible provisional difference. At balance sheet day, if the provisional differences may neither be written back in an expectable future, or may not possible obtain taxable income used to deduct the provisional difference, are not recognized as relative deferred income tax assets.

At the balance sheet day, verification will be performed on the book value of deferred income tax assets. If it is no possible to obtain enough taxable income to neutralize the benefit of deferred income tax assets, then the book value of the deferred income tax assets shall be reduced. Whenever obtaining of taxable income became possible, the reduced amount shall be restored.

## **23. Rental**

Financing rental refers to the renting of whether the ownership have been transferred but in material, transferring all risk and rewards of the assets.

The financing assets will be accounted by the lower amount in the fair value of rental assets at leasing day and the minimum rental. The minimum rental was the book value of long-term payables, the difference between them are recognized as un-decided financing expenses. The initial expenses from financing rental will calculated directly into value of rented asset. The assets from financing rental will withdrawal the depreciation and

impairment provisions under the regulation of the Company.

If there are reasonable ways to obtaining the ownership of the rental assets in renting terms, the rental assets will withdraw the depreciation in predict life. Otherwise, withdraw the depreciation based on the shorter tems between the rental term and rental predict life.

Concerning the un-recognized financial expenses, the Company will allocate it based on actual reate during every reantal terms, and handle accordance with eth loan expenses.

At balance sheet day, financing-related long-tern payable less the difeerence of unrecognized financial expenses, and listed respectively under the items of financing renatal payables and non-current liabilities due within oen year.

Operational rental refers to the rental except the financing rental. The rental expense ofoperational renatal in the rentalling period will recognized as relevant assets cost or expensed based on the direct line method.

#### **24. other major accounting policy, accounting estimation and preparation of financial statement**

##### **(1) Goodwill**

Concerning the enterprise merger under with differenct common control, the difference between the merger cost and recognizable net assets' fair value of the purchasee will recognized as goodwill, and practice impairment testing according to relevant regulations.

##### **( 2 ) Wages**

Wages including: salary, bonus, subsidy and warefare; employee welfare; old-age insurance, job-less insurance, job-related injured insurance etc social insurance; residential public reserve; labor unin expenses and employee's educational expense; non-currency welfare; compensation from the labor contract determination and other expense that as the recuturn of receiving service form employees.

In the accounting period where the employee providing services in the Company, the wages payable recognized as liabilities. Except for the compensation paid for labor contract termination, based on the beneficiary of the service providing respectively accounted into fixed assets cost, intangible assts cost, production cost or labor cost. Except the abovementioned wages reckoned into current gains and losses.

Before the expiry of labor contract, the compensation to the employes with contract termination or volunery resignation, will recognized as projected liabilities accounted into current gains and losses.

##### **( 3 ) accounting method on the income tax expenses**

The income tax expense calculated as the debt method of balance sheet. The current income tax and deferred income tax consider as the income tax expense or income reckoned into current gains and losses, excluding the income tax from the following:

- ①enterprise merger;
- ②ansactional items that recognized in owners' equity directly.

##### **( 4 ) preparation of the financial statements**

### 1. recognition principle of the consolidate statements

The consolidated range mainly based on the theory confirmation of the Parent company, detail merger range are as followed:

①the Parent company held over half of the equity capital of the invested enterprise by the way of directly, indirectly or both directly and indirectly owned;

②other invested enterprise that controlled by the Parent company:

- A. agreements with other investor of the invested enterprise, holding over 50% voting rights of the invested enterprise;
- B. according the Article of Association and Agreements, has the rights to controlled enterprises' financial and operational strategy;
- C. has the rights to nominated the members in Board of Directors;
- D. has the over 50% voting rights in Board of Directors or other powerful institution.

### 2. method of consolidation

1) base on the relevant materials from the Company and its subsidiaries that collected into the consolidated financial statement, adjusted the long-term equity investment towards the subsidiaries based on equity method, counterpart the investment and transaction between the Company and other subsidiaries than calculated the minority's gains and losses and equity of minority's before consolidated preparation.

2) while consolidated, where there has a different accounting policies between the Company and its subsidiaries, the policy of the subsidiaries will adjusted accordance with the Parent company.

## Note 3: Taxes

### Main taxes and rates (41)

Tax	Tax Basis	Tax rate
VAT	Sales of goods	Sales tax rate of goods is 17%, exports by state regulations Declaration of export tax rebate rate of tax or "exemption, credit, retirement."
Business tax	Rental income	5%
Urban maintenance and construction tax	Exchange transfer tax payable	7%
Education Surtax	Exchange transfer tax payable	4%
Corporate Income Tax	Taxable Income	Parent company 15%

### Corporate Income Tax of Subsidiary:

The Company and its subsidiaries Weifu Jinning, Weifu diesel system, Weifu Leader all are high-tech enterprises. They enjoy 15% of the income tax preferential policies according to the national rules about income tax.

The income tax rate of the following enterprises is 25%. They are Weifu Masan Fuel

Injection Equipment Co., Ltd. (Hereinafter referred to as "Weifu Masan" ), Weifu Changan Co., Ltd. (formerly known as "Chang Weifu Fuel Injection Equipment Co., Ltd.", hereinafter referred to as "Wei Fu Chang"), Weifu International Trade Co., Ltd. (hereinafter referred to as "Fu Wei International Trade"), Dah Sing Ji Weifu Materials Technology Development Co., Ltd. (hereinafter referred to as "Wei Fu Ji big"), Jiangsu Province, Wei Fu Nano Technology Co., Ltd. (hereinafter referred to as "Weifu nano"), Weifu British Temai Information Machinery Development Co., Ltd. (hereinafter referred to as "British Temai Machine"), Weifu Schmidt Power Systems Parts Co., Ltd. (hereinafter referred to as "Schmidt Weifu ").

#### Note 4. Enterprise merger and consolidated financial report

##### 1. Shareholding subsidiaries

###### ( 1 ) Subsidiaries obtained through foundation and investment and other ways

Companies	Types of companies	Registration place	Nature of business	Registration capital (Million )	Administration scope	Final actual investment (Million)	Other projects balance essentially forming the net investment for subsidiaries	Shareholding proportion (%)	Voting rights Proportion (%)	Consolidating report or not
Weifu Mashan	Limited company	Wuxi	Manufacture	4,500	Engine accessories	4,869	--	100.00	100.00	Yes
Weifu Changan	Limited company	Wuxi	Manufacture	6,000	Engine accessories	7,090	--	100.00	100.00	Yes
Weifu Jida	Limited company	Wuxi	Manufacture	500	metallic nanoparticles	350	--	70.00	70.00	Yes
Weifu Nano	Limited company	Wuxi	Manufacture	3,000	nano-composite material	2,400	--	80.00	80.00	Yes
Weifu diesel system	Limited company	Wuxi	Manufacture	30,000	Engine accessories	26,018.75	--	100.00	100.00	Yes
Weifu Schmidt	Sino-foreign joint ventures	Wuxi	Manufacture	1,800	Engine accessories	648	--	45.00	45.00	Yes

###### ( 2 ) Subsidiaries obtained through consolidating enterprises under the same control

Companies	Types of companies	Registration place	Nature of business	Registration capital (Million)	Administration scope	Final actual investment (Million)	Other projects balance essentially forming	Shareholding proportion (%)	Voting rights Proportion (%)	Consolidating report or not
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							the net investment for subsidiaries			
Weifu Jinning	Limited company	Nanjing	Manufacture	34,628.70	Engine accessories	17,864	–	80.00	80.00	Yes
Weifu Leader	Limited company	Wuxi	Manufacture	26,000	Purifier, silencer	23,011	–	94.81	94.81	Yes
Wei Fu International Trade	Limited company	Wuxi	Trade	3,000	International trade	3,032.84	–	100.00	100.00	Yes

( 3 ) Subsidiaries obtained through consolidating enterprises under different control

Companies	Types of companies	Registration place	Nature of business	Registration capital(Million)	Administration scope	Final actual investment (Million)	Other projects balance essentially forming the net investment for subsidiaries	Share holding proportion(%)	Voting rights proportion(%)	Consolidating rep
Itma Mechanical	Limited company	Wuxi	Manufacture	1,000	Engine accessories	1,700	--	100.00	100.00	Yes

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

Companies	Consolidation scope of this year	Consolidation scope of last year
Weifu Mashan	Yes	Yes
Weifu Changan	Yes	Yes
Weifu Jidaa	Yes	Yes
Weifu Nano	Yes	Yes
Weifu Diesel System	Yes	Yes
Weifu Jinning	Yes	Yes
Weifu Leader	Yes	Yes
Weifu International Trade	Yes	Yes
Weifu Shimite	Yes	Yes
Itma Mechanical	Yes	Yes

**Note 5 : Notes to consolidated Financial Statements**

(The following items based on the RMB'000 as the calculation if there are no other explanation)

## 5-01 Monetary Fund

Items	2010-6-30			2009-12-31		
	Amount of foreign currency	Exchang rate	Amount of RMB	Amount of foreign currency	Excha ng rate	Amount of RMB
Cash :						
RMB			618			372
Bank deposit :						
RMB			352,513			325,559
EUR	651	8.27	5,381	100	9.75	975
USD	3	6.79	20			
Other monetary capital:						
RMB			130,739			98,589
Total			<b>489,271</b>			<b>425,495</b>

Accounts with restricted usage, offshore deposit and potential risks of takig back resulting from mortgage, mortgaged or freezing and so on:

Items	2010-6-30	2009-12-31
Bank acceptance, letter of credit and	<b>130,679</b>	<b>97,968</b>

## 5-02 Notes receivable

### ( 1 ) Classification of notes receivable

Type	2010-6-30	2009-12-31
Trade acceptance	99,700	31,700
Bank acceptance	753,186	421,954
Total	<b>852,886</b>	<b>453,654</b>

### ( 2 ) Particulars about notes receivable mortgaged by the Company at end-period (Top 5)

Issue units	Issue date	Due date	Amount	Memo
chengdu wangpai motor group co., ltd	2010-2-26	2010-8-26	5,000	
ANHUI JIANGHUAI AUTOMOTIVE CO.,LTD	2010-3-26	2010-9-26	4,000	
Dongfeng Chaoyang Engine co., ltd	2010-1-27	2010-7-27	3,600	
Shandong Tangjun Ouling car manufacturing co., ltd	2010-1-20	2010-7-20	2,000	
Harbin Haoye Auto Distribution co., ltd	2010-2-24	2010-8-23	2,000	
Total			<b>16,600</b>	

RMB 52,465,500.00 of bank acceptance in notes receivable at end-period is used as mortgage for issuing note payable.

### ( 3 ) Notes the Company has endorsed to the peer and which still didn't expire (Top 5)

Issue units	Issue date	Due date	Amount
Dongfeng automobile co., ltd	Jan-Jun of 2010	Jul-Dec of 2010	29,520
Weichai power co., ltd	Jan-Jun of 2010	Jul-Dec of 2010	15,000
Dongfeng Kangweisi engine Co., ltd	Jan-Jun of 2010	Jul-Dec of 2010	13,000
Zhengzhou Nissan Automobile co., ltd	Jan-Jun of 2010	Jul-Dec of 2010	10,420
ANHUI JIANGHUAI AUTOMOTIVE	Jan-Jun of 2010	Jul-Dec of 2010	9,000

CO.,LTD			
Total			<b>76,940</b>

### 5-03 Accounts receivable

( 1 ) Classified according to account nature:

Items	2010-6-30			
	Book balance		Provision for bad debts	
	Amount	Proportion(%)	Amount	Proportion(%)
Account receivable with significant amount in single item	1,010,327	91.58	49,732	71.47
Account receivable with no significant amount in single item but with larger risk after combination according to trait of credit risk	17,516	1.59	17,516	25.17
Other non-significant accounts receivable	75,389	6.83	2,335	3.36
<b>Total</b>	<b>1,103,232</b>	<b>100.00</b>	<b>69,583</b>	<b>100.00</b>

Items	2009-12-31			
	Book balance		Provision for bad debts	
	Amount	Proportion(%)	Amount	比例(%)
Account receivable with significant amount in single item	698,542	85.86	48,897	72.74
Account receivable with no significant amount in single item but with larger risk after combination according to trait of credit risk	15,271	1.88	15,271	22.72
Other non-significant accounts receivable	99,791	12.26	3,049	4.54
<b>Total</b>	<b>813,604</b>	<b>100.00</b>	<b>67,217</b>	<b>100.00</b>

Notes: Account receivable with significant amount in single item indicated the one which is above RMB 1 million; account receivable with significant amount in single item was still accrued in aging analysis method because no objective evidence can prove that the probable devaluation may be beyond the provision for bad debts accrued in aging analysis method.

