

WEIFU HIGH-TECHNOLOGY GROUP CO., LTD.

SEMI-ANNUAL REPORT 2011
(Full-Text)



August 25, 2011

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WEIFU HIGH-TECHNOLOGY GROUP CO., LTD.

SEMI-ANNUAL REPORT 2011

Section I. Important Notice

Board of Directors and Supervisory Committee of Weifu High-Technology Group 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.

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.

All the directors attended meeting of board of directors and reviewed 2011 semi-annual report.

Chairman of the Company Wang Weiliang; General Manager Chen Xuejun; and Deputy General Manager (person in charge of Financing) Sun Qingxian hereby confirm that the financial report in the Semi-annual Report 2011 is true and complete.

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

Section II. Company profile

I. Basic information

1. 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

2. Name in English: WEIFU HIGH-TECHNOLOGY GROUP 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](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 and 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

1. Initial registration date: Oct. 22, 1988

Address: No.107, Renmin West Road, Wuxi

Date of Change: Dec. 9th, 2008

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

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

3. Registration Number of taxation: 320208250456967

4. Certified Public Accountants engaged by the Company:

Name: 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(RMB)	7,626,179,666.94	6,761,622,809.90	12.79
Owners' equity attributable to shareholders of the listed company(RMB)	4,504,106,955.29	4,106,208,383.62	9.69
Share capital(Share)	567,275,995.00	567,275,995.00	0.00
Net assets per share attributable to shareholders of the listed company(RMB/Share)	7.9399	7.2385	9.69
	This report period (Jan. to Jun.)	The same period of last year	Increase/decrease in this report period year-on-year (%)
Total operating income(RMB)	3,277,559,746.96	2,650,687,135.98	23.65
Operating profit (RMB)	766,609,381.92	368,480,236.61	108.05
Total profit(RMB)	769,696,904.66	361,549,291.43	112.89
Net profit attributable to shareholders of the listed company(RMB)	644,663,629.50	319,107,461.52	102.02
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB)	639,380,620.02	316,146,898.70	102.24
Basic earnings per share (RMB/Share)	1.14	0.56	103.57
Diluted earnings per share (RMB/Share)	1.14	0.56	103.57
Return on weighted average net asset (%)	14.56%	10.57%	3.99
Return on weighted average net asset deducting non-recurring gains and losses (%)	14.44%	10.47%	3.97
Net cash flow arising from operating activities(RMB)	53,803,389.19	-13,935,415.91	
Net cash flow per share arising from operating activities (RMB/Share)	0.095	-0.0246	

(II) Items of non-recurring gains and losses and concerning amounts

(Unit: RMB)

Items of non-recurring gains and losses	Amount
Gains and losses from the disposal of non-current asset	3,621,087.57
Governmental subsidy calculated into current gains and losses, while closely related with the business of the Company, excluding the fixed-amount or fixed-proportion governmental subsidy according to the unified national standard	1,815,300.00
Cost invested for getting subsidiaries, affiliated corporation and joint	1,240,984.11

corporation is more than income arising from fair value of recognizable net asset of invested units when getting investment income	
Other non-operating income and expenditure beside for the aforementioned items	-56,776.35
Influenced amount of minority shareholders' equity	-424,436.83
Impact on income tax	-913,149.02
Total	5,283,009.48

(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 at period-end	Amount at period-begin
IAS	644,663,629.50	319,107,461.52	4,504,106,955.29	4,106,208,383.62
CAS	644,663,629.50	319,107,461.52	4,504,106,955.29	4,106,208,383.62
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%				-28,366,651	-28,366,651	71,708,575	12.64%
1.State-owned shares									
2. State-owned legal person's shares	100,021,999	17.63%				-28,363,800	-28,363,800	71,658,199	12.63%
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%				-2,851	-2,851	50,376	0.01%
II. Unrestricted shares	467,200,769	82.36%				28,366,651	28,366,651	495,567,420	87.36%
1. RMB Ordinary shares	352,280,769	62.10%				28,366,651	28,366,651	380,647,420	67.10%
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%

Based on promise of share split reform, reviewed and approved by Shenzhen Stock Exchange and China Securities Depository and Clearing Co., Ltd Shenzhen Branch, on 12 April 2011, China Securities Depository and Clearing Co., Ltd Shenzhen Branch listed the restricted circulating shares (part of the shares held by Industry Group). The amount of actual restricted shares available for listing was 28,363,800 shares, taking up 5% of total shares.

II. About shareholders and shares held

Unit: Share

Total shareholders at the end of report period		37,230				
Particulars about shares held by the top ten shareholders						
Names of shareholders	Nature of sharehold	Proportion of share	Amount of share held	Amount of restricted shares	Shares pledged or	

	er	held		held	frozen
WUXI INDUSTRY DEVELOPMENT CROUP CO., LTD.	State-owned legal person	17.63%	100,021,999	71,658,199	
Construction Bank of China—FUGUO TIANBO INNOVATION THEME STOCK FUND	Domestic non-state-owned legal person	3.33%	18,870,901		
ROBERT BOSCH GMBH	Foreign legal person	3.24%	18,387,200		
GAOLING FUND,L.P.	Foreign legal person	2.20%	12,502,715		
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign legal person	2.16%	12,249,786		
DRAGON BILLION CHINA MASTER FUND	Foreign legal person	1.95%	11,066,646		
China Construction Bank—China Priority Growth Stock Fund	Domestic non-state-owned legal person	1.92%	10,884,194		
China Construction Bank – Chinese Commercial Shengshi Growth Stock Securities Investment Fund	Domestic non-state-owned legal person	1.76%	10,000,000		
Bank of communication----Yifangda Kexun Stock Securities Investment Fund	Domestic non-state-owned legal person	1.68%	9,516,077		
China Minsheng Bank – Chinese Commercial Strategy Selection Flexible Allocation Hybrid Securities Investment Fund	Domestic non-state-owned legal person	1.59%	9,000,000		

Particulars about shares held by the top ten unrestricted shareholders

Name of shareholder	Amount of unrestricted shares held	Type of share
WUXI INDUSTRY DEVELOPMENT CROUP CO., LTD.	28,363,800	RMB common share
Construction Bank of China—FUGUO TIANBO INNOVATION THEME STOCK FUND	18,870,901	RMB common share
ROBERT BOSCH GMBH	18,387,200	Domestically listed foreign share
GAOLING FUND,L.P.	12,502,715	Domestically listed foreign share
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	12,249,786	Domestically listed foreign share
DRAGON BILLION CHINA MASTER FUND	11,066,646	Domestically listed

		foreign share
China Construction Bank—China Priority Growth Stock Fund	10,884,194	RMB common share
China Construction Bank – Chinese Commercial Shengshi Growth Stock Securities Investment Fund	10,000,000	RMB common share
Bank of Communication---E-fund Kexun Stock Securities Investment Fund	9,516,077	RMB common share
China Minsheng Bank – Chinese Commercial Strategy Selection Flexible Allocation Hybrid Securities Investment Fund	9,000,000	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. Chinese Commercial Shengshi Growth and Chinese Commercial Strategy Selection Flexible Allocation Hybrid Securities Investment Fund belong to consistent actionist.	

III. Shares held by the shareholders with restricted tradable conditions 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.	71,658,199	2012-4-5	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).
			2013-4-5	43,294,399	

Based on promise of share split reform, reviewed and approved by Shenzhen Stock Exchange and China Securities Depository and Clearing Co., Ltd Shenzhen Branch, on Apr. 12 of 2011, China Securities Depository and Clearing Co., Ltd Shenzhen Branch listed the restricted circulating shares (part of the shares held by Industry Group). The amount of actual restricted shares available for listing was 28,363,800 shares, taking up 5% of total shares.

IV. Particulars about controlling shareholder and actual controller

No change on controlling shareholder and actual controller occurred in reporting period.

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 & Deputy GM	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	11,405	0	0	11,405	8,554	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 2010 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

In reporting period, main business of the Company still belonged to range of industry of automobile parts, mainly engaging in development, manufacturing and sales of products such as automotive fuel injection systems, automotive after-treatment system, the engine intake system.

In the 1st half year of 2011, situation of national economy was complicated. Since year-begin the incentive of automobile industry withdrew, and owing to unfavorable factors such as block-governance and purchase-limitation in big cities and earthquake in Japan, and fuel price constantly promoted, demands of automobile fell back and increase range decreased after flourishing demands since 2009. In the first half of 2011, amounts of accumulative production and sale of automobile industry respectively were 9,156,000 and 9,325,200, increasing by 2.4% and 3.35% over last period, including, the ones of business automobile were respectively 2,111,100 and 2,214,900, decreasing by 6.07% and 3.67%.

In reporting period, the Company insisted goal of building an image of leader in domestic industry of core parts of automobile (power project), firmed development direction of 3 systems of products, vigorously enhanced self-innovation ability, feasibly promoted industry structure adjustment and arrangement, accelerated construction of key and new items, comprehensively promoted developing ability, cost control ability, quality assurance ability and system assembly ability. Thus we overcame pressure of falling of automobile industry and kept growth of economic income.

(1) Deepened fine management and enhanced cost control. We deepened the constant cost-reducing, promoted cost management based on techniques optimization and technology improvement. Deepened capital management and enhanced control management on capital risk based on capital turnover and languishment prevention.

(2) Perfected quality management and strengthened quality control. We intensified measurements for important problems, decreased internal and external losses, built quality improvement system, constructed a firewall, enhanced internal and external quality appraisal and implementation of quality accountability, thus quality loss decreased.

(3) We controlled risk, enhanced scientific judgment and prediction on market surrounding market. And at the same time, we took the market chance, enhanced anti-risk ability.

(4) Strengthened talent incentive mechanism and enhanced bringing and construction of strategic and key talents.

in reporting period, the Company realized RMB 3.278 billion, increasing by 23.65% over last period, and RMB 0.645 billion of net profit (attributable to shareholders of listed companies), increasing by 102.02% over last period.

2. Analysis on financial condition

Unit: RMB			
Items	Jan.-Jun., 2011	Jan.-Jun., 2010	Increase/decrease %
Total operation income	3,277,559,746.96	2,650,687,135.98	23.65
Operation profit	766,609,381.92	368,480,236.61	108.05
Total profit	769,696,904.66	361,549,291.43	112.89

Net profit attributable to shareholders of listed companies	644,663,629.50	319,107,461.52	102.02
	Amount at period-end	Amount at period-begin	
Total assets	7,626,179,666.94	6,761,622,809.90	12.79
Owners' equity attributable to shareholders of listed companies	4,504,106,955.29	4,106,208,383.62	9.69

(1) Total operating income increased by 23.65% over last period mainly due to rapid promotion of products structure adjustment and timely satisfying demands of clients.

(2) Operating profit increased by 108.05% over last period mainly due to operating income and investment income increased thus investment income in reporting period increased by 45.41% over last period.

(3) net profit (attributable to shareholders of listed companies) increased by 102.02% over last period mainly due to operating income and investment income increased thus investment income increased by 45.41% over last period.

3. Analysis on financial index

(1) Accounts receivable: accounts receivable at end of Jun. of 2011 increased by RMB 455,750,200 with 45.58 percents over year-end of 2010, mainly due to sale of the first half year of 2011 increased along with increase of operating income.

(2) Accounts prepaid: The one at June-end of 2011 increased by RMB 31,807,200 with 30.24 percents over year-end of 2010, mainly due to Weifu Jinning and Weifu Yingtemai added accounts prepaid for equipments for renewal and restructure of fixed assets.

(3) Receivable equity: The one at June-end of 2011 was received in the 2nd half year of 2011.

(4) Other current asset: the one of June-end of 2011 increased by RMB 7,201,500 with 78.19 percents over year-end of last year, mainly due to receivable refund on export tax of Weifu Guomao increased.

(5) Projects in construction: the one at June-end of 2011 increased by RMB 236,883,600 with 166.52 percents over year-end of 2010, mainly due to parent company increased construction of industry park and invested more in technology reform.

(6) Short loan: the one of June-end of 2011 increased by RMB 2,350,000 with 87.04 percents over year-end of 2010, mainly due to the Company borrowed bank loan for solving capital tension arising from increased operation business.

(7) Payable notes: the one of June-end of 2011 decreased by RMB 134,547,200 with 34.5 percents over year-end of 2010, mainly due to payable notes was due.

(8) Accounts received in advance: the one of June-end of 2011 increased by RMB 20,094,900 with 47.54 percents over year-end of 2010, mainly due to goods accounts received in advance.

(9) Payable equity: Cash payable of parent company at June-end of 2011 was paid on August 17.

(10) Sales expense: Sales expenses of the 1st half year of 2011 decreased by RMB 24,746,200 with 32.88 percents over same period of 2010, mainly due to three guarantees expenses decreased.

(11) Assets impairment losses: Losses of assets disposal at first half year of 2011 increase 100.57% over that of last year. Mainly because being restructuring the use of sluggish inventory and realizing the sluggish fixed assets that disposed in first half year of 2010, the impairment provision reversal correspondingly.

(12) Investment income: The one of the 1st half year of 2011 increased by RMB 91,693,100 with 45.41 percents over same period of last year, mainly due to profit of invested units increased.

(13) Non-operating income: the one of the 1st half year of 2011 increased by RMB 6,611,900 with 982.54 percents over same period of 2010, mainly due to the Company increased RMB 3,485,000

of net income for disposing fixed assets, government subsidies was increased by RMB 1,815,000. And in 2011 we transferred equity of Kunming Xitong thus produced RMB 1,241,000 of income.

(14) Non-operating expenses: the one of the 1st half year of 2011 decreased by RMB 3,406,500 with 44.8 percents over same period of 2010, mainly due to the Company sold fixed assets thus net losses decreased by RMB 3,453,000.

(15) Income tax expense: the one of the 1st half year of 2011 increased by RMB 70,288,600 with 280.53 percents, mainly due to profit of this period increased thus corresponding income tax increased.

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 (%)
Automobile components	299,120.65	215,173.37	28.06	22.78	14.15	5.43

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 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 (±%)
Automotive fuel injection system	244,663.57	170,554.38	30.29	17.62	7.92	6.26
Automotive after-treatment system	46,668.34	40,044.15	14.19	35.40	35.44	-0.02
induction system	7,788.73	4,574.84	41.26	587.14	411.89	20.11

6. Main operations and areas

Unit: RMB'0000

Area	Operating income	Increase/decrease of operating income over the previous period (%)
Inside the country	286,930.11	22.40
Outside the country	12,190.54	32.47

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, Total operating income increased by 30% over last period.

(2) Zhonglian Automobile Electronics Co., 20% equity held by the Company, mainly engaged in producing automobile electronics control system, Total operating income increased by 83% over last period.

II. Problems and difficulties in operation

Affected by unfavorable factors such as withdrawal of incentive policy on automobile industry, total production and sale as well as increase range of automobile industry obviously fell, especially the decrease range of business automobiles. The unfavorable market influenced operation of the Company.

Macro economic situation and market demands of the 2nd half year were still faced with uncertainty which mainly shows in:

1. CPI kept high, prices of production factors were growing, inflation was constant, increase of interest existed and financing cost ascended.
2. Logistic transportation cost operated highly thus uncertainty remained in market demands and competitiveness further enlarged.

The above factors will take a certain influence on operation performance of the Company in the 2nd half year.

Measurements:

1. Accelerate products structure adjustment, speed up development and developing progress on new products while produce correct products. Ensure marketing share of important products unchanged and increased marketing share of new products.
2. Enhance control on internal cost, continuously deepen fine management, reduce comprehensive cost; initially work out, balance factors of cost-increase and profit-decrease, reduce labor expense, compress non-operational expense and strengthen projects management.
3. Further enhance capital management, reduce capital occupation and reduce operation risk.
4. Improve quality, strictly pay attention to compliance of products based on requirements of quality system, focus on quality of materials and conduct quality responsibility.

III. Investment of the Company in the report period

1. There was no application of raised proceeds in the report period
2. Investments with non-raised proceeds

In reporting period, total investment in main items such as technology reform and external investment amounted to RMB 325,288,800.

- (1) RMB 48,370,000 was invested in WAPS research and development as well as industrialization and productivity improvement of parts of diesel common rail system in reporting period.
- (2) RMB 7,890,000 was invested in project research institution in reporting period.
- (3) RMB 163,720,000 was invested in construction of Weifu Industry Park in reporting period.
- (4) RMB 98,640,000 was invested in fragmentary projects in reporting period.
- (5) RMB 1,468,800 was invested in purchasing 20% equity of Kunming Xitong Machinery Co., Ltd previously held by Kunming Jinlida Co., Ltd in reporting period.
- (6) The Company set up Anhui Weifu Tianshi Machinery Co., Ltd together with Anhui Quanchai Power Holding Co., Ltd. RMB 5,200,000 was invested in it I reporting period.

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

Section VI. Significant Events

I. Corporation governance

In reporting period, the Company strictly complied with requirements of Company Law, Securities Law, Governance Rules of Listed Companies, Administration Method for Information Disclosure of Listed Companies, Guidance for Normalized Operation of Listed Companies in Main Board of Shenzhen Securities Exchange as well as relevant laws and rules issued by CSRC. And we continuously perfected governance structure of the Company as well as various systems. The Company enhanced administration of information disclosure, standardized corporation operation. Thus there was no difference between actual governance situation and requirements on normalized documents relevant to governance of listed companies issued by CSRC.

II. Profit Distribution

1. The Company did not distribute bonus or implement capitalization of reserves in the interim of 2011.
2. The Company completed the implementation of the profit distribution plan of 2010 in August, 2011. The distribution plan was: distributing cash bonus of RMB 4.35 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.

In reporting period, the Company had no significant assets purchase, selling or capital restructure.

V. Related Transaction

Related transaction relevant to daily operation

Proposal of Predicted Total Amount of 2011 Daily Related Transaction reviewed on the 16th meeting of the 6th session of board of directors and approved on 2010 annual shareholders' meeting was respectively published on Securities Times, China Securities Journal, Hong Kong Commercial Daily and Juchao website (<http://www.cninfo.com.cn>) on March 19, 2011 and on July 1 of 2011.

In reporting period, implementation of daily related transaction: Unit: RMB'0000

Type of related transaction	Contents of transaction	Related units	The 1 st half year of 2011	The 1 st half year of 2010
Purchase of goods, labor service and fixed asset	Purchase of components	Wuxi Weifu Environmental Catalyst Co., Ltd.	29,674.80	22,738.2
		Bosch Automotive Diesel Oil Systems Co., Ltd.	15,864.47	14,398.6
		Wuxi Weifu Precision Machinery Manufacturing Co., Ltd.	7,908.69	6,092.0
		Wuxi Weifu Autocam Fine instruments Co., Ltd.	708.22	3.7
		British Temai Engine Co., Ltd. Wuxi	0	41.5
	Purchase fixed assets	Bosch Automotive Diesel Oil Systems Co., Ltd.	5.96	0

Sales of goods, labor service and fixed assets	Sales of oil pump and oil mouth products and components produced by the Company	Bosch Automotive Diesel Oil Systems Co., Ltd.	21,393.31	20,705.6
		Wuxi Weifu Precision Machinery Manufacturing Co., Ltd.	1,409.17	1,042.3
		Wuxi Weifu Autocam Fine instruments Co., Ltd.	289.7	110.9
	Sales of raw material	Wuxi Weifu Environmental Catalyst Co., Ltd.	736.66	976.9
	Sales of fixed assets	Wuxi Weifu Precision Machinery Manufacturing Co., Ltd.	14.90	3.8
Use of trade mark and land lease	Paying fees for using trade mark and land lease	Wuxi Industry Development Group Co., Ltd.	514.95	405.4
Technical service fees and services	Technical service fees and services payable	Bosch Automotive Diesel Oil Systems Co., Ltd.	0	220.7
Total			78,520.83	66,739.6

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 end of reporting period, the Company had no external guarantee.
3. In reporting period, the Company had no non-operating liability and debts contact with related parties.
4. Creditor's rights and debt intercourse with related party

Unit: RMB

Related parties	Balance at the year-begin of 2011	Occurred Amount of debtor in the first half year	Occurred Amount of debt in the first half year	Balance at the period-end
Wuxi Weifu Autocam Precision Machinery Co., Ltd.	775,162.08	9,717,513.35	10,036,151.47	456,523.96
Bosch Automotive Diesel Oil Systems Co., Ltd.	49,756,368.32	308,742,713.24	305,448,279.45	53,050,802.11
Wuxi Weifu Environmental Catalyst Co., Ltd.	-17,361,199.37	306,122,241.58	352,755,420.61	-63,994,378.40
Wuxi Weifu Precision Machinery Manufacturing Co., Ltd.	-31,598,559.71	110,581,487.98	94,718,132.11	-15,735,203.84
Total	1,571,771.32	735,163,956.15	762,957,983.64	-26,222,256.17

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 implementation
Share	Wuxi	Net profit amounted to 0.85 billion yuan from	Implementation has

reform Comm itment	Industry Group Co., Ltd.	2006-2008, the one in 2008 was 0.34 billion yuan. According to the rule of issuing 0.5 shares per 10 shares aiming 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.	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).	Based on promise of share split reform, Industry Group had handled listing procedure of restricted circulating shares available for listing. Actual amount of these shares was 28,363,800 shares, taking up 5% of total share capital. Till end of reporting period, holding-decrease had not occurred.
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.	Commitment arranged by motivation mechanism of supervisors is being carrying out and will be implemented after related policies were issued.

IX. Other significant events

1. 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.

2. That the Company issued non-public RMB ordinary share (A share) to major shareholder Wuxi Industry Development Co., Ltd (hereinafter referred to as Industry Group) and foreign strategic investor Germany Robert Bosch Co., Ltd (hereinafter referred to as Bosch Company) which was reviewed and passed on the 14th and 15th meeting of the 6th session of board of directors as well as 2010 secondary extraordinary shareholders' meeting. On Jun. 29 of 2011, event about bringing foreign strategic investor in this non-public issue program had obtained principle reply from national commerce department (SZP [2011] No. 678 Reply to that Commerce Department Agreed that German Robert Bosch Co., Ltd Strategically Invests Wuxi Weifu High-Tech Group Holding Co., Ltd). Commerce Department agreed in principle that German Robert Bosch Co., Ltd subscribes non-public RMB ordinary shares (A share) issued by Wuxi Weifu High-Tech Group Holding Co., Ltd in cash. Presently the program about the non-public issue had been reported to CSRC. Implementation could be only when CSRC approved it. And the approval finally depends on the decision of China Securities Supervision Administration Commission.

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 Group Co., Ltd., we examined relevant resolution of Prediction on Daily Related Transaction Amount of 2011 of the Company and checked the Semi-Annual Report 2011, 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 2011; 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. Till period-end, amount of external guarantee of the Company was zero.
3. 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 '0000

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	0.00	0.00
Nanjing Hengtai Insurance and Broker Securities Co., Ltd.	100.00	100.00	1.85%	100.00	0.00	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	0.00	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
2011-001	Notice to 2010 performance	2011-1-26	China Securities Journal
2011-002	Notice to decisions made on the 16 th meeting of the 6 th session of board of directors	2011-3-19	Securities Times

2011-003	Notice to decisions made on the 7 th meeting of the 7 th session of board of supervisors	2011-3-19	Hong Kong Commercial Daily
2011-004	Summary of 2010 annual report	2011-3-19	
2011-005	Daily related transaction	2011-3-19	
2011-006	Offering guarantee for others	2011-3-19	
2011-007	Notice to more investment in Yingtemai	2011-3-19	
2011-008	Notice to listing of restricted shares	2011-4-11	
2011-009	Notice to 2011 the 1 st seasonal performance	2011-4-15	
2011-010	Text of 2011 the 1 st seasonal report	2011-4-23	
2011-011	Notice to decision made on the 18 th meeting of the 6 th session of board of directors	2011-6-9	
2011-012	Notice to decisions made on the 9 th meeting of the 6 th session of board of supervisors	2011-6-9	
2011-013	Notice to holding 2010 annual shareholders' meeting	2011-6-9	
2011-014	Reference notice to holding 2010 annual shareholders' meeting	2011-6-23	
2011-015	Notice to decisions made on the 2010 annual shareholders' meeting	2011-7-1	
2011-016	Notice to particulars about non-public issue	2011-7-1	

All the above documents were published on www.cninfo.com.cn which granted by China 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
2011-01-06	Reception room of the Company	Spot research	Bank of Communication, Schroeder	Operation status and future development of the Company
2011-01-07	Reception room of the Company	Spot research	Life, Franklin	Operation status and future development of the Company
2011-02-16	Reception room of the Company	Spot research	China Merchants Securities	Operation status and future development of the Company
2011-05-06	Reception room of the Company	Spot research	Huili Fund	Operation status and future development of the Company
2011-05-10	Reception room of the Company	Spot research	Tiger Fund	Operation status and future development of the Company
2011-05-12	Reception room of the Company	Spot research	Bosera Fund	Operation status and future development of the Company
2011-05-20	Reception room of the Company	Spot research	Deutsche Bank	Operation status and future development of the Company
2011-05-25	Reception room of the Company	Spot research	Hongli	Operation status and future development of the Company
2011-05-26	Reception room of the Company	Spot research	Baling, Zhongxin Construction Investment	Operation status and future development of the Company
2011-05-27	Reception	Spot research	Yanfu	Operation status and future

	room of the Company			development of the Company
2011-06-01	Reception room of the Company	Spot research	Fubang Securities	Operation status and future development of the Company
2011-06-09	Reception room of the Company	Spot research	Changjiang Securities, Zhongyou Fund	Operation status and future development of the Company
2011-06-22	Reception room of the Company	Spot research	China Merchants Securities	Operation status and future development of the Company

Section VII. Financial Statement

I. The Interim 2011 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 2011 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 Group Co., Ltd.
25 August 2011**

Supplementary I. Financial Report (un-audited)

Balance Sheet

Prepared by Weifu High-Technology Group Co., Ltd.