( 2 )Provision for bad debts of account receivable with significant single amount or which was still offered single devaluation test with no significant single amount:

Contents of account receivable	Book balance	Amount of bad debts	Accrue proportion(%)	Reason
Yangdong Co., Ltd	28,793	28,793	100.00	Insolvency happened, the court ruled restructure
Hunan motors plant	4,297	4,297	100.00	Long account age, difficult withdrawal
Jiangxi Diesel Plant	3,561	3,561	100.00	Long account age, difficult withdrawal
Fengbang Diesel Plant	3,318	3,318	100.00	Long account age,



				difficult withdrawal
Changchai Wanzhou Diesel Company	2,432	2,432	100.00	Long account age, difficult withdrawal
Liuzhou Specific Diesel Plant	1,612	1,612	100.00	Long account age, difficult withdrawal
Shaoyang Shenfeng Power Limited Company	1,590	1,590	100.00	Long account age; and they were still withdrawn after the lawsuit
Yuejin light-duty vehicle co.,ltd	1,218	1,218	100.00	Long account age, difficult withdrawal
Wuxi Sidaxingxing Diesel limited company	1,191	1,191	100.00	Long account age, difficult withdrawal
Henan agricultural machinery company	1,000	1,000	100.00	Long account age; and they were still withdrawn after the lawsuit
Hubei Duoling power machinery co ltd	776	776	100.00	Long account age, difficult withdrawal
Henan Xingxiang Engine Plant	754	754	100.00	Long account age, difficult withdrawal
Zhejiang Haofeng power manufacturing co., ltd	625	625	100.00	Long account age, difficult withdrawal
Yunnan Jinma Diesel Plant	579	579	100.00	Long account age, difficult withdrawal
Dongfeng Nanchong Auto Co., Ltd	570	570	100.00	Long account age, difficult withdrawal
Jintan Shunfeng Argricultural Machinery accessories limited company	567	567	100.00	Long account age, difficult withdrawal
Nantong IronCow Engine Plant	556	556	100.00	Long account age, difficult withdrawal
Changzhou Changfeng Engine Limited Company	700	700	100.00	Long account age, difficult withdrawal
Wuxi Car Body Limited Company	850	850	100.00	Long account age, difficult withdrawal
Retails( Amounted to 240 )	10,606	10,606	100.00	Long account age, difficult withdrawal
Total	<b>65,595</b>	<b>65,595</b>	--	--

#### Analysis of the account age

Account age	2010-6-30				
	Amount	Proportion	Proportion of bad debts (%)	Provision for bad debts	Net amount of account receivable
Within 6 months	1,017,175	92.19	--	-	1,017,175
6 months to 1 year	10,979	1.00	10	1,098	9,881
1 to 2 years	7,441	0.67	20	1,488	5,953
2 to 3 years	1,067	0.10	40	427	640

Above 3 years	975	0.09	100	975	-
Individual cognizance	65,595	5.95	100	65,595	-
Total	<b>1,103,232</b>	<b>100.00</b>	<b>--</b>	<b>69,583</b>	<b>1,033,649</b>

Account age	2009-12-31				
	Amount	Proportion	Proportion of bad debts (%)	Provision for bad debts	Net amount of account receivable
Within 6 months	732,660	90.05	--	--	732,660
6 months to 1 year	10,990	1.35	10	1,099	9,891
1 to 2 years	4,189	0.51	20	838	3,351
2 to 3 years	808	0.10	40	323	485
Above 3 years	1,606	0.20	100	1,606	--
Individual cognizance	63,351	7.79	100	63,351	--
Total	<b>813,604</b>	<b>100.00</b>	<b>--</b>	<b>67,217</b>	<b>746,387</b>

Individual cognizance refers to those account receivable with significant single amount or un-significant single amount

(3) Particulars about shareholder units holding more than 5% (including 5%) voting right shares of the Company in accounts receivable at this period.

☒ Not applicable

(4) Top 5 units holding amount of accounts receivable

Units	Relationship with the Company	Amount	Age limit	Proportion in total amounts of accounts receivable (%)
Dongfeng Kangmingsi Engine Limited Company	Clients	184,998	Within 1 year	16.77
Zhejiang Jili Auto Purchase Limited Company	Clients	110,958	Within 1 year	10.06
Weichai Power (weifang) Supplies Resources Limited Company	Clients	101,377	Within 1 year	9.19
Jiangling Auto Co., Ltd	Clients	50,399	Within 1 year	4.57
FAW Jiefang Automotive Co., Ltd. Wuxi Diesel Plant	Clients	43,454	Within 1 year	3.94
Total	--	<b>491,186</b>	--	<b>44.53</b>

(5) Particulars about accounts receivable of related party

Units	Relationship with the Company	Amount	Proportion in total amounts of accounts receivable (%)
Boshi Auto Diesel System Co., Ltd	Affiliated company	36,974	3.35
Wuxi Weifu Economic and Trade	Subsidiary of Wuxi	116	0.01

Limited Company	Industry Group		
Zhaoyang Weifu Jialin Machinery Manufacture Limited Company	Joint venture	24,611	2.23
Wuxi Weifu Fine Machinery Manufacture Limited Company	Affiliated company	96	0.01
Total	--	<b>61,797</b>	<b>5.60</b>

Boshi Auto Diesel System Co.,Ltd: Boshi Diesel System for short later.

( 6 ) Accounts receivable essentially cancelled after verification in this period.

☒ Not applicable

#### 5-04Accounts paid in advance

##### ( 1 ) Accounts paid in advance listed according to accounts aging

Accounts age	2010-6-30		2009-12-31	
	Amount	Proportion(%)	Amount	Proportion(%)
Within 1 year	49,813	96.94	37,062	91.00
1-2 years	1,261	2.46	3,363	8.26
2-3 years	260	0.51	44	0.11
Over 3 years	46	0.09	259	0.63
Total	<b>51,380</b>	<b>100.00</b>	<b>40,728</b>	<b>100.00</b>

##### ( 2 ) Particulars about top 5 units holding amounts of accounts paid in advance

Units	Relationship with the Company	Amount	Time	Reason for uncalculated
LANEXX GMBH	Non-related party	9,030	Within 1 year	Goods accounts paid in advance, goods undelivered
EZMDEELSTAAHLZIEHEREI MARK	Non-related party	4,110	Within 1 year	Goods accounts paid in advance, goods undelivered
Shanghai Baosteel particular metal materials Limited Company	Non-related party	3,979	Within 1 year	Goods accounts paid in advance, goods undelivered
Wuxi Zhongshe International Freight Agency Limited Company	Non-related party	3,972	Within 1 year	Agency fees paid in advance, unfinished business
Jiangsu Power Companies Wuxi Power company	Non-related party	3,935	Within 1 year	Electric charge paid in advance
Total	--	<b>25,026</b>		

Particulars about shareholder units holding more than 5% (including 5%) voting right shares of the Company in accounts paid in advance at this period.

☒ Not applicable

##### (3)Particulars about accounts paid in advance for related party

Units	Relationship with the Company	Amount	Proportion in total amounts of accounts paid in advance (%)
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Wuxi Weifu Environmental Catalyst Limited Company	Affiliated company with Weifu Lida	122	0.24
Wuxi Weifu Economy and Trade Limited Company	Subsidiary of Wuxi Industry Group	86	0.17
Total	--	<b>208</b>	<b>0.41</b>

#### 5-05 Dividend receivable

Item	Amount at period-beginning	Increase in this period	Decrease in this period	Amount at period-end	Reason for unwitdrawal	Devaluation happened to relevant accounts or not
Zhonglian Automobile Electrical Limited Company	118,714	-	-	118,714	Undistribution in 2009, unpaid still	No
Chaoyang Weifu Jialin Machinery Manufacturing Co., Ltd	240	-	240	-		
Total	<b>118,954</b>	-	<b>240</b>	<b>118,714</b>	--	--

#### 5-06 Other accounts receivable

( 1 ) Disclosure of other accounts receivable according to types :

Types	2010-6-30			
	Book balance		Provision for bad debts	
	Amount	Proportion(%)	Amount	Proportion(%)
Other account receivable with significant amount in single item	2,000	15.45	2,000	43.75
Other account receivable with no significant amount in single item but with larger risk after combination according to trait of credit risk	2,400	18.53	2,400	52.50
Other insignificant account receivable	8,550	66.02	172	3.75
Total	<b>12,950</b>	<b>100.00</b>	<b>4,572</b>	<b>100.00</b>

Types	2009-12-31			
	Book balance		Provision for bad debts	
	Amount	Proportion(%)	Amount	Proportion(%)
Other account receivable with significant amount in single item	2,000	20.13	2,000	43.31
Other account receivable with no significant amount in single item but with larger risk after combination according to trait of credit risk	2,400	24.15	2,400	51.97

Other insignificant account receivable	5,253	55.72	218	4.72
<b>Total</b>	<b>9,653</b>	<b>100.00</b>	<b>4,618</b>	<b>100.00</b>

Notes: Other account receivable with significant amount in single item indicated the one which is above RMB 1 million; other account receivable with significant amount in single item was still accrued in aging analysis method because no objective evidence can prove that the probable devaluation may be beyond the provision for bad debts accrued in aging analysis method.

(2) Particulars about shareholder units holding more than 5% (including 5%) voting right shares of the Company in other accounts receivable at this period.

□ Not applicable

(3) Top 5 units holding other accounts receivable

Units	Amount	Age limit	Proportion in other accounts receivable (%)	Memo
Jiangsu Provincial Science and Technology Centre	2,000	Above 3 years	15.46	Total amount of provision for bad debts has been accrued
Nanjing University	600	Above 3 years	4.63	Total amount of provision for bad debts has been accrued
Dongnan University	600	Above 3 years	4.63	Total amount of provision for bad debts has been accrued
Nanjing University of Science and Technology	600	Above 3 years	4.63	Total amount of provision for bad debts has been accrued
Nanjing University of Technology	600	Above 3 years	4.63	Total amount of provision for bad debts has been accrued
	<b>4,400</b>	--	<b>33.98</b>	

(4) Particulars about accounts receivable for related party

□ Not applicable

## 5-07 Inventory

(1) Inventory category

Item	2010-6-30			2009-12-31		
	Book balance	Falling price reserves	Book value	Book balance	Falling price reserves	Book value
Inventory materials	218,574	74,298	144,276	227,728	74,298	153,430
Goods in production	119,251	843	118,408	108,493	843	107,650
Inventory goods	451,997	76,850	375,147	408,559	81,080	327,479

Total	<b>789,822</b>	<b>151,991</b>	<b>637,831</b>	<b>744,780</b>	<b>156,221</b>	<b>588,559</b>
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( 2 ) Inventory falling price reserves

Inventory category	2009-12-31	Amount of accrue in this period	Decrease in this period		2010-6-30
			Restitution	Write-off	
Inventory materials	74,298				74,298
Goods in production	843				843
Inventory goods	81,080		4,230		76,850
Total	<b>156,221</b>		<b>4,230</b>		<b>151,991</b>

( 3 ) Particulars about inventory falling price reserves

Item	Basis of accruing inventory falling price reserves	Reasons for current reversal, decline in value of resale inventory	Proportion about reversal amountnin of this period in period-end balance of this inventory
Inventory goods	Compare the cost of period-end inventory with net realizable value in single comparison way and accrue it according to the difference between net realizable value and cost. The Company accrued price decline reverses of products and materials against the new emission standard correspondingly because the country raised the standard of gas emission of automobiles.	Reversal refers to ones which have been externally sold	0.94%

**5-08 Other current assets**

Item	2010-6-30	2009-12-31
Export tax refund receivable	8,556	4,411
Total	<b>8,556</b>	<b>4,411</b>

**5-09 Investment in joint venture and affiliated company**

Units invested	Business Type	Registration place	Legal representative	Nature of business
<b>1. Joint venture</b>				
Weifu Aotekaimu Precision Machinery Co., Ltd	Joint venture	Wuxi	Gao Guoyuan	Auto Parts
Chaoyang Wei Fu Jialin Machinery Manufacture Co., Ltd	Co., Ltd.	Liaoning Zhaoyang	Li Xiaofeng	Internal combustion engine with accessories
Weifu Environmental	Joint venture	Wuxi	Ou Jianbin	Catalyst