Jun.30, 2011

Unit: RMB

Items	Amount at period-end		Amount at year-begin	
	Consolidation	Parent Company	Consolidation	Parent Company
Current assets:				
Monetary funds	650,755,776.12	230,304,728.14	596,958,764.21	149,943,763.55
Settlement provisions				
Capital lent				
Transaction finance asset				
Notes receivable	806,727,432.41	238,093,231.72	835,266,266.32	291,611,147.00
Accounts receivable	1,455,548,616.22	787,170,455.11	999,798,439.30	567,607,398.18
Accounts paid in advance	136,984,003.56	39,733,401.66	105,176,780.11	42,468,803.76
Insurance receivable				
Reinsurance receivables				
Contract reserve of reinsurance receivable				
Interest receivable				
Dividend receivable	411,763,187.98	403,474,013.55		8,496,690.22
Other receivables	6,937,631.88	170,381,031.94	6,892,216.92	137,067,355.21
Purchase restituted finance asset				
Inventories	892,581,046.39	286,208,383.69	917,694,296.54	277,723,002.78
Non-current asset due within one year				
Other current assets	16,412,254.88		9,210,782.24	
Total current assets	4,377,709,949.44	2,155,365,245.81	3,470,997,545.64	1,474,918,160.70
Non-current assets:				
Granted loans and advances				
Finance asset available for sales				
Held-to-maturity investment				
Long-term account receivable				
Long-term equity investment	1,595,884,372.95	2,413,386,990.76	1,892,112,152.46	2,558,225,582.62
Investment property	4,705,325.58		4,965,879.52	
Fixed assets	1,129,106,174.81	544,921,148.93	1,110,068,115.28	538,628,218.28
Construction in progress	379,140,376.53	326,782,044.17	142,256,732.63	125,932,175.31
Engineering material				
Disposal of fixed asset				
Productive biological asset				
Oil and gas asset				
Intangible assets	84,003,591.27	26,398,657.53	85,655,823.12	26,733,764.37
Expense on Research and Development				
Goodwill	1,784,086.79		1,784,086.79	
Long-term expenses to be apportioned	7,225,632.48		7,473,629.75	

Deferred income tax asset	46,620,157.09	15,994,688.34	46,308,844.71	16,198,870.70
Other non-current asset				
Total non-current asset	3,248,469,717.50	3,327,483,529.73	3,290,625,264.26	3,265,718,611.28
Total assets	7,626,179,666.94	5,482,848,775.54	6,761,622,809.90	4,740,636,771.98
Current liabilities:				
Short-term loans	505,000,000.00	475,000,000.00	270,000,000.00	240,000,000.00
Loan from central bank				
Absorbing deposit and interbank deposit				
Capital borrowed				
Transaction financial liabilities				
Notes payable	255,438,331.48	147,760,000.00	389,985,533.69	200,278,487.00
Accounts payable	1,282,039,231.68	798,944,758.50	1,195,053,077.84	766,617,178.72
Accounts received in advance	62,366,779.80	31,660,297.45	42,271,899.15	20,438,892.15
Selling financial asset of repurchase				
Commission charge and commission payable				
Wage payable	296,748,447.80	202,960,229.57	269,751,945.96	168,133,427.32
Taxes payable	51,119,679.83	12,873,131.08	107,903,963.31	28,582,184.41
Interest payable	794,885.00	720,000.00	490,000.00	320,000.00
Dividend payable	246,765,057.83	246,765,057.83	18,696,539.18	
Other accounts payable	79,199,455.69	184,158,024.61	62,501,613.74	56,125,853.06
Reinsurance payables				
Insurance contract reserve				
Security trading of agency				
Security sales of agency				
Non-current liabilities due within 1 year				
Other current liabilities	28,321,914.82	425,794.18	24,330,259.35	
Total current liabilities	2,807,793,783.93	2,101,267,293.22	2,380,984,832.22	1,480,496,022.66
Non-current liabilities:				
Long-term loans	3,000,000.00		3,000,000.00	
Bonds payable				
Long-term account payable	15,670,000.00		15,670,000.00	
Special accounts payable				
Projected liabilities		1,481,745.84		1,481,745.84
Deferred income tax liabilities	2,719,799.76		2,801,008.40	
Other non-current liabilities	15,105,000.00		13,350,000.00	
Total non-current liabilities	36,494,799.76	1,481,745.84	34,821,008.40	1,481,745.84
Total liabilities	2,844,288,583.69	2,102,749,039.06	2,415,805,840.62	1,481,977,768.50
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	895,918,416.59	923,981,806.57	895,918,416.59	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	2,757,274,546.20	1,605,203,937.41	2,359,375,974.53	1,483,763,204.41
Balance difference of foreign currency translation				
Total owner's equity attributable to parent company	4,504,106,955.29	3,380,099,736.48	4,106,208,383.62	3,258,659,003.48
Minority interests	277,784,127.96		239,608,585.66	
Total owner's equity	4,781,891,083.25	3,380,099,736.48	4,345,816,969.28	3,258,659,003.48
Total liabilities and owner's equity	7,626,179,666.94	5,482,848,775.54	6,761,622,809.90	4,740,636,771.98

Profit Statement

Prepared by Weifu High-Technology Group Co., Ltd.

Jan.-Jun., 2011

Unit: RMB

Items	Amount in this period		Amount in last period	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Total operating income	3,277,559,746.96	1,572,144,387.25	2,650,687,135.98	1,327,925,009.23
Including: Operating income	3,277,559,746.96	1,572,144,387.25	2,650,687,135.98	1,327,925,009.23
Interest income				
Insurance gained				
Commission charge and commission income				
II. Total operating cost	2,804,561,429.66	1,426,981,752.27	2,484,124,898.09	1,301,797,886.46
Including: Operating cost	2,426,221,608.75	1,276,037,593.43	2,093,055,787.60	1,170,004,402.17
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	18,420,616.07	4,627,595.77	16,291,617.38	6,433,506.73
Sales expenses	50,509,950.62	19,702,447.44	75,256,111.83	37,610,680.96
Administration expenses	289,086,649.01	114,319,388.36	291,306,504.33	85,142,336.99
Financial expenses	20,270,250.56	12,074,003.65	17,439,278.30	12,598,125.00
Losses of devaluation of asset	52,354.65	220,723.62	-9,224,401.35	-9,991,165.39
Add: Changing income of fair value(Loss is listed with "-")				
Investment income (Loss is listed with "-")	293,611,064.62	267,750,110.24	201,917,998.72	178,193,119.57
Including: Investment income on affiliated company and joint venture	293,611,064.62	267,750,110.24	200,107,998.72	176,383,119.57
Exchange income (Loss is listed with "-")				
III. Operating profit (Loss is listed with "-")	766,609,381.92	412,912,745.22	368,480,236.61	204,320,242.34
Add: Non-operating income	7,284,862.92	3,643,945.37	672,941.34	385,891.83

Less: Non-operating expense	4,197,340.18	1,863,915.93	7,603,886.52	4,973,495.20
Including: Disposal loss of non-current asset	503,436.27	205,040.54	3,955,948.67	3,136,382.19
IV. Total Profit (Loss is listed with “-”)	769,696,904.66	414,692,774.66	361,549,291.43	199,732,638.97
Less: Income tax expense	95,344,637.40	46,486,983.83	25,056,036.34	2,944,537.40
V. Net profit (Net loss is listed with “-”)	674,352,267.26	368,205,790.83	336,493,255.09	196,788,101.57
Net profit attributable to owner’s of parent company	644,663,629.50	368,205,790.83	319,107,461.52	196,788,101.57
Minority shareholders’ gains and losses	29,688,637.76		17,385,793.57	
VI. Earnings per share				
i. Basic earnings per share	1.14	0.65	0.56	0.35
ii. Diluted earnings per share	1.14	0.65	0.56	0.35
VII. Other comprehensive income				
VIII. Total comprehensive income	674,352,267.26	368,205,790.83	336,493,255.09	196,788,101.57
Total comprehensive income attributable to owners of parent company	644,663,629.50	368,205,790.83	319,107,461.52	196,788,101.57
Total comprehensive income attributable to a few shareholders	29,688,637.76		17,385,793.57	

As for enterprise merger under same control in this period, the merging party realized net profit of RMB 0.00 before consolidation.

Cash Flow Statement

Prepared by Weifu High-Technology Co., Ltd.

Jan.-Jun., 2011

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	3,103,973,047.42	1,646,992,101.70	1,846,936,620.16	1,234,026,176.66
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	12,117,457.27		8,782,547.76	
Other cash received concerning operating activities	13,351,259.84	576,527.71	8,590,049.83	4,854,255.88
Subtotal of cash inflow arising from operating activities	3,129,441,764.53	1,647,568,629.41	1,864,309,217.75	1,238,880,432.54
Cash paid for purchasing commodities and receiving labor service	2,372,737,792.86	1,190,501,330.49	1,376,818,187.49	1,138,742,380.50
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	250,024,693.71	100,967,959.62	218,927,995.72	98,598,556.63
Taxes paid	337,795,130.93	108,357,907.68	189,330,563.69	68,043,762.87
Other cash paid concerning operating activities	115,080,757.84	144,846,109.46	93,167,886.76	38,660,315.63
Subtotal of cash outflow arising from operating activities	3,075,638,375.34	1,544,673,307.25	1,878,244,633.66	1,344,045,015.63
Net cash flows arising from operating activities	53,803,389.19	102,895,322.16	-13,935,415.91	-105,164,583.09
II. Cash flows arising from investing activities:				
Cash received from recovering investment				
Cash received from investment income	174,072,662.98	174,280,178.77	13,379,333.52	13,379,333.52
Net cash received from disposal of fixed, intangible and other long-term assets	7,126,366.00	6,187,577.12	12,123,918.21	7,665,524.53
Net cash received from disposal of subsidiaries and other units				
Other cash received concerning investing activities	1,138,436.51			
Subtotal of cash inflow from investing activities	182,337,465.49	180,467,755.89	25,503,251.73	21,044,858.05
Cash paid for purchasing fixed, intangible and other long-term assets	377,850,266.49	263,273,961.57	100,113,353.54	47,833,488.20
Cash paid for investment		156,668,800.00	123,265,900.00	127,045,900.00
Net increase of mortgaged loans				
Net cash received from subsidiaries and other units				
Other cash paid concerning investing activities				
Subtotal of cash outflow from	377,850,266.49	419,942,761.57	223,379,253.54	174,879,388.20

investing activities				
Net cash flows arising from investing activities	-195,512,801.00	-239,475,005.68	-197,876,001.81	-153,834,530.15
III. Cash flows arising from financing activities				
Cash received from absorbing investment	5,610,000.00		1,490,490.00	
Including: Cash received from absorbing minority shareholders' investment by subsidiaries	5,610,000.00		1,490,490.00	
Cash received from loans	586,512,141.78	556,512,141.78	1,069,864,006.14	1,017,612,099.36
Cash received from issuing bonds				
Other cash received concerning financing activities				
Subtotal of cash inflow from financing activities	592,122,141.78	556,512,141.78	1,071,354,496.14	1,017,612,099.36
Cash paid for settling debts	351,512,141.78	321,512,141.78	810,598,025.08	744,598,025.08
Cash paid for dividend and profit distributing or interest paying	29,491,293.22	10,794,754.04	15,613,973.26	14,134,432.99
Including: Dividend and profit of minority shareholder paid by subsidiaries	18,696,539.18			
Other cash paid concerning financing activities			2,265,668.46	
Subtotal of cash outflow from financing activities	381,003,435.00	332,306,895.82	828,477,666.80	758,732,458.07
Net cash flows arising from financing activities	211,118,706.78	224,205,245.96	242,876,829.34	258,879,641.29
IV. Influence on cash due to fluctuation in exchange rate				
V. Net increase of cash and cash equivalents	69,409,294.97	87,625,562.44	31,065,411.62	-119,471.95
Add: Balance of cash and cash equivalents at the period -begin	465,219,784.67	85,169,165.70	327,527,351.45	85,790,609.19
VI. Balance of cash and cash equivalents at the period-end	534,629,079.64	172,794,728.14	358,592,763.07	85,671,137.24

Consolidated Statement on Changes of Owners' Equity

Prepared by Weifu High-Technology Co., Ltd.