Protection Catalyst Co., Ltd.				
Suzhou British Te Mai Hung Yi Real Estate Development Co., Ltd.	Co., Ltd.	Suzhou	Ynag Xiaodong	Real estate development
<b>2. Affiliated company</b>				
Bosch Diesel Systems	Joint venture	Wuxi	BOHLER KLAUS	Internal combustion engine with accessories
Zhonglian Automotive Electronic Co., Ltd.	Co., Ltd.	Shanghai	Chen Hong	Internal combustion engine with accessories
Weifu Precision Machinery Manufacturing Co., Ltd.	Co., Ltd.	Wuxi	Chen Haojun	Internal combustion engine with accessories
Wuxi Longsheng Co., Ltd.	Co., Ltd.	Wuxi	Ni Maosheng	Auto Parts
British Temai Engine Co., Ltd. Wuxi	Co., Ltd.	Wuxi	Wang Weiliang	Internal combustion engine with accessories

Invested units	Registration capital (RMB' 0000)	Proportion of shareholding ( % )	Proportion of voting right ( % )	2010-6-30, total amount of assets (RMB' 0000)
<b>1. Joint venture</b>				
Weifu Aotekaimu Precision Machinery Co., Ltd	USD1,000	50.00	50.00	11,898
Chaoyang Wei Fu Jialin Machinery Manufacture Co., Ltd	800	50.00	50.00	4,366
Weifu Environmental Protection Catalyst Co., Ltd.	5,000	49.00	49.00	56,365
Suzhou British Te Mai Hung Yi Real Estate Development Co., Ltd.	6,000	50.00	50.00	7,494
<b>2. Affiliated company</b>				
Bosch Diesel Systems	USD20,000	31.50	31.50	427,879
Zhonglian Automotive Electronic Co., Ltd.	60,062	20.03	20.03	215,204

Weifu Precision Machinery Manufacturing Co., Ltd.	1,200	20.00	20.00	20,676
Wuxi Longsheng Co., Ltd.	2,000	20.00	20.00	4,681
British Temai Engine Co., Ltd. Wuxi	1,000	40.00	40.00	872

**Note:** The registration capital of Wuxi Longsheng Co., Ltd is RMB 20 million, till Jun. 30<sup>th</sup>, 2010, the paid-in capital was RMB 5 million.

Invested units	2010-6-30, total amount of liabilities (RMB' 0000)	2010-6-30, total amount net assets (RMB' 0000)	Jan-Jun of 2010, total amount of operation income (RMB' 0000)	Jan-Jun of 2010, net profit (RMB' 0000)
<b>1. Joint venture</b>				
Weifu Aotekaimu Precision Machinery Co., Ltd	1,739	10,159	6,473	1,721
Chaoyang Wei Fu Jialin Machinery Manufacture Co., Ltd	3,453	913	4,480	128
Weifu Environmental Protection Catalyst Co., Ltd.	30,410	25,955	43,806	5,217
Suzhou British Te Mai Hung Yi Real Estate Development Co., Ltd.	194	7,300	188	-91
<b>2. Affiliated company</b>				
Bosch Diesel Systems	129,732	298,147	231,515	36,840
Zhonglian Automotive Electronic Co., Ltd.	67,010	148,194	6,228	24,344
Weifu Precision Machinery Manufacturing Co., Ltd.	12,884	7,792	11,873	1,545
Wuxi Longsheng Co., Ltd.	2,422	2,259	3,949	610
British Temai Engine Co., Ltd. Wuxi	37	835	127	-26

## 5-10 Long-term equity investment

### ( 1 ) Particulars about long-term equity investment

Invested units	Calculating method	Initial investment cos	2009-12-31 Balance	Increase or decrease	2010-6-30 Balance	Cash dividend
Weifu Aotekaimu Precision Machinery Co.,	Equity method	37,840	52,086	-645	51,441	9250



Ltd.						
Chaoyang Wei Fu Jialin Machinery Manufacture Co., Ltd	Equity method	4,000	6,007	-1,441	4,566	2,080
Weifu Environmental Protection Catalyst Co., Ltd.	Equity method	24,500	101,616	24,288	125,904	
Suzhou British Te Mai Hung Yi Real Estate Development Co., Ltd.	Equity method	30,000	37,037	-458	36,579	
<b>Sun-total of joint venture</b>		<b>96,340</b>	<b>196,746</b>	<b>21,744</b>	<b>218,490</b>	<b>11,330</b>
Bosch Diesel Systems	Equity method	549,557	829,566	116,047	945,613	
Zhonglian Automotive Electronic Co., Ltd.	Equity method	120,124	240,209	48,000	288,209	
Weifu Precision Machinery Manufacturing Co., Ltd.	Equity method	2,000	12,005	3,091	15,096	
Wuxi Longsheng Co., Ltd.	Equity method	1,000	3,358		3,358	
British Temai Engine Co., Ltd. Wuxi	Equity method	4,000	3,485	-105	3,380	
<b>Sub-total of affiliated venture</b>		<b>676,681</b>	<b>1,088,623</b>	<b>167,033</b>	<b>1,255,656</b>	<b>-</b>
League of Nations Securities Co., Ltd.	Cost method	12,000	12,000		12,000	1,800
Guangxi Liu Fat Co., Ltd.	Cost method	1,600	1,600		1,600	
Chang Chai	Cost	800	800		800	

Group Finance Company	method					
HeJun Venture Capital Co., Ltd.	Cost method	33,000	33,000		33,000	
Hengtai Insurance Brokers Co., Ltd. Nanjing	Cost method	1,000	1,000		1,000	10
HSBC Insurance Agency Co., Ltd. Jiangsu	Cost method	500	500		500	
Flapping Inc	Cost method	2,356	2,356		2,356	
Weining Fuel Injection Equipment Co., Ltd. of Henan Province Gushi	Cost method	2,033	2,033		2,033	
Flapping, Inc. (Weifu Kim)	Cost method	200	200		200	
Wuxi Venture Capital Co., Ltd.	Cost method	3,000	3,000		3,000	
Beijing Foton Environmental Protection Power Co., Ltd.	Cost method	56,940	56,940		56,940	
Eastern Tech Industrial Park Wuxi tin Inc	Cost method	5,000	5,000		5,000	
<b>Sub-total of other investment</b>		<b>119,285</b>	<b>118,429</b>		<b>118,429</b>	<b>1,810</b>
<b>Total of long-term equity investment</b>		<b>892,306</b>	<b>1,403,798</b>	<b>188,777</b>	<b>1,592,575</b>	<b>13,140</b>

Invested units	Proportion of shareholding (%)	Proportion of voting right (%)	Notes on that proportion of shareholding was different proportion of voting right	2010-6-30 Provision for devaluation	Current provision for impairment
League of Nations Securities Co., Ltd.	1.20	1.20	--	--	

Guangxi Liu Fat Co., Ltd.	1.22	1.22	--	1,600	
Chang Chai Group Finance Company			--	800	
HeJun Venture Capital Co., Ltd.	11.72	11.72	--	33,000	
Hengtai Insurance Brokers Co., Ltd. Nanjing	1.85	1.85	--	1,000	
HSBC Insurance Agency Co., Ltd. Jiangsu	10.00	10.00	--	500	
Flapping Inc	1.18	1.18	--	2,556	
Weining Fuel Injection Equipment Co., Ltd. of Henan Province Gushi			--	2,033	
Flapping, Inc. (Weifu Kim)	1.4118	1.4118	--	--	
Wuxi Venture Capital Co., Ltd.	12.95	12.95	--	11,000	
Beijing Foton Environmental Protection Power Co., Ltd.	10.00	10.00	--	--	
Suzhou British Te Mai Hung Italian Real Estate Development Co., Ltd	50.00	50.00	--	3,500	
Total	--	--	--	<b>55,989</b>	-

( 2 ) Relevant condition of that the ability of transferring funds to the Company was restricted  
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☒ Not applicable

( 3 ) Relevant statement on long-term equity investment

**Note 1:** Bosch Auto Diesel System: The registered capital is USD 200,000,000, in which the Company funded USD 60,000,000, accounting for 30% of registered capital, and

Weifu Jinning funded USD 3,000,000, accounting for 1.5% of registered capital.

**Note 2:** Suzhou British Te Mai Hung Italian Real Estate Development Co., Ltd.: A corporation which was founded by common investment from E-Te Mai machinery and Hung Yi Properties Ltd. Which respectively took share of 50%. The Company planned to transfer this investment in 2010, and in 2009 has accrued RMB 3.5 million of impairment for long-term equity investment.

**Note 3:** E-Temai Engine Co., Ltd. Wuxi : A corporation which was founded by common investment from E-Temai Machinery, Wuxi Industrial Group (formerly Weifu Group Co., Ltd.) and Lee Yun Industrial Co., Ltd. Chengdu, E-Temai Machinery invested 4 million, taking 40% share of registration capital of the Company.

**Note 4:** Eastern Tech Industrial Park Wuxi tin Inc: The Company, Wuxi Industry Group and Wuxi Taiji Industry Co., Ltd co-sponsored the establishment of this Co., Ltd. The Company invested 5 million, taking 10% of the registration capital which was RMB 50 million.

### 5-11 Investment property

	2009-12-31 Book balance	Current increase	Current decrease	2010-6-30 Book balance
<b>1. Book original value</b>				
Buildings	4,002	20,379	--	24,381
<b>2. Accumulated depreciation</b>				
Buildings	3,522	15,624	--	19,146
<b>3. Book value of investment property</b>				
Buildings	<b>480</b>	<b>4,755</b>		<b>5,235</b>

Current investment property was increased due to that a part of idle plant of Weifu Jinning was transferred to be leased externally. Investment property was calculated in cost method. The above property all haven't handled property warrants.

### 5-12 Fixed assets

#### (1) Particulars about fixed assets

	2009-12-31 Book balance	Current increase	Current decrease	2010-6-30 Book balance
(1)Original value of fixed assets				
Houses & Buildings	688,734	133	20,481	668,386
General equipment	165,495	5,949	1,422	170,022
Special equipment	953,863	23,307	9,671	967,499
Transportation	21,715	447	560	21,602
Other equipment	209,729	9,012	20,110	198,631
<b>Total original value of fixed assets</b>	<b>2,039,536</b>	<b>38,848</b>	<b>52,244</b>	<b>2,026,140</b>
(2)Accumulated depreciation				
Houses & Buildings	145,124	10,570	15,527	140,167

General equipment	88,657	7,067	362	95,362
Special equipment	446,200	41,106	6,332	480,974
Transportation equipment	14,613	452	394	14,671
Other equipment	118,532	7,664	9,912	116,284
<b>Total accumulated depreciation</b>	<b>813,126</b>	<b>66,859</b>	<b>32,527</b>	<b>847,458</b>
(3)Provision for fixed assets devaluation				
General equipment	20,768		565	20,203
Special equipment	37,700		64	37,636
Transportation equipment	104			104
Other equipment	15,117		6,675	8,442
<b>Total provision for fixed assets</b>	<b>73,689</b>		<b>7,304</b>	<b>66,385</b>
(4)Book value of fixed assets				
Houses & Buildings	543,610			528,219
General equipment	56,070			54,457
Special equipment	469,963			448,889
Transportation	6,998			6,827
Other equipment	76,080			73,906
<b>Total book value of fixed assets</b>	<b>1,152,721</b>			<b>1,112,297</b>

Original value of fixed assets increased RMB 38,848,351.48 in this period, among which RMB 23,652,760.75 came from conversion of construction in process and RMB 15,195,590.73 came from external purchase. Accumulated depreciation increased RMB 66,859,063.55 of depreciation which were accrued fully in this period.