Jun. 30, 2011

Unit: RMB

Items	Amount in this report period									
	Owners' equity attributable to the parent company								Minority's equity	Total owners' equity
	Paid-up capital (Share capital)	Capital reserves	Less: Treasury Stock	Reasonable reserve	Surplus reserves	General risk provision	Retained profit	Others		
I. Balance at the end of last year	567,275,995.00	895,918,416.59			283,637,997.50		2,359,375,974.53		239,608,585.66	4,345,816,969.28
Add: Changes of accounting policy										
Error correction of the last period										
Others										
II. Balance at the beginning of this year	567,275,995.00	895,918,416.59			283,637,997.50		2,359,375,974.53		239,608,585.66	4,345,816,969.28
III. Increase/Decrease in this year (Decrease is listed with "-")							397,898,571.67		38,175,542.30	436,074,113.97
(I) Net profit							644,663,629.50		29,688,637.76	674,352,267.26
(II) Other comprehensive										

income										
Subtotal of the above (I) and (II)							644,663,629.50		29,688,637.76	674,352,267.26
(III) Owners' devoted and decreased capital									8,486,904.54	8,486,904.54
1. Owners' devoted capital									8,486,904.54	8,486,904.54
2. Amount calculated into owners' equity paid in shares										
3. Others										
(IV) Profit distribution							-246,765,057.83			-246,765,057.83
1. Withdrawal of surplus reserves										
2. Withdrawal of general risk provisions										
3. Distribution for owners (shareholders)							-246,765,057.83			-246,765,057.83
4. Other										
(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 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										
I. Balance at the end of last year	567,275,995.00	895,918,416.59			283,637,997.50		2,757,274,546.20		277,784,127.96	4,781,891,083.25

Consolidated Statement on Changes of Owners' Equity (CONT.)

Prepared by Weifu High-Technology Co., Ltd.

Jun. 30, 2011

Unit: RMB

Items	Amount in last year									
	Owners' equity attributable to the parent company								Minority's equity	Total owners' equity
	Paid-up capital (Share capital)	Capital reserves	Less: Treasury Stock	Reasonable reserve	Surplus reserves	General risk provision	Retained profit	Others		
I. Balance at the end of last year	567,275,995.00	907,580,308.28			283,637,997.50		1,104,176,257.99		229,582,790.54	3,092,253,349.31
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			283,637,997.50		1,104,176,257.99		229,582,790.54	3,092,253,349.31
III. Increase/Decrease in this year (Decrease is listed with "-")		-11,661,891.69					1,255,199,716.54		10,025,795.12	1,253,563,619.97

(I) Net profit							1,340,291,115.79		41,069,497.35	1,381,360,613.14
(II) Other general revenue										
Sub-total of the above (I) and (II)							1,340,291,115.79		41,069,497.35	1,381,360,613.14
(III) Owners' devoted and decreased capital		-11,661,891.69							-19,165,166.10	-30,827,057.79
1. Owners' devoted capital									-19,165,166.10	-19,165,166.10
2. Amount calculated into owners' equity paid in shares										
3. Others		-11,661,891.69								-11,661,891.69
(IV) Profit distribution							-85,091,399.25		-11,878,536.13	-96,969,935.38
1. Withdrawal of surplus reserves										
2. Withdrawal of general risk provisions										

3. Distribution for owners (shareholders)							-85,091,399.25		-11,878,536.13	-96,969,935.38
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										
(VII) Other										
IV. Balance at the end of the report period	567,275,995.00	895,918,416.59			283,637,997.50		2,359,375,974.53		239,608,585.66	4,345,816,969.28

Statement on Changes of Owners' Equity of Parent Company

Prepared by Weifu High-Technology Co., Ltd.

Jan.-Jun., 2011

Unit: RMB

Items	Amount in this report period							
	Paid-up capital (Share capital)	Capital reserves	Less: Treasury Stock	Reasonable reserve	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		1,483,763,204.41	3,258,659,003.48
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		1,483,763,204.41	3,258,659,003.48
III. Increase/ Decrease in this year (Decrease is listed with "-")							121,440,733.00	121,440,733.00
(I) Net profit							368,205,790.83	368,205,790.83
(2) Other comprehensive income								
Subtotal of the above (1)and (2)							368,205,790.83	368,205,790.83
(III) Owners' devoted and decreased capital								
1. Owners' devoted capital								
2. Amount calculated into owners' equity paid in shares								
3. Others								
(IV) Profit distribution							-246,765,057.83	-246,765,057.83
1. Withdrawal of surplus reserves								
2. Withdrawal of general risk reserve								
3. Distribution for owners (shareholders)							-246,765,057.83	-246,765,057.83
4. Others								
(V) Carrying forward								

internal owners' equity								
1. Capital reserves converted to capital (share capital)								
2. Surplus reserves converted to capital (share capital)								
3. Remedying loss with surplus reserves								
4. Others								
(VI) Special reserve								
1. Withdrawal in this period								
2. Usage in this period								
(VII) Other								
IV. Balance at the end of the report period	567,275,995.00	923,981,806.57			283,637,997.50		1,605,203,937.41	3,380,099,736.48

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

Prepared by Weifu High-Technology Co., Ltd.

Jan.-Jun., 2011

Unit: RMB

Items	Amount in this period							
	Paid-up capital (Share capital)	Capital reserve	Less: treasury stock	Special reserve	Surplus reserve	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 "-")							788,419,568.38	788,419,568.38
(I) Net profit							873,510,967.63	873,510,967.63
(2) Other comprehensive income								
Subtotal of the above (1) and (2)							873,510,967.63	873,510,967.63
(III) Owners' devoted and decreased capital								
1. Owners' devoted capital								
2. Amount calculated into								

owners' equity paid in shares								
3. Others								
(IV) Profit distribution							-85,091,399.25	-85,091,399.25
1. Withdrawal of surplus reserves								
2. Withdrawal of general risk reserve								
3. Distribution for owners (shareholders)							-85,091,399.25	-85,091,399.25
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								
(VII) Other								
IV. Balance at the end of the report period	567,275,995.00	923,981,806.57			283,637,997.50		1,483,763,204.41	3,258,659,003.48

Supplementary II:

Notes to Financial Statement

Note 1. Basic information of the Company

1. History development 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 Group Co., Ltd. (original Weifu High-Technology Co., Ltd., hereinafter referred to the Company or Company) 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”).

By the approval of Jiangsu ERC and Shenzhen Securities Administration Office in August 1995, the Company issued 68 million special ordinary shares (B-share) with value of RMB 1.00 for each, 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 320200000014926. The Company belongs to the mechanical industry and mainly engages in the production and sales of the system of fuel injection and oil blowout.

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 April 5, 2006.

As on 27 May 2009, Weifu Group satisfied the consideration arrangement by dispatching 0.5 shares for each 10 shares based on the number of circulating A shares as prior to Share Merger Reform, according to the aforesaid Share Merger Reform, with an aggregate of 14,039,979 shares

dispatched. Subsequent to implementation of dispatch of consideration shares, Weifu Group then held 100,021,999 shares of the Company, representing 17.63% of the total share capital of the Company.

Pursuant to the document (XGZQ(2009)No.46) about “Approval for Merger of Wuxi Weifu Group Co., Ltd. by Wuxi Industry Development Group Co., Ltd.” issued by the State-owned Assets Supervision and Administration Commission of Wuxi City Government, Wuxi Industry Development Group Co., Ltd. (hereinafter referred to as Wuxi Industry Group) acquired Weifu Group. After the merger, Weifu Group was then revoked, and its assets and credits & debts were transferred to be under the name of Wuxi Industry Group. Accordingly, Wuxi Industry Group became the first largest shareholder of the Company since then.

2. Registered place, organization structure and head office of the Company

Registered place and head office of the Company: Wuxi, Jiangsu.

The Company sets up Shareholders’ General Meeting, the Board of Directors and the Supervisory Committee.

The Company sets up Administration Department, Engineering Technology Research Institution, Human Resources Department, Marketing Department, Finance Control Department, Project Purchase Department, MS Business Segment, AC Business Segment, and subsidiaries such as Wuxi Weifu Leader Catalytic Converter Co., Ltd. (referred to as Weifu Leader), Nanjing Weifu Jinning Co., Ltd. (referred to as Weifu Jinning), and Wuxi Weifu Diesel System Co., Ltd. (referred to as Weifu Diesel System).

3. Business nature and major operation activities of the Company

Operation scope of parent company: manufacture of engine fuel oil system products, fuel oil system testers and equipments; sales of energy-oriented machinery, hardware & electric materials, chemical products and raw materials (other than chemical dangerous). Auto spare parts, autos (other than autos under-9 seats); repair of engine, technological development and consultancy service of machinery industry; import and export business in respect of diversified commodities and technologies (other than those commodities and technologies limited or forbidden by the State for import and export) by self-operation and works as agent for such business

Major subsidiaries respectively activate in production and sales of engine accessories, auto spare parts, mufflers, and purifiers.

4. Relevant party offering approval reporting of financial statements and date thereof

Financial statements of the Company were approved by the Board of Directors for reporting dated August 23, 2011.

Note 2: Major Accounting Policies, Accounting Estimation and Previous Errors of the Company

1. Basis of preparation of financial statements

The financial statement were stated in compliance with Accounting Standard for Enterprises No.30-Presentation of Financial Statement, with recognitions and measurements made by reference to Accounting Standard for Enterprises and Application Instruments thereof promulgated by the Ministry of Finance dated 15 February 2006 in respect of the actual transactions and proceedings, on a basis of ongoing operation.

2. Statement on observation of Accounting Standard for Enterprises

Financial statements prepared by the Company were in accordance with requirements of Accounting Standard for Enterprises, which truly and completely reflected the financial information of the Company, such as financial position, operation achievements and cash

flow.

3. Accounting period

The accounting period of the Company comprises of annual period and interim period, among which, the annual period commences from 1 January to 31 December, and interim period includes monthly, quarterly and half-year.

4. Standard currency for accounting

The Company takes Renminbi (RMB) as its standard currency for accounting.

5. Accounting treatment methods for business combination under and not under the same control

(1) Business combination under the same control

Business combination under the same control: consideration paid by acquirer for combination and net assets acquired by him shall all be measured with carrying value. Difference between carrying values of net assets and combination consideration respectively obtained and paid by acquirer over total par value of shares in issue shall be used to adjust capital reserve; when capital reserve is insufficient for offset, then retained profit shall be adjusted. All direct related expenses arising from business combination, including auditing expenses paid for combination, evaluation expenses and law service expenses, shall be recorded in current gains and losses upon occurrence; while procedure charge and commission arising from issuance of equity securities or bonds in relation to business combination shall be accounted in initial measurement amount of shareholders' equity or liabilities.