( 2 ) Particulars about fixed assets through finance lease rental income

☒ Not applicable

( 3 ) Particulars about mortgaged fixed assets

☒ Not applicable

( 4 ) Particulars about fixed assets which didn't complete property certificate

Item	Original value of fixed assets	Reason for completing property certificate	Expected time of completion of property certificate
Plant and office space for Wei Fu Jinning	116,445	Related property procedures is being arranged	Year 2010 to Year 2011
Plant and office space for Weifu Changan	57,224		
Plant and office space for Weifu Diesel system	49,072		

### 5-13 Project in construction

## (1) Project Details

Item	2010-6-30			2009-12-31		
	Book balance	Provision for falling price	Book value	Book balance	Provision for falling price	Book value
Electronically controlled common rail injector with yearly production of 20 diesels	12,775		12,775	--	--	--
High-pressure common-rail project	683		683	1,052	--	1,052
Piecemeal projects	66,964	200	66,764	31,213	200	31,013
<b>Total</b>	<b>80,422</b>	<b>200</b>	<b>80,222</b>	<b>32,265</b>	<b>200</b>	<b>32,065</b>

## ( 2 ) Changes of significant projects in construction

Item	2009-12-31	Increase in this period	Amounts of projects transferred to fixed assets	2010-6-30	Progress	Resource of capital
Electronically controlled common rail injector with yearly production of 20 diesels	--	12,775		12,775	25%	Self-raised capital
High-pressure common-rail project	1,052	360	729	683	100%	Self-raised capital
<b>Total</b>	<b>1,052</b>	<b>13,135</b>	<b>729</b>	<b>13,458</b>		

There was no capitalized interest over the above project.

**5-14 Intangible assets**( 1 ) Particulars of **intangible assets**

Item	2009-12-31 Book balance	Current increase	Current decrease	2010-6-30 Book balance
(1)Original value of the intangible assets				
Land use right of parent company	30,452			30,452
Trademark permit use right Weifu Jinning	26,356			26,356
Land use right of Weifu	28,752			28,752

Jinning				
Software of Weifu Jinning	346			346
Land use right of Weifu Diesel oil System	13,232			13,232
Computer Software of Weifu Diesel oil System	5,624	158		5,782
Land use right of E-Temai Machinery	17,136			17,136
<b>Total</b>	<b>121,898</b>	<b>158</b>		<b>122,056</b>
<b>2. Accumulated amortization</b>				
Land use right of parent company	3,048	336		3,384
Trademark permit use right Weifu Jinning	9,709	-		9,709
Land use right of Weifu Jinning	11,261	478		11,739
Software of Weifu Jinning	311	35		346
Land use right of Weifu Diesel oil System	1,525	141		1,666
Computer Software of Weifu Diesel oil System	4,629	548		5,177
Land use right of E-Temai Machinery	2,256	172		2,428
<b>Total</b>	<b>32,739</b>	<b>1,710</b>		<b>34,449</b>
<b>3. Provision for impairment of intangible assets</b>				
Trademark permit use right Weifu Jinning	<b>16,647</b>			<b>16,647</b>
<b>4. Book value of intangible assets</b>				
Land use right of parent company	27,404			27,068
Land use right of Weifu Jinning	17,491			17,013
Software of Weifu Jinning	35			-
Land use right of Weifu Diesel oil System	11,707			11,566
Computer Software of Weifu Diesel oil System	995			605
Land use right of E-Temai Machinery	14,880			14,708
<b>Total</b>	<b>72,512</b>			<b>70,960</b>

Accumulated amortization increased RMB 1,709,891.89, all of them are current amortization.

Statement of intangible assets:

1. Land use right of E-Temai Machinery: refers to the land use right purchased by E-temai Machinery from new zone of Wuxi in 2003.
2. Trademark permit use right Weifu Jinning: was the trademark of previous Weifu Group. Presently because the country implements new emission standard, relevant products basically have no market, the whole book value have been accrued provision for devaluation.

## 5-15 Deferred income tax asset

### ( 1 ) Confirmed deferred income tax asset

Item	2010-6-30	2009-12-31
Provision for assets devaluation	38,848	40,133
Others	4,966	4,629
Operation loss of subsidiaries	1,055	1,055
Subtotal	<b>44,869</b>	<b>45,817</b>

### ( 2 ) Temporary difference corresponding with assets or liabilities leading temporary difference

Item	Amount of temporary difference
Provision for bad debts	74,155
Provision for falling price of inventory	151,991
Provision for devaluation of fixed assets	66,385
Provision for devaluation of projects in construction	200
Provision for devaluation of intangible assets	16,647
Operation loss of Weifu Mashan	1,789
Operation loss of Weifu Schmidt	2,429
Other	33,105
Total	<b>346,701</b>

### (3)Particulars about un-confirmed deferred income tax asset

Item	2010-6-30	2009-12-31	Memo
Deductible temporary differences -provision for bad debts ( Parent Company )	58,149	58,298	It will be hard to be listed before tax because it's hard to get evidence the tax authorities acquires
Deductible loss-E-Temai Machinery	18,506	18,506	It is unsure to get enough taxable income
Total	<b>76,655</b>	<b>76,804</b>	

( 4 ) Deductible loss for un-confirmed deferred income tax asset will expire in the following year

Year	2010-6-30	2009-12-31	Memo
2013	18,506	18,506	E-Temai Machinery made a loss in 2008



Total	18,506	18,506	
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#### 5-16 Provision for devaluation of assets

Item	2009-12-31 Book balance	Increase in this period	Decrease in this period		2010-6-30 Book balance
			Reserve	Resellers	
Provision for bad debts	71,835	2,366	46		74,155
Provision for falling price of inventory	156,221		4,230		151,991
Provision for impairment of long-term investments	55,989				55,989
Provision for devaluation of fixed assets	73,689			7,304	66,385
Provision for devaluation of projects in construction	200				200
Provision for devaluation of intangible assets	16,647				16,647
Total	374,581	2,366	4,276	7,304	365,367

#### 5-17 Short loan

( 1 ) Classification of short-term loan :

Item	2010-6-30	2009-12-31
Credit loan	790,000	496,986
Guarantee loan		36,000
Mortgage loan	2,252	--
Total	792,252	532,986

Statement of classification of short-term loan:

Mortgage loan : Mortgage loan in period-end came from USD loan got through Weifu Diesel mortgaging certificates of deposit.

#### 5-18 Notes payable

Category	2010-6-30	2009-12-31
Bank acceptance	228,783	179,890
Total	228,783	179,890

Statement of notes payable :

Margin deposits of notes payable in period-end was RMB 12.261 million and mortgaged notes payable was RMB 5.247 million for issuing the bank acceptance.

## 5-19 Account payable

### (1) Account age of account payable

Item	2010-6-30	2009-12-31
Within 1 year	1,295,540	833,708
1-2 years	11,798	23,011
2-3 years	387	2,374
Above 3 years	1,844	2,621
Total	<b>1,309,569</b>	<b>861,714</b>

### (2) Accounts payable for shareholder units taking 5% (including 5%) voting right shares of the Company in this reporting period

☒ Not applicable

### (3) Accounts payable for other related units in this reporting period

Units	2010-6-30	2009-12-31
Weifu Trade Co., Ltd	430	894
Weifu Precision Machinery Manufacturing Co., Ltd.	27,040	23,536
Bosch Diesel Systems	5,623	38,355
Wuxi Longsheng Technology Co., Ltd.	2,799	2,557
Weifu Environmental Protection Catalyst Co., Ltd	75,955	51,653
Total	<b>111,847</b>	<b>116,993</b>

### (4) Statement on significant accounts payable with over 1 year account age

No account payable has over 1 year account age.

## 5-20 Account received in advance

### (1) Account age of account received in advance

Item	2010-6-30	2009-12-31
Within 1 year	34,402	20,680
1-2 years	9,210	3,549
2-3 years	1,837	966
Above 3 years	2,438	1,910
Total	<b>47,887</b>	<b>27,105</b>

### (2) Particulars about account received in advance for the shareholder units or related parties taking 5% (including 5%) voting right shares of the Company in this reporting period

☒ Not applicable

( 3 ) Accounts received in advance for other related parties in this reporting period

Units	Related relationship	2010-6-30	2009-12-31
Tin Tong Machinery Co., Ltd. Kunming	Joint Venture of Wuxi Industrial Group ( Previous Weifu Group )	8,561	8,144
Weifu Trade Co., Ltd	Subsidiary of Wuxi Industrial Group (Previous Weifu Group)	59	-
British Temai Engine Co., Ltd. Wuxi	Affiliated company of E-Temai Machinery	972	-
Total		<b>9,592</b>	<b>8,144</b>

( 4 ) Statement on significant account received in advance with over 1 year account age

No significant account received in advance has over 1 year account age.

**5-21 Employees' salary payable**

Item	Book balance in period-beginning	Current increase	Current decrease	Book balance in period-end
Salary, bonus, allowance and subsidy	76,989	181,058	169,841	88,206
Employees' welfare	--	13,387	13,387	-
Social insurance, etc.	33,520	52,226	44,862	40,884
Housing Fund Social Insurance	1,615	8,600	8,625	1,590
Housing allowance for employees	34,609	38	23	34,624
Labor union expenditure and Personnel education	11,632	4,980	3,285	13,327
Others	21,185	1,271	6	22,450
TTTotal	<b>179,550</b>	<b>261,560</b>	<b>240,029</b>	<b>201,081</b>

Amount owed in employees' salaries payable: None

Arrangement of expected issue time and amount of employees' salaries payable

Staff bonuses of Jun of 2010 will be issued in July of 2010, the other Annual Performance Awards will be issued after annual performance appraisal. Bonus fund the parent company accrued according to the agreement of AGM were included in salary, bonuses, allowance and subsidy programs. RMB 10 million, RMB 22 million, RMB 17 million were respectively accrued in 2008, 2009, the first half year of 2010. They will be used by the Company according to the arrangement of the Board, the accumulated usage was RMB 0.852 million.

**5-22. Taxes payable**

Item	2010-6-30	2009-12-31
VAT	24,740	8,557
Tax for city construction	1,974	1,267

Income tax of enterprise	16,392	16,507
Extras of education expense	1,128	724
Personal Income Tax	1,772	430
Other	3,388	2,875
<b>Total</b>	<b>49,394</b>	<b>30,360</b>

### 5-23 Other account payable

#### ( 1 ) Account age of other account payable

Item	2010-6-30	2009-12-31
Within 1 year	43,655	47,102
1-2 years	1,834	24,986
2-3 years	24,012	3,906
Above 3 years	15,634	19,861
<b>Total</b>	<b>85,135</b>	<b>95,855</b>

Particulars about other account payable for the shareholder units taking 5% (including 5%) voting right shares of the Company in this reporting period

☐ Not applicable

#### ( 3 ) Statement on significant account received in advance with over 1 year account age

Item	2010-6-30	Memo
Nanjing High-Tech Development Corporation	9,000	Land account of Nanjing High-tech Zone
Mechanical & Electrical Industry Group Co., Ltd. Nanjing	4,500	Incoming account
Suzhou E-Te Mai Hung Italian Real Estate Development Co., Ltd.	20,000	Account received temporarily by E-Temai Machinery
<b>Total</b>	<b>33,500</b>	

### 5-24 Long-term accounts

#### ( 1 ) Classification of long-term accounts

Item	2010-6-30	2009-12-31
Credit loan	3,000	3,000
<b>Total</b>	<b>3,000</b>	<b>3,000</b>

#### ( 2 ) Top 5 long-term loan

Credit units	Commencement date of loan	Ending date of loan	Currency	Rate	2010-6-30	2009-12-31
Jiangsu International Trust Co., Ltd.	2009-11-27	2012-5-27	RMB	0.3%	3,000	3,000
<b>Total</b>	--	--	--	--	<b>3,000</b>	<b>3,000</b>

Statement on long-term loan:

According to the loan contract signed with Jiangsu International Trust Co., Ltd., Weifu Jinning borrowed RMB 3 million for Industrialization of Low-emission Diesel Electric Controlled High Pressure Injection VE Pump System.

#### 5-25 Long-term accounts payable

	Item	2010-6-30	2009-12-31
Nanjing Finance Bureau Hi-tech Branch [Note 1]	Financial supporting fund (year 2001)	1,880	1,880
Nanjing Finance Bureau Hi-tech Branch [Note 2]	Financial supporting fund ( year 2003)	140	140
Nanjing Finance Bureau Hi-tech Branch [Note 3]	Financial supporting fund ( year 2004)	1,710	1,710
Nanjing Finance Bureau Hi-tech Branch [Note 4]	Financial supporting fund ( year 2005)	1,140	1,140
Nanjing Finance Bureau Hi-tech Branch [Note 5]	Financial supporting fund ( year 2006)	1,250	1,250
Nanjing Finance Bureau Hi-tech Branch [Note 6]	Financial supporting fund ( year 2007)	1,230	1,230
National debt transferred to loan [Note 7]		5,600	5,600
Nanjing Finance Bureau Hi-tech Branch [Note 8]	Financial supporting fund ( year 2008)	2,750	2,750
Nanjing Finance Bureau Hi-tech Branch [Note 9]	Financial supporting fund ( year 2009)	1,030	1,030
Total		<b>16,730</b>	<b>16,730</b>

[Note 1]

To encourage Weifu Jinning to enter Nanjing High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from Dec. 20, 2001 to Aug. 18, 2007. Provided that the operation period in the zone is less than 10 years, financial supporting capital will be reimbursed.

[Note 2]

To encourage the Company to enter Nanjing High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech 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 High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from Aug. 5, 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 High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech 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 High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech 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.

[Note 6]

To encourage Weifu Jinning to enter Nanjing High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from Sep. 17, 2007 to Sep. 17, 2022. Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

[Note 7]

National debt transferred to loan: is the transferred national debt capital received by Weifu Jinning in 2007.

[Note 8]

To encourage Weifu Jinning to enter Nanjing High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from Nov. 10, 2008 to Nov. 10, 2023. Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

[Note 9]

To encourage Weifu Jinning to enter Nanjing High-tech Technology Industry Development Zone, financial supporting capital is allotted by High-tech branch of Finance Bureau of Nanjing for supporting use, the term is from Oct. 27, 2009 to Oct. 27, 2024. Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

## 5-26 Other non-current liabilities

Item	2010-6-30	2009-12-31
Funds for High Pressure Common Rail Diesel Injector project	4,060	4,060
Funds for Industrialization of Low-emission diesel electric controlled high pressure injection VE pump system	6,325	6,325
Other	1,828	1,290
Total	<b>12,213</b>	<b>11,675</b>

Statement on other non-current liabilities, including various government subsidies and its period-end amount obtained in this period which were relevant to assets or income:

1. Funding for High Pressure Common Rail Diesel Injector project : According to Notice (the first phase) On Special Guide Fund for 2009 Provincial Important Industrial Restructuring

and Revitalization issued by Wuxi Municipal Bureau of Finance, the Company received RMB 4.06 million for High Pressure Common Rail Diesel Injector Project. The term of this project was from Oct of 2008 to Dec of 2010. 77% of budget total investment about this program was used as fixed assets.

2、Funds for Industrialization of Low-emission diesel electric controlled high pressure injection VE pump system : In Sep. of 2009, Weifu Jinning and Nanjing Science and Technology Agency signed Project Contract of Special Funds For the Conversion of Results of Jiangsu Technology, according to this contract, Weifu Jinning received RMB 6.325 million of funds in 2009. The term of this contract is from Oct of 2009 to Mar of 2012. 62% of newly increased investment expense for the project agreed in this contract will be used as fixed assets.

## 5-27 Share capital

### ( 1 ) Change of share capital in reporting period

	2009-12-31	Increase and decrease in this period ( +, — )					2010-6-30
		Issue of new shares	bonus issue	Conversion Fund	Other	Subtotal	
Share capital with restricted trade conditions							
-Domestic legal person shares	100,022					-	100,022
- Shares by senior executors	53					-	53
Circulating share capital							
Tradable Shares (A shares)	352,281					-	352,281
Tradable Shares (B shares)	114,920					-	114,920
Total	<b>567,276</b>					-	<b>567,276</b>

## 5-28 Capital Reserves

Item	2009-12-31	Increase in this period	Decrease in this period	2010-6-30
Other capital reserve	19,083	-	6,077	13,006
Capital premium	888,497	-	-	888,497

Total	907,580	-	6,077	901,503
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Other capital surplus decreased due to that 30% and 9.17% equity the Company purchased respectively from Weifu diesel system and Weifu International trade formed new long-term equity investment, and the owned net capital of Weifu diesel system and Weifu International trade formed a difference calculated by proportion of newly increased holding shares, These long-term equity investment and difference are taken offset against capital surplus (Share premium) according to requirements of Introduction of Accounting Policy (2008).

## 5-29 Surplus Public Reserve

(1) Increase and decrease of surplus public reserve in the period

Item	2009-12-31	Increase in the period	Decrease in the period	2010-6-30
Statutory surplus public reserve	283,638	--	--	283,638
<b>Total</b>	<b>283,638</b>	<b>--</b>	<b>--</b>	<b>283,638</b>

## 5-30 Undistributed profit

Item	Amount
Undistributed profit at the end of last year before adjustment	1,104,176
Undistributed profit at the beginning of last year when being adjusted (Increase+, decrease-)	--
Undistributed profit at the beginning of last year after adjustment	1,104,176
Add :Net profit attributable to parents company in the period	319,108
Undistributed profit at the end of the year	1,423,284

## 5-31 Operation income, operation cost

### ( 1 ) Operation income

Item	Jan-Jun of 2010	Jan-Jun of 2009
Main business income	2,436,213	1,138,098
Other business income	214,474	123,050
<b>Operation cost</b>	<b>2,093,056</b>	<b>1,037,202</b>

### ( 2 ) Main business ( Sub-sectors )

Name of sectors	Jan-Jun of 2010		Jan-Jun of 2009	
	Operation income	Operation cost	Operation income	Operation cost
Diesel Engine Parts	1,999,916	1,502,288	910,646	732,720



Purifier and silencer of automobile exhaust	344,661	295,654	174,712	149,106
Import and export	91,636	87,053	52,740	50,117
<b>Total</b>	<b>2,436,213</b>	<b>1,884,995</b>	<b>1,138,098</b>	<b>931,943</b>

( 3 ) Main business ( Sub-products )

Name of products	Jan-Jun of 2010		Jan-Jun of 2009	
	Operation income	Operation cost	Operation income	Operation cost
Diesel engine oil pump and accessories	1,979,715	1,486,257	910,646	732,720
Purifier and silencer of automobile exhaust	344,661	295,654	174,712	149,106
Turbocharger	11,335	8,937	--	--
Other products	8,866	7,094		
Import and export	91,636	87,053	52,740	50,117
<b>Total</b>	<b>2,436,213</b>	<b>1,884,995</b>	<b>1,138,098</b>	<b>931,943</b>

( 4 ) Main business ( Sub-region )

Name of region	Jan-Jun of 2010		Jan-Jun of 2009	
	Operation income	Operation cost	Operation income	Operation cost
Domestic sales	2,344,187	1,798,640	1,083,548	879,927
Overseas sales	92,026	86,355	54,550	52,016
<b>Total</b>	<b>2,436,213</b>	<b>1,884,995</b>	<b>1,138,098</b>	<b>931,943</b>

( 5 ) Operation income of top 5 clients of the Company

Name of clients	Operation income	Proportion in operation income (%)
Dongfeng Cummins Engine Co., Ltd.	326,410	12.31%
Weichai Power (Weifang) spare resources Co., Ltd.	230,091	8.68%
Bosch Automotive Diesel Systems Co., Ltd	207,056	7.81%
FAW Automobile Co., Ltd. Wuxi Diesel Engine Factory	135,791	5.12%
Jiangling Motors Co., Ltd.	132,087	4.98%
<b>Total</b>	<b>1,031,435</b>	<b>38.90%</b>

**5-32 Operating tax and extras**

Item	Jan-Jun of 2010	Jan-Jun of 2009
City maintenance and construction tax	10,352	5,491
Education associate charge	5,930	3,138
Business tax	10	15
<b>Total</b>	<b>16,292</b>	<b>8,644</b>

### 5-33 Financial expenses

Item	Jan-Jun of 2010	Jan-Jun of 2009
Interest expense	20,200	20,743
Bills discounted interest	3,114	1,947
Interest income on deposits	-3,975	-6,477
Exchange gains and losses	-2,252	-1,771
Handling charges, etc.	352	744
<b>Total</b>	<b>17,439</b>	<b>15,186</b>

### 5-34 Losses from devaluation of asset

Item	Jan-Jun of 2010	Jan-Jun of 2009
Losses of bad debts	2,309	4,118
Losses of depreciation of inventory	-4,230	-2,895
Losses of devaluation of fixed asset	-7,303	-1,296
Losses of devaluation of projects in construction		
Losses of devaluation of intangible assets		
Losses of devaluation of long-term equity investment		220
<b>Total</b>	<b>-9,224</b>	<b>147</b>

### 5-35 Investment income

#### ( 1 ) Particulars about investment income

Item	Jan-Jun of 2010	Jan-Jun of 2009
Long-term equity investment income accumulated in cost method	1,810	900
Long-term equity investment income accumulated in equity method	200,108	49,338
<b>Total</b>	<b>201,918</b>	<b>50,238</b>

#### ( 2 ) Long-term equity investment income accumulated in equity method (Top 5)

Invested units	Jan-Jun of 2010	Jan-Jun of 2009	Reason for increase and decrease comparing this period with last period
Bosch Automotive Diesel Systems Co., Ltd.	116,047	-5,319	Due to increase of auto industry
Zhonglian Automotive Electronic Co., Ltd.	48,000	39,000	Due to increase of auto industry
Weifu Environmental Protection Catalyst Co., Ltd.	24,287	8,883	Due to increase of auto industry
Weifu Aotekaimu Precision	8,606	5,512	Due to increase of auto industry

Machinery Co., Ltd.			industry
Weifu Precision Machinery Manufacturing Co., Ltd	3,091	936	Due to increase of auto industry
<b>Total</b>	<b>200,031</b>	<b>49,012</b>	<b>--</b>

( 3 ) Statement on investment income:

There is no significant restriction on repatriation of investment income.

### 5-36 Non-operating income

( 1 ) Particulars about non-operating income

Item	Jan-Jun of 2010	Jan-Jun of 2009
Income of the disposal of fixed assets	640	1,115
Government subsidiary		2,303
Other	33	15
<b>Total</b>	<b>673</b>	<b>3,433</b>

### 5-37 Non-operating expense

( 1 ) Particulars about non-operating expense

Item	Jan-Jun of 2010	Jan-Jun of 2009
Income of the disposal of fixed assets	3,956	1,578
Expenses of donation	200	--
Flood Control and Security Fund	3,051	1,527
Other expense	397	411
<b>Total</b>	<b>7,604</b>	<b>3,516</b>

### 5-38 Expense of income tax

Item	Jan-Jun of 2010	Jan-Jun of 2009
Income tax payable	24,108	7,848
Added loan of deferred income tax	948	401
Expense of income tax	<b>25,056</b>	<b>8,249</b>

### 5-39 Calculation process of basic earnings per share and diluted earnings per share

**Basic earnings per share** =  $P_0 \div S$

$$S = S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0 - S_k$$

Including:  $P_0$  refers to net profit attributable to general shareholders or net profit deducting non-recurring gains and losses attributable to general shareholders;  $S$  refers to weighted average of externally issued common shares;  $S_0$  refers to the total number of shares in the beginning;  $S_1$  refers to increased shares arising from provident fund transferring shares or distribution of

stocks and equity in reporting period;  $S_i$  refers to increased shares arising from newly issued stocks or bonds transferring stocks in reporting period;  $S_j$  refers to decreased shares arising from repurchase in reporting period;  $S_k$  refers to shrunk shares in reporting period;  $M_0$  refers to amounts of months of reporting;  $M_i$  refers to amounts of accumulated months from the next month to the end of reporting period for increasing shares ;  $M_j$  refers to amounts of accumulated months from the next month to the end of reporting period for reducing shares

**Diluted earnings per share** =  $P_1 / (S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0 - S_k + \text{Warrants, Stock Options, Weighted average of increased shares arising from convertible bonds})$

Including:  $P_1$  refers to net profit attributable to general shareholders or net profit deducting non-recurring gains and losses attributable to general shareholders, and it will be adjusted according to some rules of Accounting Regulation of Enterprises, considering influence from **diluted potential general stocks. The Company should consider influence on** net profit attributable to general shareholders or net profit deducting non-recurring gains and losses attributable to general shareholders along with weighted average from **diluted potential general stocks when it calculates diluted earnings per share. Include them in diluted earnings per share according to the diluted degree in sequence till the diluted earnings per share reaches the minimum.**

#### 5-40 Related item explanation for cash flow statement

##### ( 1 ) Received cash relevant to other operating activities

Item	Amount
Interest income on deposit	3,975
Other	4,615
Total	<b>8,590</b>

##### ( 2 ) Paid other cash related to operation activity

Item	Amount
Operating costs paid in cash	23,468
Management costs paid in cash	67,280
Other	2,420
Total	<b>93,168</b>