(2) Business combination not under the same control

Business combination not under the same control: combination cost paid by acquirer and net recognizable assets obtained from combination shall be measured at fair value. In the event that difference between combination costs over fair value of net recognizable assets obtained from combination is positive, thus such difference shall be recognized as goodwill; if negative, and then shall be accounted in current gains and losses. All direct related expenses arising from business combination including auditing expenses paid for combination, evaluation expenses and law service expenses shall be recorded in business combination cost; while procedure charge and commission arising from issuance of equity securities or bonds in relation to business combination shall be accounted in initial measurement amount of shareholders' equity or liabilities.

6. Preparation method for consolidated statements

(1) Confirmation principle of consolidation scope

Preparation of the consolidation financial statement of the Company mainly complied with the consolidation scope recognized by Parent Company Theory, details consolidation scope as:

① More than half of the equity capital of the investee enterprise that owned by Parent company, directly/indirectly and jointly owned more than half of the equity capital by indirectly and directly included;

② Other investee enterprises control by Parent company including:

A. Holding more than half of voting right of the investee through agreement with other investors of the investee enterprises; ;

B. Having the rights of financial and operation strategy controlled according to Article of Association of Agreement;

C. Having the rights of appointment and dismissal on majority personnel's in Board or in similar power institution of the enterprise; ;

D. Having more than half of the rights to vote in Board or similar power institution of the

enterprise.

(2) measures used in consolidation

①The Company consolidations permit since the day of actual control right obtained; cease consolidation since the day of control right lost. Consolidation financial statement based on the financial statement of the Company and other relevant information of vary subsidiaries that joint in the consolidation scope, adjusted long-term equity investment to subsidiaries according to equity method, off-setting the investment, transaction and contacts between the Company and vary subsidiaries that in the consolidation scope, consolidated for preparation after minority shareholders' gains/loss and minority shareholders' equity calculation.

②Concerning the different accounting policy or accounting period between the Company and subsidiaries, consolidating after adjustment on subsidiaries' financial statement based on the Company's accounting policy or accounting period.

③Concerning the subsidiary obtained under combination with different control, adjusted several financial statement of the subsidiary based on the fair value of recognizable net assets on purchased day while financial statement consolidation; concerning the subsidiary obtained under combination with same control, considered current status of being control by ultimate controller for consolidation while financial statement consolidation.

7. Standard for recognition of cash equivalents when preparing cash flow statement

Cash equivalent represents such kind of investment featuring with short term (generally due within 3 months since purchase day), active liquidity, being easy for converting to cash with already-known amount, as well as tiny exposure to value change risks.

8. Foreign currency business

Foreign currency business is accounted with amount denominated in RMB as translated at the spot exchange rate as of the occurrence day of such business. The occurred foreign currency exchange business or transactions with foreign currency exchange involved shall be translated at the effective exchange rate (i.e. exchange rate adopted by banks for such transactions) adopted by such transaction. As at balance sheet date, division between foreign currency monetary items and foreign currency non-monetary items are dealt with according the to following principles:

Foreign currency monetary items are translated at spot exchange rate as of balance sheet date, and then recorded in current gains and losses when happening during normal operation period; exchange gains and losses related to borrowings for purchasing fixed assets are disposed with principle of capitalization of borrowing expense. Monetary item represents the monetary capital, and assets or liabilities respectively received or paid at fixed or insurable amount, among other things, stock cash, bank deposit, account receivables, other receivables, long-term receivables, short-term loans, account payables, other payables, long-term loans, bond payables and long-term payables, etc.

Foreign currency non-monetary items are translated at spot exchange rate as of transaction date, with no change in its amount accounted in standard currency. Non-monetary items represent items except for monetary items.

As for foreign currency non-monetary items measured at fair value, translation is subject to the spot exchange rate as of the date when fair value is recognized. Difference between the accounted standard currency amount subsequent to translation and its original accounted standard currency amount is dealt with as movement in fair value (movement in exchange rate included), and then recorded in current gains and losses.

9. Financial instruments

(1)Recognition of financial assets

In the case that when a company constitutes one party to financial instrument agreement, one

item of financial asset or financial liability shall then be recognized.

(2) Division and measurement for financial assets and financial liabilities

In terms of investment purposes and economic natures, the Company divides its financial assets into transactional financial assets, financial assets available for sale, account receivables and held-to-maturity investments, among which, transactional financial asset is measured at fair value and movement of its fair value is recorded in current gains and losses; financial asset available for sale is measured at fair value and movement of its fair value is recorded in shareholders' equity; account receivables and held-to-maturity investments are measured at amortized cost.

In terms of economic nature, the Company divides its financial liabilities into two groups, namely financial liabilities at fair value through gains and losses and other financial liabilities at amortized cost.

(3) Recognition of fair values of financial assets and financial liabilities

① In case of an active market, financial assets or financial liabilities which are respectively held and proposed to be undertaken by the Company are subject to the prevailing offer price of such market, and financial assets or financial liabilities which are respectively proposed to be held and undertaken by the Company are subject to the prevailing asked price of such market. In case of absence of such prevailing offer or asked prices, market quotation of the latest transaction or adjusted market quotation of the latest transaction shall be adopted, except that there is clear evidence showing that such market quotation is not fair value.

② In case of absence of an active market, the Company recognizes fair value by reference to valuation technology which includes reference to the price adopted by parties who are willing to make business and knowing conditions quite well in their latest transactions, reference to prevailing fair values of other financial instruments with similar essence, discount cash flow method and option pricing pattern.

(4) Recognition and measurement of financial assets transfer

That the Company grants or delivers financial assets to party other than the issuer of such financial assets equals transfer of financial assets. Financial assets transferred could be the entire or part of such financial assets. Two forms are listed as follows:

① Transfer of right for collecting cash flow of financial assets to another party;

② Transfer financial assets to another party, while the aforementioned right is retained, with obligation of paying such cash flow to final collector.

In the even that the Company has transferred almost all risks and remunerations arising from ownership of all or part financial assets to another party, accordingly, recognition for such entire or part financial assets shall be ceased. Gains and losses are determined by the received consideration less the carrying value of the transferred financial assets. Meanwhile, the original accumulated gains or losses of financial assets recognized in the owners' equity shall transferred to gains and losses; when all risks and remunerations attached to ownership are retained, recognition for such entire or part financial assets shall continue, and the consideration received shall be viewed as financial liabilities.

As for the financial assets which the Company has neither transferred nor retained all risks and remunerations attached to ownership of such financial assets, while control upon such financial assets still exists, recognition shall be conducted in light of the degree of its continuous involvement in the transferred financial assets. Accordingly, relevant liabilities shall be recognized.

(5) Discontinued recognition of financial assets and financial liabilities

Upon satisfaction of one of the following condition, financial assets will immediately experience discontinued recognition:

① Right entitled by contract in respect of collection of cash flow from such financial asset terminates.

② Such financial assets have been transferred and meet discontinued recognition condition

for financial assets as regulated by Accounting Standard for Enterprise No.23-Transfer of Financial Assets.

Only when present obligations under financial liability have been released entirely or partly, could cease recognition of such financial liability or part thereof.

(6) Impairment of financial assets

The Company conducts inspection on carrying values of financial assets, except for transactional financial assets, as at balance sheet date. If there is objective evidence indicating that impairment has happened to financial assets, impairment reserve then shall be provided. Financial asset with great amount in single item is subject to separate impairment test. In case of any objective evidence indicating that impairment has happened to such financial asset, impairment loss shall be recognized and recorded in current gains and losses. As for the financial assets with no great amount in single item and those which prove to be not impaired after separate test, the Company will conduct impairment test on basis of credit portfolio which is determined in light of customers' credit records and historical bad debts, so as to recognize impairment loss.

Objective evidence indicating impairment happens to financial assets means the proceedings meeting the three characteristics: actually occurred subsequent to initial recognition of such financial assets, bring influence over the estimated future cash flow of such financial assets, and such influence could be reliably measured by the Company.

The followings are included in objective evidences indicating impairment happens to financial assets:

A: Serious financial difficulty happens to issuer or debtor;

B: Breach of terms of contract by debtor, such as breach or overdue in repaying interest or principal;

C: Creditor makes concession for debtors who experience financial trouble in light of consideration for economy or laws;

D: Debtor is very likely to experience bankrupt or financial reorganization;

E: Financial assets are not able to be traded in active market since material financial difficulty happens to issuer;

F: It is unable to judge whether cash flow from certain asset in a group of financial assets has decreased, while it is finally found that the estimated future cash flow of such financial asset has actually decreased since its initial recognition and the decrease can be reliably measured by reference to the general valuation based on open data. For example, payment capacity of debtor of such financial assets portfolio gradually worsens, or unemployment in country or region where the debtor locates risen, price of guaranty falls greatly in the place where it locate, and the industry in which it belongs to is unpromising;

G: Material negative changes happen to technologies, markets, economy or law environment in which debtor operates, which leads to that equity instrument investor is not likely to be able to recover investment cost;

H: Fair value of equity instrument investment experiences severe or non-temporary falling;

I: Other objective evidence indicating impairment happens to financial assets.

In the event of impairment in financial asset at amortized cost, impairment loss is calculated based on the difference between carrying value and present value of estimated future cash flow discounted at effective interest rate.

After impairment loss is recognized for financial asset at amortized cost, if there is objective evidence indicating value of such financial asset has recovered, which is objectively related to proceedings occurred after recognition of such loss, the original impairment loss shall be reversed and recorded in current gains and losses. However, the carrying value subsequent to such reversal shall not exceed the amortized cost of such financial asset as at the reversal date on assumption that such impairment loss had not been provided.

For impairment in financial assets available for sale, the original accumulated loss through

owners' equity directly arising from falling fair value shall be reversed to current gains and losses.

10. Account receivables

(1) Recognition standard and provision method for bad debt provision of account receivables with significant amount in single item:

Recognition standard for bad debt provision of account receivables with significant amount in single item

The Company's account receivables with above RMB 1 million in single item is defined as account receivables with significant amount in single item. Such kind of account receivables are recognized as bad debts in case of impossible collection though with bankrupt properties or heritages of debtors due to their bankrupt or death, or in the even that debtors haven't implemented their repayment obligations over 3 years upon expiration and there are obvious evidences indicating impossible collection.

Provision method for bad debt provision of account receivables with significant amount in single item

As for account receivables with significant amount in single item which can not be directly recognized as bad debts, debt provision shall be provided according to the Company's policies by aged analysis method. 100% bad debt provision shall be provided for those account receivables with great amount in single item which can be directly recognized as bad debts

(2) Recognition standard and provision method for bad debt provision of account receivables whose single amount are not significant, but the portfolio risk is significant after grouped by credit risk feature

Recognition evidence for group by credit risk feature

Account receivable meeting the following conditions: account receivable whose single amount is not significant, impossible collection though with bankrupt properties or heritages of debtors due to their bankrupt or death, debtors haven't implemented their repayment obligations over 3 years upon expiration and there are obvious evidences indicating impossible collection.

Provision method confirmed by portfolio of credit risk feature

Provision percentage for percentage of total accounts receivable outstanding (%)	100%	Provision percentage for percentage of total other receivable outstanding (%)	100%
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(3) Aged analysis method

Age	Provision percentage for accounts receivable	Provision percentage for other receivable
Within 6 months	No withdrawal	No withdrawal
6 months to 1 year	10%	10%
1 year to 2 years	20%	20%
2 years to 3 years	40%	40%
Over 3 years	100%	100%
Explanation for provision for bad debt	Bad debt loss is calculated by allowance method. Separate impairment test is provided for account receivable whose single amount is significant, its bad debt provision is subject to the difference between the present value of estimated future cash flow and carrying value of such account receivable; bad debt provision is fully provided for account receivables whose single amount are not significant, but the portfolio risk is significant after grouped by credit risk feature; provision is offered on the basis of period-end balances by aged analysis method for account receivables whose single amounts are significant and not impaired and account receivable whose single amount is not significant, and which is not grouped by	

	credit risk feature to the portfolio whose risk is significant. Bad debt provision withdrew is accounted in current gains and losses.
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11. Inventories

(1) Classification of inventories

The Company's inventories are categorized into stock materials, product in process and stock goods ect.