#### 5-41 Supplementary materials of consolidated cash flow statement

##### ( 1 ) Supplementary materials of cash flow statement

Item	Jan. - Jun., 2010	Jan. - Jun., 2009
I. Net profit subject to cash flow arising from operating activities		
Net profit	336,493	94,206
Add: Provision for fixed assets devaluation	-9,224	147
Fixed assets depreciation , depletion of oil and gas assets, depletion of production of biological assets	66,859	59,138

Amortization of intangible assets	1,710	1,990
Allocations of long-term expenses to be amortized	467	341
Losses from disposal of fixed, intangible and other long-term assets	3,316	464
Losses from obsolete fixed assets		
Losses from changes of fair value		
Financial expenses	15,614	20,743
Losses from investment	-201,918	-50,238
Decrease of deferred income tax	948	401
Increase of deferred income tax		
Decrease of inventory	-45,042	65,793
Decrease of operating receivables	-766,802	-156,130
Increase of operating payables	583,644	80,954
Other		
Net cash generated from operations	-13,935	117,809
III. Net increase in cash /cash equivalent		
Balance of cash at period-end	358,592	368,433
Less: Balance of cash at period-beginning	327,527	495,285
Add: Balance of cash equivalent at period-end	--	--
Less: Balance of cash equivalent at period-beginning	--	--
Net increase in cash /cash equivalent	31,065	-126,852

( 2 ) Constitution of cash and cash equivalents

Item	2010-6-30	2009-12-31
1. Cash		
Including: Inventory cash	618	372
Bank deposit readily available for payment	357,914	326,534
Other currency capital readily available for payment	60	621
2. Cash equivalents	--	--
Including: bond investment due in 3 months	--	--
3. Cash in the end of the year and balance of cash equivalents	<b>358,592</b>	<b>327,527</b>

**Note 6: Related party relationships and related transactions** (Monetary unit: 1000 yuan)

6-01 Particulars about parent company of the Company

Parent company	Related party relationships	Category of enterprise	Registration place	Legal representatives	Business nature	Registration capital
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Wuxi Industry Group	Parent company	State-owned	Wuxi	Jiang Guoxiong	Operation of state-owned assets	3,009,570
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Parent company	Shareholding proportion parents company take up of the Company (%)	Voting right proportion parents company take up of the Company (%)	Terminal controller of the Company	Code of orgnization
Wuxi Industry Group	17.63	17.63	Wuxi State-owned Assets Management Committee	13600265-4

#### 6-02 Particulars of subsidiaries of the Company

Full name of subsidiaries	Type of subsidiaries	Type of enterprises	Registration place	Legal representative	Business nature
Weifu Diesel System	Wholly owned subsidiary	Limited company	Wuxi	Wang Weiliang	Engine parts
Weifu International Trade	Wholly owned subsidiary	Limited company	Wuxi	Gao Guoyuan	International trade
Weifu Jinning	Holding company	Limited company	Nanjing	Wang Weiliang	Engine parts
Weifu Lida	Holding company	Limited company	Wuxi	Wang Weiliang	Purifier for automobile exhaust and silencer
Weifu Mashan	Wholly owned subsidiary	Limited company	Wuxi	Wang Weiliang	Engine parts
Weifu Chanan	Wholly owned subsidiary	Limited company	Wuxi	Han Jiangming	Engine parts
Weifu Jida	Holding company	Limited company	Wuxi	Xu Liangfei	Metallic Nanoparticles
Weifu Nano	Holding company	Limited company	Wuxi	Xu Liangfei	Nanomaterials
E-Temai Machinery	Wholly owned subsidiary	Limited company	Wuxi	Wang Weiliang	Engine parts
Weifu Schmidt	Holding company	Limited company	Wuxi	Wang Weiliang	Engine parts

Full name of subsidiaries	Registration capital	Shareholing proportion (%)	Voting right proportion (%)	Code of orgnization
Weifu Diesel System	300,000	100.00	100.00	76418029-1
Weifu	30,000	100.00	100.00	76103151-4

International Trade				
Weifu Jinning	346,280	80.00	80.00	13497754-6
Weifu Lida	260,000	94.81	94.81	13600159-8
Weifu Mashan	45,000	100.00	100.00	13625011-3
Weifu Chanan	60,000	100.00	100.00	70354868-9
Weifu Jida	5,000	70.00	70.00	72223147-6
Weifu Nano	30,000	80.00	80.00	74066428-3
E-Temai Machinery	10,000	100.00	100.00	72418270-0
Weifu Schmidt	18,000	45.00	45.00	69449050-9

#### 6-03. Particulars about other related parties of the Company

Other related parties	Relationship between other related parties and the Company	Code of organization
Weifu Trade Co., Ltd.	Subsidiary of Wuxi Industry Group	72740487-4
Tin Tong Machinery Co., Ltd. Kunming	Joint venture of Wuxi Industry Group	77554741-5
Weifu Aotekaimu Precision Machinery Co., Ltd.	Joint venture	77540714-8
Chaoyang Wei Fu Jialin Machinery Manufacture Co., Ltd.	Joint venture	78877120-5
Weifu Environmental Protection Catalyst Co., Ltd.	Joint venture of Weifu Lida	75969849-1
Suzhou E-Te Mai Machinery and HungYi Real Estate Development Co., Ltd	Joint venture of E-Te Mai Machinery	74940373-3
Bosch Diesel Systems	Affiliated company	60791796-6
Weifu Precision Machinery Manufacturing Co., Ltd.	Affiliated company	73944370-7
Wuxi Longsheng Co., Ltd.	Affiliated company of Weifu Lida	76355192-7
E-Temai Engine Co., Ltd. Wuxi	Affiliated company of E-Te Mai Machinery	77540703-3

#### 6-04. Particulars of related transaction

##### ( 1 ) Related transaction of purchase and sales of goods, offer and acceptance of labors

Particulars about purchased goods of the Company from related parties

Enterprise	Jan-Jun of 2010		Jan-Jun of 2009	
	Amount	Proportion in amount of similar transaction (%)	Amount	Proportion in amount of similar transaction (%)
Weifu Precision Machinery Manufacturing Co., Ltd.	60,920	3.73	36,146	3.93
Bosch Diesel Systems	143,986	8.82	24,315	2.64
Weifu Trade Co., Ltd.	1,021	0.06	610	0.07
Weifu Environmental Protection Catalyst Co., Ltd.	227,382	13.93	90,510	9.83
Wuxi Longsheng Co., Ltd.	16,451	1.01	3,313	0.36
Weifu Aotekaimu Precision Machinery Co., Ltd.	37	0.002	--	--
Chaoyang Wei Fu Jialin Machinery Manufacture Co., Ltd.	20	0.001	100	0.01
British Temai Engine Co., Ltd. Wuxi	415	0.03	--	--
Tin Tong Machinery Co., Ltd.	2,682	0.16	--	--

Particulars about sold goods of the Company from related parties

Enterprise	Jan-Jun of 2010		Jan-Jun of 2009	
	Amount	Proportion in amount of similar transaction (%)	Amount	Proportion in amount of similar transaction (%)
Weifu Precision Machinery Manufacturing Co., Ltd.	10,423	0.39	5,451	0.43
Bosch Diesel Systems	207,056	7.81	109,73	8.70
Chaoyang Wei Fu Jialin Machinery Manufacture Co., Ltd.	39,121	1.48	24,089	1.91
Weifu Trade Co., Ltd.	1,768	0.07	2,878	0.23
Tin Tong Machinery Co., Ltd.	266	0.01	48,334	3.83
Weifu Environmental Protection Catalyst Co., Ltd.	9,769	0.37	1,777	0.14
Weifu Aotekaimu Precision Machinery Co., Ltd.	1,109	0.04	767	0.06

(2) Associated security situation in the end



Assured party	Secured party	Secured amount	Warranty start date	Warranty ending date	Warranty has been completed or not	Memo
Weifu Lida	Weifu Environmental Protection Catalyst Co., Ltd.	135,000	May 19 <sup>th</sup> of 2010	Sep 18 <sup>th</sup> of 2010	No	Bank loan
Parent company	Weifu Lida	8,750	Jan 21 <sup>st</sup> of 2010	July 21 <sup>st</sup> of 2010	No	Bank acceptance
Parent company	Weifu Changan	7,000	Jun 11 <sup>th</sup> of 2010	Dec 11 <sup>th</sup> of 2010	No	Bank acceptance

( 3 ) Other related transaction

Project	Related party	Jan-Jun of 2010	Jan-Jun of 2009
Service and technical service fees payable	Bosch Diesel Systems	2,207	1,236
Rents receivable	Weifu Environmental Protection Catalyst Co., Ltd.	--	540
Fees payable about usage of trade mark and land use	Wuxi Industry Group (previous Weifu Group)	4,054	2,980
Sales of fixed assets	Weifu Precision Machinery Manufacturing Co., Ltd.	38	--

**6-05. Accounts receivable and accounts payable of related parties**

Item	Related party	Balance at the end of the period	Balance at the beginning of the period
<b>Accounts receivable</b>			
	Bosch Diesel Systems	36,974	45,702
	Weifu Trade Co., Ltd.	116	458
	Chaoyang Wei Fu Jialin Machinery Manufacture Co., Ltd.	24,611	24,867
	Weifu Precision Machinery Manufacturing Co., Ltd.	96	--
	British Temai Engine Co., Ltd. Wuxi	--	436
<b>Accounts paid in advance</b>			
	Weifu Environmental Protection Catalyst	122	--

	Co., Ltd.		
	Weifu Trade Co., Ltd.	86	--
<b>Other accounts receivable</b>			
	Weifu Trade Co., Ltd.	--	122
<b>Notes payable</b>			
	Weifu Environmental Protection Catalyst Co., Ltd.	3,100	--
<b>Accounts payable</b>			
	Weifu Precision Machinery Manufacturing Co., Ltd.	27,040	23,536
	Weifu Environmental Protection Catalyst Co., Ltd.	75,955	51,653
	Bosch Diesel Systems	5,623	38,355
	Weifu Trade Co., Ltd.	430	894
	Wuxi Longsheng Co., Ltd.	2,799	2,557
<b>Account received in advance</b>			
	Tin Tong Machinery Co., Ltd. Kunming	8,561	8,144
	Weifu Trade Co., Ltd.	59	--
	British Temai Engine Co., Ltd. Wuxi	972	--

#### **Note 7: Contingencies**

7-01. Unexpected liabilities and the financial influence arising from pending litigation and arbitration

Till Jun 30<sup>th</sup> of 2010, no significant unexpected liabilities arising from pending litigation and arbitration has taken place in the Company.

7-02. Unexpected liabilities and the financial influence arising from debt guarantees offered for other units

Besides parent company offered 8.75 million yuan of guarantees for bank acceptance to Weifu Lida and 7 million yuan to Weifu Changan, Weifu Lida offered 135 million yuan of guarantee for loan to its subsidiary Weifu Environmental Protection Catalyst Co., Ltd.. Weifu Lida and Weifu Changan are holding subsidiaries of the Company, Weifu Environmental Protection Catalyst Co. is joint venture of its holding subsidiary Weifu Lida, and the three companies operate well, which won't make significant impact on finance of the Company.

#### **7-03. Other contingencies Mortgage or pledge of assets**

Till Jun 30<sup>th</sup> of 2010, the particulars of mortgage or pledge of assets

- 1、The Company offered RMB 129.1485 million of bank loan as security deposit for letters of credit or bank acceptance.
- 2、The Company mortgaged receivable bank acceptance 52.4655 million yuan to bank as a guarantee for letters of bank acceptance.

#### **Note 8 : Commitments**

##### **8-01. Significant commitments**

The Company has no significant commitments.

##### **8-02. Fulfillment of early commitment**

The Company has no significant commitments.

#### **Note 9 : Subsequent Event on the Balance Sheet Date**

##### **9-01 Statement on profit distribution after balance sheet day**

According to agreement of shareholders' meeting of the Company in 2009, implementation of plan for 2009 profit distribution has been completed on July 21<sup>st</sup> of 2010. This profit distribution plan was: issue 1.5 yuan share equity (tax included) per 10 shares to every shareholder. The total amount of issued cash equity reached 8509.14 yuan (tax included).