(2) Pricing for delivered inventories

<p>A. Generally, stock materials are calculated at planned cost. Material cost difference is individually set according to classification of grant types. Pursuant to the difference between the planned cost of the received or delivered raw materials and the material cost the aforesaid cost should share after carrying forward at period-end, the Company adjusts the planned cost to effective cost; finished products are priced at effective costs, and carried forward to operating cost by weighted average method when being delivered;</p> <p>B. Products in process are priced at effective costs, and carried forward to finished products at actually occurred cost;</p> <p>C. Finished self-produced products are priced at effective costs, and carried forward to operating cost by weighted average method; external purchase goods (from import and export trades) are carried forward to sales cost by individual pricing method.</p>
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(3) Recognition evidence for net realizable value of inventories and withdrawal method for inventory impairment provision

<p>Inventories as at period-end are priced at the lower of costs and net realizable values; at period end, on the basis of overall clearance about inventories, inventory impairment provision is withdrew for uncollectible part of costs of inventories which result from destroy of inventories, out-of-time of all and part inventories, or sales price lowering than cost. Inventory impairment provision for stock goods and quantity of raw materials is subject to the difference between costs of single inventory item over its net realizable value. As for other raw materials with large quantity and comparatively low unit prices, inventory impairment provision is withdrawn pursuant to categories.</p> <p>As for inventories such as stock goods and materials available for direct sales, their net realizable values are determined by their estimated selling prices less estimated sales expenses and relevant taxes. For material inventories held for purpose of production, their net realizable values are determined by the estimated selling prices of finished products less estimated costs, estimated sales expenses and relevant taxes accumulated till completion of production. As for inventories held for implementation of sales contracts or service contracts, their net realizable values are calculated on the basis of contract prices. In the event that inventories held by a company exceed order amount as agreed in sales contracts, net realizable values of the surplus part are calculated on the basis of normal sale price.</p>
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(4) Inventory system

Inventory system is perpetual inventory system.

(5) Amortization method for low value consumables

Low value consumables are subject to one-off amortization when being received.
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12. Long-term equity investment

(1) Recognition of investment cost

<p>Long-term equity investment mainly includes the equity investments made to subsidiaries, joint ventures and associates, and the equity investment which couldn't entitle the Company to conduct control, common control or significant influence over the invested units and which have no quotation price in active market and whose fair value could not be able to measured surely.</p> <p>Initial investment cost of long-term equity investment of the Company is recognized by the following ways based on different acquisition ways:</p>

①In situation of a long-term equity investment acquired through business combination under common control, the carrying value of the owners' equity of the acquired company as at the combination date is deemed as initial investment cost for this long-term equity investment; difference between acquisition cost and initial investment cost is used to adjust capital reserve. In case of insufficient capital reserve for offset, retained profit shall be then adjusted.

②In situation of a long-term equity investment acquired through business combination not under common control, the initial investment cost of long-term equity investment is determined at the combination cost calculated by reference to the fair value of assets, equity instruments issued and liabilities occurred or undertaken, plus any direct cost related to acquisition. Realizable assets and liabilities undertaken by such assets (include contingent liabilities) of the party being combined as at the combination date are all measured at fair values, without consideration to amount of minority interests. The surplus of combination cost less fair value net realizable assets of the party being combined is recorded as goodwill, and the deficit is directly recognized in the consolidated statement of gains and losses.

③Long-term investments obtained through other ways

A. Initial investment cost of long-term equity investment obtained through cash payment is determined according to actual payment for purchase.

B. Initial investment cost of long-term equity investment obtained through issuance of equity securities is determined at fair value of such securities.

C. Initial investment cost of long-term equity investment injected by investor is determined at the agreed value in investment contract or agreement. In case of an unfair contract or agreement value, measurement shall be conducted at fair value.

D. Initial investment cost of long-term equity investment (exchanged-in) obtained through exchange with non-monetary assets, which is of commercial nature, is determined at fair value of the assets exchanged-out; otherwise determined at carrying value of the assets exchanged-out if it is not of commercial nature.

E. Initial investment cost of long-term equity investment obtained through debt reorganization is determined at fair value of such investment.

(2)Recognition method for subsequent measurement and gains and losses

⊕Investment to subsidiaries is calculated under cost method

It is referred to the equity investment made to subsidiaries held by the Company which can conduct control upon invested unit. If the Company holds over 50% equities of an entity or has control power in such entity though equity holding is fewer than 50%, such entity comprises a subsidiary of the Company.

⊕Investment to joint ventures or associates is calculated under equity method

It is referred to the equity investment made to joint ventures held by the Company which can conduct common control upon the joint venture with other joint parties; It is referred to the equity investment made to associates held by the Company which has material influence upon such associates. In the event that the Company holds equities of an entity from 20% to 50% and no essential control exists in such entity meanwhile or that though the Company holds equities of an entity fewer than 20% while it has material influence upon such entity, then the entity shall be deemed as a joint venture or associate of the Company.

When recognizing its share in net gains and losses of the invested unit, the Company shall achieve recognition based on fair values of various realizable assets of such invested unit upon obtaining such investment after adjustment in net profit of such invested unit.

In case of any inconsistency of the accounting policies and accounting periods adopted by invested unit and the Company, financial statements of such invested unit shall be subject to adjustment in compliance with accounting policies and accounting periods adopted by the Company, so as to recognize investment gains and losses on that basis.

As for treatment for other movement of owners' equity other than net gains and losses of

invested unit, carrying value of long-term equity investment shall be subject to adjustment which shall be then recorded in owners' equity.

3 Long-term equity investment to entities where the Company has no control, common control or material influence

Long-term equity investment which has no quotation in active market and whose fair value could not be reliably measured is calculated under cost method.

Long-term equity investment which has quotation in active market or whose fair value could be reliably measured is presented under item of financial asset available for sale, and is measured at fair value, and fair value movement thereof shall be recorded in shareholders' equity.

(3) Reference for confirmation of common control and material influence in invested unit

Common control over invested unit means common control over certain economic activity pursuant to contract agreement, and only exists when investors who need to share control power on material financial and operation decisions related to such economic activity make unanimous agreement. That a party has material influence upon invested unit means that such party has power to join decision-making related to finance and operation decisions of the invested unit, while no ability of control or joint control with other parties upon establishment of such decisions.

(4) Impairment test method and withdrawal method for impairment provision

If any impairment indication is found in long-term equity investment by the Company in its period-end inspection, the recoverable amount shall be estimated. In case of such recoverable amount lowering than its carrying value, impairment provision shall be withdrawn for long-term investment by reference to the difference of the aforesaid two items.

As for long-term equity investment which has no quotation in active market and whose fair value could not be reliably measured, its impairment loss is determined by reference to its carrying value less the amount recognized through discounting future cash flow at the prevailing market yield ratio of similar financial assets, and then recorded in current gains and losses.

As for long-term equity investment except for financial assets available for sale, its impairment provision will not be reversed during asset permanent period once it is withdrawn. Impairment loss of financial assets available for sale can be reversed through equities.

13. Investment real estate

Investment real estate is stated at cost. During which, the cost of externally purchased properties held-for-investment includes purchasing price, relevant taxes and surcharges and other expenses which are directly attributable to the asset. Cost of self construction of properties held for investment is composed of necessary expenses occurred for constructing those assets to a state expected to be available for use. Properties held for investment by investors are stated at the value agreed in an investment contract or agreement, but those under contract or agreement without fair value are stated at fair value.

The Company adopts cost methodology amid subsequent measurement of properties held for investment, while depreciation and amortization is calculated using the straight-line method according to their estimated useful lives.

The basis of provision for impairment of properties held for investment is referred to the provision for impairment of relevant fixed assets.

14. Fixed assets

(1) Recognition of fixed assets

Fixed assets refer to the buildings, machinery and equipment, transportation vehicle and other equipments related to operation with useful lives of more than one year and held for production of products, provision of labor, lease or operation. A fixed asset is recognized

when it is Contingent that the relevant economic benefits flow into the enterprise and the cost of the fixed assets can be reliably measured.

(2) Depreciation of fixed assets

Classification	Depreciation time	Residual	Annual depreciation
House and Building	20 to 35 years	5%	2.71% to 4.75%
Machinery equipment	10 years	5%	9.50%
Transportation vehicle	4 years	5%	23.75%
Electronic equipment	3 years	5%	31.67%
Other equipment	5 to 10 years	5%	9.50% to 19.00%

(3) Impairment testing of fixed assets and provision for impairment

At the end of the Reporting Period, the Company carries out a review on fixed assets. If the following conditions exist, the Company shall value the recoverable amount of fixed assets in order to determine whether there is any impairment of fixed assets. For fixed assets with recoverable amount falling below the carrying amount, the Company will make a provision for impairment loss on fixed asset equals to an amount of the difference between the recoverable amount and the carrying amount. Provision is made based on a single item basis, and based on a group of assets to which the assets belong to if it is hard to estimate the recoverable amount of the single assets. The impairment provision cannot be reversed in the period of duration of the assets once it is provided.

(a) There is a significant decrease in the market price of fixed assets. Such decrease is beyond any decrease to the large extent in the market price as time goes by or any expected decrease from normal use of fixed assets;

(b) Fixed assets are obsolete and damaged;

(c) There is a significant negative change to the intended use of fixed assets, such as idleness or forthcoming idleness of the fixed assets, termination or restructuring of the operating business to which the fixed assets belong to and disposal of fixed assets earlier than the end of its useful life, thereby resulting in negative influence on the Company;

(d) There is a significant current or recent change in the economic, technological and legal environment in which the Company operates and in the market in which fixed assets are, thereby resulting in negative influence on the Company;

(e) There is a significant increase in the market interest rate or return on investment in other markets, posing a potential impact on the discount rate on the calculation of the present value of the estimated future cash flows, thereby resulting in significant decrease in recoverable amount of fixed assets;

(f) There is evidence from internal reports of the enterprise that the economic benefits of the fixed assets have been lower or will be lower than expected, for example, the net cash flows or operating profits (or losses) of the fixed assets are far lower (or higher) than the expected amount;

Other circumstances showing an indication of impairment of fixed assets.

(4) Basis of recognition and method of measurement of fixed assets by financing lease

The assets will be classified as fixed assets by financing lease if the Company satisfies one or more of the following conditions:

(a) As stipulated in the lease agreement (or a reasonable judgment made pursuant to relevant conditions at the commencement date of the lease), the ownership of fixed assets by financing lease can be passed to the Company when the lease expires;

(b) As the Company has a option to acquire the leased fixed assets and the agreed price of purchase is far below the fair value of leased fixed assets at the time of exercise of the option, it is certain that the Company will exercise the option at the commencement date of the lease;

(c) Despite that the ownership of fixed assets is not transferable, the lease period represents 75% or more of the useful life of leased fixed assets;

(d) The present value of the minimum lease payment by the Company at the commencement date of

lease is equal to 90% or more of the fair value of leased fixed assets at the commencement date of lease. The present value of the minimum lease payment received by the lesser at the commencement date of lease is equal to 90% or more of the fair value of leased fixed assets at the commencement date of lease;

(e) Due to the special nature of the leased assets, those assets can be used only by the Company if without any substantial renovation;

(f) The fixed assets by financing lease is carried at the lower of the fair value of the leased fixed assets at the commencement date of lease and the present value of the minimum lease payment.

15. Projects under construction

(1) Calculation of construction prices of projects under construction:

Project costs are determined on the basis of the expenses actually occurred. Projects for own account are measured on the basis of direct materials, direct wages, direct work commencement expenses, etc. Subcontracted projects are measured on the basis of project prices payable. Costs of equipment installation projects are determined on the basis of the value of the equipment installed, installation fees, and expenses occurred by project debugging, etc. The costs of projects under construction also include the capitalized borrowing expenses and exchange gains and losses.

(2) Standard and timing of converting projects under construction into fixed assets: From the date on which the fixed assets built by the Company come into an expected usable state, the projects under construction are converted into fixed assets on the basis of the estimated value of project estimates or pricing or project actual costs, etc. Depreciation is calculated from the next month. Further adjustments are made to the difference of the original value of fixed assets after final accounting is completed upon completion of projects; however, the original depreciation is not adjusted.