##### **9-02 Statement on other profit distribution after balance sheet day**

According to agreement of the ninth session of the sixth board of directors of the Company and the first general meeting of shareholders, the Company has purchased 50% share equity of Tin Tong Machinery Co., Ltd. Kunming held by Wuxi Industry Group (previous Weifu Group) in July of 2010, 4.235 million was paid for it.

According to the approval passed on the 12<sup>th</sup> of the 6<sup>th</sup> Board of Directors, the Company plans to purchase 51% equity of Ningbo Tianli Turbocharger Co., Ltd. The purchase predicted amounting to RMB 90 million.

According to the approval passed on the 12<sup>th</sup> of the 6<sup>th</sup> Board of Directors, Weifu Leader plans to invest additional RMB 30 million in Beijing Foton Environmental Protection Power Co., Ltd. Share proportion changed from 12.95% to 14.4%, still is the second large shareholder of Beijing Foton Environmental Protection Power Co., Ltd.

#### **Note 10 : Other significant events**

There is no significant event.

#### **Note 11 : Notes to the main items in the financial statements of the parent company (The amount is taking RMB thousand as unit excluded the specific explanations)**

##### **11-01 Accounts receivable**

( 1 ) Classified by character of account

Category	2010-6-30			
	Book balance		Provision for bad debts	
	Amount	Proportion(%)	Amount	Proportion(%)
Account receivable with significant single amount	645,856	96.26	48,540	86.99
Account receivable with no significant single amount	6,861	1.02	6,861	12.30

but with large risk after combination according to trait of credit risk				
Other un-sognificant accpunts receivable	18,245	2.72	396	0.71
Total	<b>670,962</b>	<b>100.00</b>	<b>55,797</b>	<b>100.00</b>

Category	2009-12-31			
	Book balance		Provision for bad debts	
	Amount	Proportion(%)	Amount	Proportion(%)
Account receivable with significant single amount	590,684	97.44	47,411	86.48
Account receivable with no significant single amount but with large risk after combination according to trait of credit risk	7,009	1.16	7,009	12.79
Other un-sognificant accpunts receivable	8,489	1.40	400	0.73
Total	<b>606,182</b>	<b>100.00</b>	<b>54,820</b>	<b>100.00</b>

Statement on category of accounts receivable:

Account receivable with significant single amount refers to account receivable with amount over 1 million. To account receivable with significant single amount, because there is no objective proof to show the possible devaluation will exceed provision for bad debts accrued in analysis of account age, so provision for bad debts of it will still be accrued in analysis of account age.

Analysis of account age of account receivable

Account age	2010-6-30				
	Amount	Proportion (%)	Proportion of provision (%)	Provision for bad debts	Net amount receivable
Within six months	606,750	90.44	--	-	606,750
Between 6 months to 1 year	3,920	0.58	10	392	3,528
Between 1-2 years	5,892	0.88	20	1,178	4,714
Between 2-3 years	288	0.04	40	115	173
Above three years	362	0.05	100	362	-
Individual cognizance	53,750	8.01	100	53,750	-
Total	<b>670,962</b>	<b>100.00</b>	<b>--</b>	<b>55,797</b>	<b>615,165</b>

Account age	2009-12-31
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	Amount	Proportion (%)	Proportion of provision (%)	Provision for bad debts	Net amount receivable
Within six months	547,103	90.26	--	--	547,103
Between 6 months to 1 year	3,800	0.63	10	380	3,420
Between 1-2 years	1,036	0.17	20	207	829
Between 2-3 years	16	--	40	6	10
Above three years	329	0.05	100	329	--
Individual cognizance	53,898	8.89	100	53,898	--
<b>Total</b>	<b>606,182</b>	<b>100.00</b>	<b>--</b>	<b>54,820</b>	<b>551,362</b>

Individual cognizance: accounts receivable with significant or un-siofnificant amount but big risk.

( 2 ) Amounts of shares held by shareholder units in accounts receivable of this period who take over 5% (5% included) voting right shares of the Company

☐ Not applicable

( 3 ) Particulars about top5 units who owns accounts receivable

Unit	Relationship with the Company	Amount	Age limited	Proportion in total account receivable (%)
Dongfeng Cummins Engine Co., Ltd.	Clients	141,351	Within 1 year	21.07
Weichai Power (Weifang) Co., spare resources	Clients	71,762	Within 1 year	10.70
Bosch Automotive Diesel Systems Co., Ltd.	Clients	29,044	Within 1 year	4.33
Flapping Inc.	Clients	28,793	Within 1 year	4.29
FAW Automobile Co., Ltd. Wuxi Diesel Engine Factory	Clients	27,259	Within 1 year	4.06
<b>Total</b>	<b>--</b>	<b>298,209</b>	<b>--</b>	<b>44.45</b>

## 11-02 Other accounts receivable

( 1 ) Classification according to category

category	2010-6-30			
	Book balance		Provision for bad debt	
	Amount	Proportion(%)	Amount	Proportion(%)
Other account receivable with significant single amount	127,000	96.46	2,000	45.45
Other account receivable with no significant single	2,400	1.82	2,400	54.55

amount but with large risk after combination according to trait of credit risk				
Other un-sognificant accpunts receivable	2,266	1.72	-	
Total	<b>131,666</b>	<b>100.00</b>	<b>4,400</b>	<b>100.00</b>

category	2009-12-31			
	Book balance		Provision for bad debt	
	Amount	Proportion(%)	Amount	Proportion(%)
Other account receivable with significant single amount	26,000	87.41	2,000	45.45
Other account receivable with no significant single amount but with large risk after combination according to trait of credit risk	2,400	8.06	2,400	54.55
Other un-sognificant accpunts receivable	1,346	4.53	--	--
Total	<b>29,746</b>	<b>100.00</b>	<b>4,400</b>	<b>100.00</b>

Statement on category of other accounts receivable:

Other account receivable with significant single amount refers to account receivable with amount over 1 million. To other account receivable with significant single amount, because there is no objective proof to show the possible devaluation will exceed provision for bad debts accrued in analysis of account age, so provision for bad debts of it will still be accrued in analysis of account age. The Company won't accrue provision for bad debts of related division of government.

( 2 ) Amounts of shares held by shareholder units in other accounts receivable of this period who take over 5% (5% included) voting right shares of the Company

☒ Not applicable

( 3 ) Particulars about top5 units who owns accounts receivable

Unit	Amount	Age limited	Proportion in total other account receivable (%)	Memo
Weifu Lida	125,000	Within 1 year	94.94	Subsidiary
Technology center in Jiangsu Province	2,000	Above 3 years	1.52	Has been totally accrued provision for bad debts
Nanjing University	600	Above 3 years	0.46	Has been totally accrued provision for bad debts
Southeast University	600	Above 3 years	0.46	Has been totally accrued provision for bad debts

Nanjing University of Science	600	Above 3 years	0.46	Has been totally accrued provision for bad debts
Nanjing University of Science of Industry	600	Above 3 years	0.46	Has been totally accrued provision for bad debts
	<b>129,400</b>	<b>--</b>	<b>98.30</b>	

### 11-03 Long-term equity investment

Invested units	Calculation method	Initial investment cost	Balance at the period-beginning	Increase and decrease	Balance at period-end
Weifu Jinning	Cost method	178,640	178,640		178,640
WWeifu Leader	Cost method	230,114	230,114		230,114
WWeifu Nano	Cost method	24,000	24,000		24,000
Weifu Jida	Cost method	3,500	3,500		3,500
Weifu Diesel System	Cost method	260,188	140,000	120,188	260,188
Weifu Mashan	Cost method	48,693	48,693		48,693
Weifu Changan	Cost method	70,902	70,902		70,902
Weifu International Trade	Cost method	28,828	27,922	3,078	31,000
E-Temai Machinery	Cost method	17,000	17,000		17,000
Weifu Schmidt	Cost method	6,480	2,700	3,780	6,480
Weifu Aotekaimu	Equity method	37,842	52,085	-644	51,441
Weifu Jialin	Equity method	4,000	6,006	-1,440	4,566
Bosch Diesel Systems	Equity method	523,695	790,370	116,047	906,417
Zhonglian Automotive Electronic Co., Ltd.	Equity method	120,124	240,209	48,000	288,209
Weifu Precision Machinery Manufacturing Co., Ltd.	Equity method	2,000	12,005	3,091	15,096
League of Nations Securities Co., Ltd.	Cost method	12,000	12,000		12,000

Guangxi Liu Fat Co., Ltd.	Cost method	1,600	1,600		1,600
Chang Chai Group Finance Company	Cost method	800	800		800
And Jun Venture Capital Co., Ltd.	Cost method	33,000	33,000		33,000
Hengtai Insurance Brokers Co., Ltd. Nanjing	Cost method	1,000	1,000		1,000
HSBC Insurance Agency Co., Ltd. Jiangsu	Cost method	500	500		500
Flapping Inc	Cost method	2,356	2,356		2,356
East Technology Park Wuxi tin Industry Co., Ltd.	Cost method	5,000	5,000		5,000
Total	--	<b>1,612,262</b>	<b>1,900,402</b>	<b>292,100</b>	<b>2,192,502</b>

Invested units	Proportion of share in invested units (%)	Proportion of voting right in invested units (%)	Statement on difference between proportion of shares and proportion of voting right	Accrued provision for devaluation in this period	Accumulated accrued provision for devaluation	Cash dividend
Weifu Jinning	80.00	80.00	--	--	--	--
Weifu Leader	94.81	94.81	--	--	--	--
WWeifu Nano	80.00	80.00	--	--	1,500	--
Weifu Jida	70.00	70.00	--	--	3,500	--
Weifu Diesel System	100.00	100.00	--	--	--	--
Weifu Mashan	100.00	100.00	--	--	--	--
Weifu Changan	100.00	100.00	--	--	--	--
Weifu International Trade	100.00	100.00	--	--	--	--
E-Temai Machinery	100.00	100.00	--	--	--	--
Weifu Schmidt	45.00	45.00	--	--	--	--
Weifu Aotekaimu	50.00	50.00	--	--	--	9,250
Weifu Jialin	50.00	50.00	--	--	--	2,080



Bosch Diesel Systems	30.00	30.00	--	--	--	--
Zhonglian Automotive Electronic Co., Ltd.	20.03	20.03	--	--	--	--
Weifu Precision Machinery Manufacturing Co., Ltd.	20.00	20.00	--	--	--	--
League of Nations Securities Co., Ltd.	1.20	1.20	--	--	--	1,800
Guangxi Liu Fat Co., Ltd.	1.22	1.22	--	--	1,600	--
Chang Chai Group Finance Company			--	--	800	--
And Jun Venture Capital Co., Ltd.	11.72	11.72	--	--	33,000	--
Hengtai Insurance Brokers Co., Ltd. Nanjing	1.85	1.85	--	--	1,000	10
HSBC Insurance Agency Co., Ltd. Jiangsu	10.00	10.00	--	--	500	--
Flapping Inc			--	--	2,356	--
East Technology Park Wuxi tin Industry Co., Ltd.	10.00	10.00	--	--	--	--
Total	--	--	--	--	<b>44,256</b>	<b>13,140</b>

#### Statement on long-term equity investment

1. According to decision on the 9<sup>th</sup> session of the 6<sup>th</sup> meeting of the Board of Directors, the Company purchased 30% equity of Weifu Diesel System held by Wuxi Industry Group (previous Weifu Group) and 9.17% equity of Weifu International Trade. After the purchase, Weifu Diesel System and Weifu International Trade became wholly owned subsidiaries of the Company.
2. Weifu Schmidt: is a joint venture founded through investments of the Company, German Schmitter Group Aktiengesellschaft and Shanghai Weishi Automotive Technology Development Co., Ltd., and got Business License NO. 320200400033433 from Wuxi,

Jiangsu Province, Industry and Commerce Administration ON 17<sup>th</sup> of 2009. Its registration capital was 18 million yuan, 8.1 million taking up 45% of registration capital was from the Company; 7.2 million yuan from German Schmitter Group Aktiengesellschaft takes up 40%; 2.7 million from Shanghai Weishi Automotive Technology Development Co., Ltd. Takes up 15%. In this period the Company newly increased 3.78 million yuan. The Company is the first biggest shareholder, owning most voting right of the Board. The Company will be included in consolidation sheet scope as subsidiary since the foundation day.