(3) Recognition and provision for impairment of projects under construction:

The Company carries out a comprehensive inspection of projects under construction at the conclusion of each year. Where there is an indication of impairment, the recoverable amount is estimated and impairment is provided on the basis of the difference between the amount recoverable by a project and the carrying amount of such project. Impairment provision is not reversed during the period of duration of the assets once it is provided.

16. Borrowing costs

(1) Recognition of capitalization of borrowing costs

Borrowing costs comprise interest occurred, amortization of discounts or premiums, ancillary costs and exchange differences in connection with foreign currency borrowings. The borrowing costs of the Company, which incur from the special borrowings occupied by the fixed assets that need more than one year (including one year) for construction, development of investment properties or inventories or from general borrowings, are capitalized and recorded in relevant assets costs; other borrowing costs are recognized as expenses and recorded in the profit or loss in the period when they are occurred. Relevant borrowing costs start to be capitalized when all of the following three conditions are met:

(a) Capital expenditure has been occurred;

(b) Borrowing costs have been occurred;

(c) Acquisition or construction necessary for the assets to come into an expected usable state has been carried out.

(2) Period of capitalization of borrowing costs:

The borrowing costs in relation to acquisition or construction of fixed assets, investment properties and inventories, incurring before the assets reach an expected usable state or saleable state, are recorded in the costs of the assets when the above conditions of capitalization are met. When acquisition or construction of fixed assets undergo abnormal suspension, and the suspension lasts for more than 3 months consecutively, then the capitalization of suspension borrowing ceases and

will be recognized as current expenses, until the acquisition or construction of assets start again. When the expected usable state or saleable state is achieved, capitalization of borrowing costs ceases, and the borrowing costs incurring subsequently are directly recorded into financial expenses in the period when they are occurred.

(3) Calculation of capitalized amounts of borrowing costs:

In respect of the special borrowings borrowed for acquisition, construction or production and development of the assets qualified for capitalization, the amount of interests expenses of the special borrowings actually occurred in the period less interest income derived from unused borrowings deposited in banks or less investment income derived from provisional investment, are recognized.

With respect to the general borrowings occupied for acquisition, construction or production and development of the assets qualified for capitalization, the capitalized interest amount for general borrowings is calculated and recognized by multiplying a weighted average of the accumulated expenditure on the assets in excess of the expenditure on the some assets of the special borrowings, by a capitalization rate for general borrowings. The capitalization rate is determined by calculation of the weighted average interest rate of the general borrowings.

17. Intangible assets

(1) Measurement of intangible assets:

The intangible assets of the Company include land use rights etc.

The cost of a purchased intangible asset shall be determined by the expenditure actually occurred and other related costs.

The cost of an intangible asset contributed by an investor shall be determined in accordance with the value stipulated in the investment contract or agreement, except where the value stipulated in the contract or agreement is not fair.

The intangible assets acquired through exchange of non-monetary assets, which is commercial in substance, is carried at the fair value of the assets exchanged out; for those not commercial in substance, they are carried at the carrying amount of the assets exchanged out.

The intangible assets acquired through debt reorganization, are recognized at the fair value.

Expenditure in the research stage of the intangible assets with independent research and development should be included in the profit or loss for the current period in which they are occurred; expenditure in the development stage should be recognized as intangible assets (patent technologies and non-patent technologies) when all of the following conditions are met:

(a) It is technically feasible that the intangible assets are completed for the purpose of their uses or sales;

(b) The Company has an intention to complete the intangible assets for their uses or the sale;

(c) Ways of creating economic benefits by intangible assets include proof of existing market of the products manufactured by use of intangible assets or the existing market of intangible assets and the proof of the use if the intangible assets are only for the Company's internal use;

(d) The Company has sufficient technical and financial resources and other supporting resources to complete the research and development of such intangible assets and are capable of using or selling such intangible assets;

(e) Expenditure occurred in the development stage of such intangible assets can be accurately calculated;

(f) The cycle of the product produced with the intangible assets is above one year.

(2) Amortization and duration of intangible assets:

The land use rights of the Company are amortized evenly over the period of the grant since the date of commencement of the grant (the date of acquisition of the land use rights).

(3) Recognition and provision of impairment of intangible assets:

The Company tests impairment of the intangible assets with indefinite benefit years such as goodwill annually and estimates their recoverable amounts and impairment of the intangible asset is

provided at the difference between the estimated recoverable amount and the carrying amount of such intangible assets.

A year-end review is conducted to other intangible assets. When there is an indication of impairment, the recoverable amount is estimated and impairment of the intangible asset is provided at the difference between the estimated recoverable amount and the carrying amount of such intangible assets. The impairment provision is not reversed during the duration of the assets once it is provided.

(a) The intangible assets have been replaced by other new technology so that there is a material adverse effect on their capacity to generate economic benefits for the Company;

(b) The market value has fallen substantially in the current period and is not expected to recover in the remaining amortization period;

(c) The intangible assets have exceeded the term protected by laws but some of them can still be used;

(d) Other circumstances sufficient to prove that impairment has been made actually.

18. Long-term expenses to be amortized

Long-term expenses to be amortized of the Company the expenses that are already charged and with the beneficial term of more than one year are evenly amortized over the beneficial term. For the long-term deferred expense items cannot benefit the subsequent accounting periods, the amortized value of such items is all recorded in the profit or loss during recognition.

19. Estimated liabilities

(1) Principles of recognition:

An obligation related to a contingency, such as guarantees provided to outsiders, pending litigations or arbitrations, product warranties, redundancy plans, onerous contracts, reconstructing, expected disposal of fixed assets, etc. shall be recognized as an estimated liability when all of the following conditions are satisfied:

(a) the obligation is a present obligation of the Company;

(b) it is Contingent that an outflow of economic benefits will be required to settle the obligation;

(c) The amount of the obligation can be measured reliably.

(2) Measurement: to measure on the basis of the best estimates of the expenses necessary for paying off the contingencies.

On the balance sheet date, the carrying amount of estimated liabilities is reviewed. If there is obvious evidence that the carrying amount cannot actually reflect the current best estimates, then the carrying amount is adjusted according to the current best estimates.

20. Revenue

The Company's revenue is mainly from sale of goods.

(1) Principles of recognition of revenue from sale of goods:

(a) the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

(b) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(c) the amount of revenue can be measured reliably;

(d) it is Contingent that the associated economic benefits will flow into the Company;

(e) The associated costs occurred or to be occurred can be measured reliably.

(2) Principles of recognition of revenue from the rendering of services:

Revenue from the rendering of services shall be recognized only when all of the following conditions are satisfied: the amount of revenue and costs occurred or to be occurred for the transaction involving the rendering of services can be measured reliably; the associated economic benefits can flow into the Company; the stage of completion of the transaction can be measured

reliably.

(3) Principles of recognition of assignment of asset use rights:

Revenue from use by others of enterprise assets shall be recognized only when the associated economic benefit can flow into the Company, and the amount of revenue can be measured reliably.

21. Government grants

The government grants related to earnings are recognized as deferred earnings if they are used for compensating the relevant expenses or losses of the Company in subsequent periods, and are recorded in the profit or loss in the period of recognition of relevant expenses; if they are used to compensate the relevant expenses or losses occurred of the Company, they are directly recorded in the profit or loss.

Asset-related government grants are recognized as deferred income, and are allocated evenly over the useful life of related assets and are included in the current profit and loss. However, the government grants measured at the nominal amount is recorded directly in the profit or loss.

22. Deferred income tax assets and deferred income tax liabilities

A deferred tax asset and deferred tax liability shall be determined by a difference between the carrying amount of an asset or liability and its tax base at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

The Company recognizes deferred tax assets to the extent that the taxable income that the Company can possibly obtain to deduct the deductible temporary differences. On the balance sheet date, when there is obvious evidence that it is Contingent that sufficient taxable income can be obtained in the future to deduct the deductible temporary differences, the deferred income tax assets not recognized in previous accounting periods are recognized.

On the balance sheet date, the Company reviews the carrying amount of deferred tax assets. If the Company cannot possibly obtain sufficient taxable income in future to deduct the benefits of deferred tax assets, the carrying amount of deferred tax assets is written down accordingly. When it is Contingent that sufficient taxable income is obtained, then the written-down amount is reversed.

23. Lease

Finance lease refers to a lease that has transferred in substance all the risks and rewards related to the ownership of an asset, no matter whether the ownership of it has been transferred eventually.

The finance lease assets are carried at the lower of the fair value of the leased assets and the present value of the minimum lease payments on the lease beginning date, and the minimum lease payments are recorded in long-term payables, with the difference as unrecognized finance expenses. The initial direct costs arising from finance lease of the Company are recorded in the value of the leased assets. Depreciation and impairment are provided for the finance lease assets according to the policies of the Company.

Where there is reasonable assurance that the ownership of the leased assets can be obtained when the lease term expires, depreciation is provided for the leased assets over the estimated useful life. Otherwise, depreciation is provided for the leased assets at the lower of the lease term and the estimated useful life of the leased assets.

The Company allocates the unrecognized financing expenses over the lease term by using the effective interest rate method and in accordance with the principles of borrowing costs.

On the balance sheet date, the Company lists the difference of the long-term payables related to finance lease less unrecognized financing expenses as finance lease payable and non-current liabilities due within one year respectively.

Operating lease refers to other lease other than finance lease. The rental expenses of the operating leased assets are recognized as relevant assets costs or expenses over the lease term on a straight-line basis.

24. Other significant accounting policies, accounting estimates and preparation of financial statements

(1) Goodwill

In the business combination not under the same control, the difference of the merger cost in excess of the fair value of net identifiable assets of the acquired party is recognized as the goodwill.

Goodwill, listed independently in financial statement, while conducting impairment test, amortized book value to the assets unit or assets combination that benefit from synergistic effect, enterprise consolidation prediction. Relevant impairment losses should be recognized while the recoverable amount lower its book value, the recoverable amount was contained within the assets unit or assets combination with goodwill amortized that resulted from testing; The impairment losses, firstly, deducted to the book value of goodwill of this assets units or assets combination, then deducted other vary book value of the assts by proportion in assts except the goodwill of assets units or assts combination.

(2) Employees' remuneration

Employees' remuneration includes: employees' salaries, bonus, allowance and subsidies; welfare provision; social insurance such as pension insurance, unemployment insurance and work injury insurance etc.; housing reserve fund, labor union expenditures and staff education expenditures; benefits not in monetary value; compensation paid for the termination of employment contracts with employees; relevant expenditures relating to the provision of other services by employees.

In the accounting period in which employees provide service to the Company, payable employees' remuneration is recognized as liabilities. Other than the compensation for termination of the labor relationship with employees, the employees' remuneration is recorded in fixed assets costs, intangible assets costs, product costs or labor costs respectively according to the beneficiaries of the services provided by employees. The employees' remuneration other than the above is directly recorded in the profit or loss.

Prior to the expiry of the labor contracts of employees, the compensation for termination of the labor relationship with employees or encouraging employees to accept to be laid off is recognized as estimated liabilities and recorded in the profit or loss.

(3) Accounting treatment for income tax

The Company applies the balance sheet liability method for accounting of income tax. Current income tax and deferred income tax is recorded in the profit or loss as income tax expenses or gains, but the income tax arising from the following conditions is excluded:

1) Business combination;

2) The transaction events directly recognized in the owner's equity.

Note 3: Taxation

Major taxes and tax rates

Tax	Basis	Tax rate
VAT	Sale of goods	Tax rate for sale of goods is 17%; rate for exported commodities is stipulated by the state with declaration of export tax rebate, rate of tax may be "exempted, credited and refunded"
Business tax	Revenue from lease	5%
Urban maintenance and construction tax	Turnover tax payable	7%
Education fee surcharges	Turnover tax payable	5%
Corporate income tax	Taxable income	15% for the parent company

Corporate income taxes of subsidiaries:

The Company and its subsidiaries Weifu Jinning, Weifu Diesel System, Weifu Leader and Ningbo Weifu Tianli Pressurized Technology Co., Ltd. (Weifu Tianli for short) are all high-tech enterprises, and enjoy a preferential tax rate of 15% according to relevant state regulations on income taxation.