## 11-04 Operating income

### ( 1 ) Operating income

Item	Jan. – Jun., 2010	Jan. – Jun., 2009
Main business income	1,156,900	638,488
Other business income	171,025	95,618
Operating cost	1,170,004	656,685

### ( 2 ) Main business ( sub-division )

Division	Jan. – Jun., 2010		Jan. – Jun., 2009	
	Operating income	Operating cost	Operating income	Operating cost
Diesel parts	1,156,900	1,000,967	638,488	573,596
Total	<b>1,156,900</b>	<b>1,000,967</b>	<b>638,488</b>	<b>573,596</b>

### ( 3 ) Main business ( sub-products )

Product	Jan. – Jun., 2010		Jan. – Jun., 2009	
	Operating income	Operating cost	Operating income	Operating cost
Diesel parts	1,156,900	1,000,967	638,488	573,596
Total	<b>1,156,900</b>	<b>1,000,967</b>	<b>638,488</b>	<b>573,596</b>

### ( 4 ) Main business ( sub-region )

Region	Jan. – Jun., 2010		Jan. – Jun., 2009	
	Operating income	Operating cost	Operating income	Operating cost
Domestic sales	1,152,131	997,375	631,973	566,920
Overseas sales	4,769	3,592	6,515	6,676
Total	<b>1,156,900</b>	<b>1,000,967</b>	<b>638,488</b>	<b>573,596</b>

### ( 5 ) Operating income of top 5 clients of the Company

Client	Operating income	Proportion in operating income (%)
Dongfeng Cummins Engine Co., Ltd.	225,980	17.02
Weichai Power (Weifang) Co., spare resources	104,377	7.86
FAW Automobile Co., Ltd. Wuxi Diesel Engine Factory	100,557	7.57
Bosch Automotive Diesel Systems Co.,	63,023	4.75

Ltd.		
Beijing Foton Environmental Protection Power Co., Ltd.	45,993	3.46
Total	<b>539,930</b>	<b>40.66</b>

## 11-05 Investment income

### ( 1 ) Particulars about investment income

Item	Jan. – Jun., 2010	Jan. – Jun., 2009
Investment income calculated based on cost method	1,810	34,410
Investment income calculated based on equity method	176,383	40,455
Total	<b>178,193</b>	<b>74,865</b>

### ( 2 ) Investment income calculated based on cost method ( Top 5 )

Invested unit	Jan. – Jun., 2010	Jan. – Jun., 2009	Reason for increase or decrease
League of Nations Securities Co., Ltd.	1,800	900	Increased cash dividend arising from raised profit of security market
Hengtai Insurance Brokers Co., Ltd.	10	--	Increased cash dividend arising from raised benefit
Weifu Jinning	--	22,660	Undistributed profit in this period
Weifu Diesel System	--	5,197	Undistributed profit in this period
Weifu Leader	--	4,738	Undistributed profit in this period
Total	<b>1,810</b>	<b>33,495</b>	--

Note: Only investment units whose investment income takes up above 5% of total amount of profit, or top 5 investment units are listed here.

### ( 3 ) Investment income calculated based on equity method

Invested unit	Jan. – Jun., 2010	Jan. – Jun., 2009	Reason for increase or decrease
Bosch Diesel Systems	116,047	-5,318	Due to increase of auto industry
Zhonglian Automotive Electronic Co., Ltd.	48,000	39,000	Due to increase of auto industry
Weifu Aotekaimu Precision Machinery Co., Ltd.	8,606	5,512	Due to increase of auto industry
Weifu Precision Machinery Manufacturing Co., Ltd.	3,091	936	Due to increase of auto industry
Chaoyang Wei Fu Jialin Machinery Manufacture Co., Ltd.	639	325	Due to increase of auto industry
Total	<b>176,383</b>	<b>40,455</b>	--

Note: Only investment units whose investment income takes up above 5% of total amount of profit, or top 5 investment units are listed here.

**11-06 Supplementary materials of cash flow statement**

Item	Jan. – Jun., 2010	Jan. – Jun., 2009
I. Net profit subject to cash flow arising from operating activities		
Net profit	196,788	81,878
Add: Provision for fixed assets devaluation	-9,991	-526
Fixed assets depreciation、depletion of oil and gas assets, production and biological assets	38,314	34,162
Amortization of intangible assets	335	335
Allocations of long-term expenses to be amortized	--	--
Losses from disposal of fixed, intangible and other long-term assets(Income is listed with “-”)	2,750	1,314
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 “-”)	14,134	14,998
Losses from investment(Income is listed with “-”)	-178,193	-74,865
Decrease of deferred income tax(Increase is listed with “-”)	1,473	-34
Increase of deferred income tax( (Decrease is listed with “-”)	--	--
Decrease of inventory(Increase is listed with “-”)	-25,390	21,638
Decrease of operating receivables(Increase is listed with “-”)	-315,184	-64,987
Increase of operating payables(Decrease is listed with “-”)	169,799	162,652
Other	--	--
Net cash generated from operations	<b>-105,165</b>	<b>176,565</b>
2. Increase of cash and cash equivalents		
Balance of cash at period-end	85,671	117,860
Less: Balance of cash at period-beginning	85,791	141,771
Add: Balance of cash equivalent at period-end	--	--
Less: Balance of cash equivalent at period-beginning	--	--
Net increase in cash /cash equivalent	<b>-120</b>	<b>-23,911</b>

**Constitution of cash and cash equivalents**

Item	2010-6-30	2009-12-31
Cash balance listed in balance sheet	149,671	147,691
Less: Guarantee of bank acceptance bill not conforming to the definition of cash	64,000	61,900

Balance of cash and cash equivalents listed in cash flow statement	85,671	85,791
--	--------	--------

## Note 12 : Supplementary information

### 12-01 Non-recurring gains and losses

Item	Jan. – Jun., 2010	Jan. – Jun., 2009
Gains and losses arising from disposal of non-circulating assets	3,987	832
Governmental subsidy written into current gains and losses ( Excluding government subsidies related to business of enterprise and those enjoyed according to fixed amount in national standard )	--	2,303
Other non-operating net amount of income and expense except for the aforesaid items	-564	-395
subtotal	<b>3,423</b>	<b>2,740</b>
Less : Amount influenced by the income tax	549	633
Net amount of non-recurring gains/losses	2,874	2,107
Non-recurring gains/losses attributable to minority shareholders' gains/losses	-87	143
Non-recurring gains/losses attributable to shareholders of parent company's gains/losses	2,961	1,964
Net profit attributable to shareholders deducting non-recurring gains and losses	316,147	85,879
Influence of net amount of non-recurring gains and losses on net profit (%)	0.93	2.24

Note: Numbers with “+” refer to income and interest, “-” refers to losses or expenses.

### 12-02 Return on equity and earnings per share

Profit in reporting period	Weighted average return on equity ( % )	earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of the Company	10.57	0.56	0.56
Net profit attributable to shareholders deducting non-recurring gains and losses	10.47	0.56	0.56

### 12-03 Statement on abnormal situation of main accounting sheet item and the reasons for them

1. Notes receivable Notes receivable at the end of Jun of 2010 increased 399.2324 million yuan compared with the one at the end of 2009, up 88%, mainly due to that sales in the first half year of 2010 performed better. Till Jun 30 <sup>th</sup> of 2010, Notes receivable are not due.
2. Accounts receivable

Accounts receivable at the end of Jun of 2010 increased 287.2623 million yuan compared with the one at the end of 2009, up 38.49%, mainly due to that sales in the first half year of 2010 performed better. Till Jun 30<sup>th</sup> of 2010, payment period of clients was not due.

### 3. Other accounts receivable

Other accounts receivable at the end of Jun of 2010 increased 3.3424 million yuan compared with the one at the end of 2009, up 66.38%, mainly due to that parent company increased 0.9191 million yuan, Weifu Leader increased 0.9552 million yuan.

### 4. Other current assets

Other current assets at the end of Jun of 2010 increased 4.1456 million yuan compared with the one at the end of 2009, up 93.99%, mainly due to that the return on export tax receivable of Weifu International Trade increased.

### 5. Investment Property

Investment property at the end of Jun of 2010 increased 4.7547 million yuan compared with the one at the end of 2009, up 990.09%, mainly due to that Weifu Jinning transferred partial housing plant to external lease.

### 6. Project in construction

Project in construction at the end of Jun of 2010 increased 48.1569 million yuan compared with the one at the end of 2009, up 150.19%, mainly due to that parent company increased 36.8043 million yuan, Weifu Jinning increased 10.8973 million yuan.

### 7. Long-term prepaid expenses

long-term prepaid expenses at the end of Jun of 2010 increased 5.1126 million yuan compared with the one at the end of 2009, up 410.13%, mainly due to that Weifu Leader increased 5.3158 million yuan.

### 8. Short-term loan

Short-term loan at the end of Jun of 2010 increased 259.266 million yuan compared with the one at the end of 2009, up 48.64%, mainly due to that the Company made a bank loan for tense self-own capital arising from increased sales business.

### 9. Accounts payable

Accounts payable at the end of Jun of 2010 increased 447.8544 million yuan compared with the one at the end of 2009, up 51.97%, mainly due to that sales in the first half year of 2010 performed better, correspondingly the Company raised purchase. Till Jun 30<sup>th</sup> of 2010, the payment period didn't arrived.

### 10. Accounts received in advance

at the end of Jun of 2010 increased 20.7824 million yuan compared with the one at the end of 2009, up 76.67%, mainly due to that parent company increased 15.4307 million yuan, Weifu International Trade increased 3.5664 million yuan.

### 11. Tax payable

Tax payable at the end of Jun of 2010 increased 19.0346 million yuan compared with the one at the end of 2009, up 62.70%, mainly due to that tax payable increased 16.1831 million yuan, personal income tax payable increased 13.415 million yuan.

### 12. Operating income

at the end of Jun of 2010 increased 1389.5387 million yuan compared with the one at the end of 2009, up 110.18%, mainly due to that the sales business was drawn by dramatically increased commercial cars market.

### 13. Operating cost

Operating cost at the end of Jun of 2010 increased 1055.854 million yuan compared with the one at the end of 2009, up 101.8%, mainly due to the increased operating income.

### 14. Business tax and surcharges

Business tax and surcharges at the end of Jun of 2010 increased 7.6473 million yuan compared with the one at the end of 2009, up 88.47%, mainly due to that urban maintenance and construction tax increased 4.861 million yuan, education surtax increased 2.792 million

yuan.

15. Sales expense

Sales expense at the end of Jun of 2010 increased 48.0658 million yuan compared with the one at the end of 2009, up 176.78%, mainly due to that parent company increased 20.8967 million yuan, Weifu Diesel System increased 18.6958 million yuan, Weifu Jinning increased 5.8306 million yuan.

16. Administration expense

Administration expense at the end of Jun of 2010 increased 170.8267 million yuan compared with the one at the end of 2009, up 141.79%, mainly due to that parent company increased 49.6388 million yuan, Weifu Diesel System increased 59.3372 million yuan, Weifu Jinning increased 27.6324 million yuan.

17. Losses of assets devaluation

Losses of assets devaluation in the first half year of Jun of 2010 decreased 9.3711 million yuan compared with the one in the first half year of 2009, down 6388%, mainly due to that provision for bad debts decreased 1.8088 million, losses of falling price of inventory decreased 1.3348 million, losses of fixed assets devaluation decreased 6.0075 million, losses of long-term equity investment devaluation decreased 0.22 million yuan.

18. Investment income

Investment income in the first half year of Jun of 2010 increased 151.6801 million yuan compared with the one in the first half year of 2009, up 301.92%, mainly due to that the interest of joint venture and affiliated company both grew, correspondingly the long-term equity investment calculated by equity method increased.

19. Non-operating income

Non-operating income in the first half year of Jun of 2010 decreased 2.76 million yuan compared with the one in the first half year of 2009, down 80.40%, mainly due to that net income of disposal of fixed assets decreased 0.4747 million yuan, government subsidy decreased 2.3033 million yuan.

20. Non-operating expense

Non-operating expense in the first half year of Jun of 2010 increased 4.0879 million yuan compared with the one in the first half year of 2009, up 116.27%, mainly due to that net losses of sales of fixed assets increased 2.3779 million yuan, flood control fund increased 1.5231 million yuan because of increased operating income.

21. Tax expense

Tax expense in the first half year of Jun of 2010 increased 16.8075 million yuan compared with the one in the first half year of 2009, up 203.76%, mainly due to that interest of parent company, Weifu Jinning, Weifu Lida, Weifu diesel system all increased, correspondingly income tax payable increased.