The income tax of Wuxi Weifu Mashan Oil Pump and Oil Nozzle Co., Ltd. (hereinafter referred to as “Weifu Mashan”), Wuxi Weifu Chang’an Fuel Co., Ltd. (formerly known as “Wuxi Weifu Chang’an Oil Pump and Oil Nozzle Co., Ltd.”, hereinafter referred to as “Weifu Chang’an”), Wuxi Weifu International Trade Co., Ltd. (hereinafter referred to as “Weifu International Trade”), Wuxi Weifu Jida New Material Technology Development Co., Ltd. (hereinafter referred to as “Weifu Jida”), Jiangsu Weifu Nano Technology Co., Ltd. (hereinafter referred to as “Weifu Nano”), Wuxi Weifu ITM Information Machinery Development Co., Ltd. (hereinafter referred to as “ITM Machinery”), Wuxi Weifu Schmitter Power System Parts and Components Co., Ltd. (hereinafter referred to as “Weifu Schmitter”), Chaoyang Weifu Jialin Machinery Manufactures Co., Ltd. (hereinafter referred to as “Weifu Jialin”), Anhui Weifu Tianshi Machinery Co., Ltd. (hereinafter referred to as “Weifu Tianshi”) and Kunming Xitong Machinery Co., Ltd. (hereinafter referred to as “Kunming Xitong”) is 25%.

Note IV: Enterprise merger and consolidation financial reports

1. Particulars about subsidiaries

(1) Subsidiaries acquired by means of establishment or investment

Name of company	Type of company	Registration Place	Nature of business	Registered capital (RMB'0000)	Business scope	Actual investment amount at the period end(RMB'0000)	Balances of other projects actually constituting net amount of investment in subsidiaries	Equity held (%)	Proportion of vote right (%)	Whether consolidated report or not
Weifu Mashan	Limited company	Wuxi	Manufacturing	4,500.00	Accessories and matching parts of internal combustion engine	4,869	--	100.00	100.00	Yes
Weifu Chang' an	Limited company	Wuxi	Manufacturing	6,000.00	Accessories and matching parts of internal combustion engine	7,090	--	100.00	100.00	Yes
Weifu Jida	Limited company	Wuxi	Manufacturing	500.00	Metal nano powder	350.00	--	70.00	70.00	Yes
Weifu Nano	Limited company	Wuxi	Manufacturing	3,000.00	Nano material	2,400.00	--	80.00	80.00	Yes
Weifu Diesel System	Limited company	Wuxi	Manufacturing	30,000.00	Accessories and matching parts of internal combustion engine	26,019.00	--	100.00	100.00	Yes
Weifu Schmitter	Sino-foreign joint venture	Wuxi	Manufacturing	1,800.00	Accessories and matching parts of internal combustion engine	810.00	--	45.00	45.00	Yes
Weifu Tianshi	Limited company	Quanjiao	Manufacturing	1,000.00	Accessories and matching parts of internal combustion engine	520.00	--	52.00	52.00	Yes

(2) Subsidiaries acquired by means of enterprise merger under common control

Company name	Type of company	Registration Place	Nature of business	Registered capital (RMB'0000)	Business scope	Actual investment amount at the period end(RMB'0000)	Balances of other projects actually constituting net amount of investment in subsidiaries	Equity held (%)	Proportion of vote right (%)	Whether c consolidated report or not
Weifu Jinning	Limited company	Nanjing	Manufacturing	34,628.70	Accessories and matching parts of internal combustion engine	17,864	--	80.00	80.00	Yes
Weifu Leader	Limited company	Wuxi	Manufacturing	26,000.00	Cleaner, muffler	23,011	--	94.81	94.81	Yes
Weifu International Trade	Limited company	Wuxi	Trade	3,000.00	International trade	3,033	--	100.00	100.00	Yes

(3) Subsidiaries acquired by means of enterprise merger under different controls

Company name	Type of company	Registration Place	Nature of business	Registered capital (RMB'0000)	Business scope	Actual investment amount at the period end(RMB'0000)	Balances of other projects actually constituting net amount of investment in subsidiaries	Equity held (%)	Proportion of vote right (%)	Whether consolidated report or not
ITM Machinery	Limited company	Wuxi	Manufacturing	16,000.00	Accessories and matching parts of internal combustion	16,700.00	--	100.00	100.00	Yes
Weifu Tianli	Limited company	Ningbo	Manufacturing	10,469.00	Accessories and matching parts of internal combustion	9,023.00	--	51.00	51.00	Yes
Weifu Jialin	Limited company	Chaoyang	Manufacturing	800.00	Accessories and matching parts of internal combustion	400.00	--	51.00	51.00	Yes
Kunming Xitong	Limited company	Kunming	Manufacturing	400.00	Accessories and matching parts of internal combustion	570.38	--	70.00	70.00	Yes

2. Explanation on the change in the consolidated range

Name of company	Whether it is consolidated in this year or not	Whether it was consolidated in last year or not
Weifu Mashan	Yes	Yes
Weifu Chang'an	Yes	Yes
Weifu Jida	Yes	Yes
Weifu Nano	Yes	Yes
Weifu Diesel System	Yes	Yes
Weifu Jinning	Yes	Yes
Weifu Leader	Yes	Yes
Weifu Internal Trade	Yes	Yes
Weifu Schmitter[Note 1]	Yes	Yes
ITM Machinery [Note 2]	Yes	Yes
Weifu Tianli [Note 3]	Yes	Yes
Weifu Jialin [Note 4]	Yes	Yes
Weifu Tianshi [Note 5]	Yes	No
Kunming Xitong[Note 6]	Yes	No

Note 1

Weifu Schmitter -- Sino-foreign equity joint venture jointly funded and established by the Company, Germany Schmitter Group Aktiengesellschaft and Shanghai Weishi Automobile Technology Development Co., Ltd. obtained Business License for Legal Entity (No. 320200400033433) granted by Jiangsu Wuxi Industrial and Commercial Administration Bureau on Sep. 17th, 2009. The registered capital of the Company was RMB 18 million, among which, Company funded RMB 7.2 million, accounting for 40% of the total capital, and Shanghai Weishi Automobile Technology Development Co., Ltd. funded RMB 2.7 million, accounting for 15% of the total capital. During this year, the Company invested RMB 2.7 million as the investment fund for the first time. As the biggest shareholder owning a majority of vote rights of the Board of Directors of Weifu Schmitter, the Company had taken it into consolidated range as a subsidiary since its establishment.

Note 2

Weifu ITM: changed its name from "Wuxi ITM Information Machinery Development Co., Ltd." to "Wuxi Weifu ITM Pressure Technology Co., Ltd.". Relevant changes for Industrial and Commerce have been completed on 14 March 2011. Capital increase of 0.15 billion yuan was invested by the Company without equity proportion changed. After capital increased, the company owns register capital of 0.16 billion yuan. Relevant changes for Industrial and Commerce have been completed on 3 June 2011.

Note 3

Weifu Tianli-- The Company invested with cash in Ningbo Tianli Supercharger Co., Ltd, the Company occupied 51% of the total register capital of the company after capital increased. Relevant re-registration of Industry and Commerce were finished in end of October 2010 with new name of

Ningbo Weifu Tianli Supercharge Technology Co., Ltd. The company considered as the controlling subsidiary of the Company for statement consolidation since November 2010.

Note 4

Weifu Jialin-- According to the Equity Transfer Agreement between the Company and Chaoyang Jialin Machinery Manufacture Co., Ltd., 1% equity of Weifu Jialin owned by Chaoyang Jialin Machinery Manufacture Co., Ltd. has been transferred by the Company. Relevant Industry and Commerce re-registration finished in October 2010. Fifty-one percent equity of the company was held the Company and became as the controlling subsidiary of the company, joint in the statement consolidation since October 2010.

Note 5

Weifu Tianshi: a company limited jointly invested by the Company and Anhui Quanchai Power Co., Ltd., the Business License for Legal Entity (No. 341124000024350(1-1)) granted by Quanjiao County Industrial and Commercial Administration Bureau was obtained on 13 April 2011. Register capital amounting to 10 million yuan, 5.2 million yuan invested by the Company, 52% of the total register capital take; Anhui Quanchai Power Co., Ltd. invested 4.8 million yuan with 48% in total register capital. The company considered as the subsidiary of the Company for statement consolidation since date of establishment.

Note 6

Kunming Xitong: In March of 2011, the Company entered into an equity transfer agreement with Kunming Jinlida Machinery Co., ltd. Twenty percent equity of Kunming Xitong held by Kunming Jinlida Machinery Co., ltd was agreed to transfer by the Company with price of 1.4688 million yuan. Relevant changes for Industrial and Commerce have been completed on 12 May 2011. After equity transfer, the Company holds 70% equity of the company, controlling subsidiary of the Company thereafter. And consolidated into range of consolidation for statement since May of 2011.

3. Subsidiaries newly taken into consolidated range during this period

Unit: RMB'000

Name	Net assets at period-end	Net profit in this period
Weifu Tianshi	9,867	-133
Kunming Xitong	10,405	815

Note 5: Commentary on items of consolidated financial statements

(There is no specific explanation for the following items and the amount for items is taking RMB thousand as unit.)

5-01 Momentary capital

Item	2011-6-30			2010-12-31		
	Amount in foreign	Converting rate	Amount in RMB	Amount in	Converting rate	Amount in RMB

	currency			foreign currency		
Cash:			605			544
RMB	--	--	605	--	--	544
Bank deposit:			534,024			450,166
RMB	--	--	504,930	--	--	441,693
Euro	3,108	9.3612	29,094	962	8.8065	8,473
Other currency capitals:			116,127			146,249
RMB	--	--	116,127	--	--	145,314
Euro	--	--	--	106	8.8065	935
Total			650,756			596,959

Funds with limited application, funds deposited abroad and funds with latent recovery risks due to mortgage, pledge or freezing:

Item	2011-6-30	2010-12-31
Bank acceptance bill, L/C and other collateral	116,127	131,739

5-02 Notes receivable

(1) Classification of notes receivable

Category	2011-6-30	2010-12-31
Commercial acceptance bill	78,000	68,900
Bank acceptance bill	728,727	766,366
Total	806,727	835,266

(2) Notes receivable already pledged by the Company at the end of the period (top five)

Drawer	Expiration date	Amount
Anhui Jianghui Automobile Co., Ltd.	2011-7-20 2011-9-8	12,000
Dongfeng Automobile Co., Ltd.	2011-9-29	10,000
Shanxi Heavy Duty Truck Co., Ltd.	2011-7-1	10,000
Weichai Power Co., Ltd.	2011-10-26	10,000
Hubei Changtong Economy & Trading Development Co., Ltd.	2011-7-13 2011-10-20	7,000
Total		49,000

Among the note receivable at the end of the period, bank acceptance bill of RMB 96.95 million served as pledge for drawing payable bills.

(3) Undue notes already endorsed by the Company to other parties at the end of

period (top five)

Drawer	Expiration date	Amount
Weichai Power Co., Ltd.	Before end of December 2011	130,456
Zhejiang Yuanjing Auto Parts Co., Ltd.	Before end of December 2011	80,944
Mianyang Xincheng Power Machinery Co., Ltd.	Before end of December 2011	26,597
Dongfeng Wealth Motor Co., Ltd.	Before end of December 2011	21,190
Chongqing Branch of Dongfeng Wealth Motor Co., Ltd.	Before end of December 2011	21,180
Total		280,367

5-03 Accounts receivable

(1) Accounts receivable disclosed according to account nature:

Category	2011-6-30			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Significant single amount and withdrawal bad debt provision single	47,077	3.09	47,077	100.00
Withdrawal bad debt provision based on age combination	1,460,417	95.83	4,868	0.33
Including: significant single	1,382,458	90.71	1,390	0.10
Minor single amount	77,959	5.12	3,478	4.46
Minor single amount but withdrawal bad debt provision	16,469	1.08	16,469	100.00
Total	1,523,963	100.00	68,414	4.49

Category	2010-12-31			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Significant single amount and withdrawal bad debt provision single	47,077	4.41	47,077	100.00
Withdrawal bad debt provision based on age combination	1,003,974	94.00	4,176	0.42
Including: significant single	942,294	88.22	1,092	0.12

amount				
Minor single amount	61,680	5.78	3,084	5.00
Minor single amount but withdrawal bad debt provision single	17,017	1.59	17,017	100.00
Total	1,068,068	100.00	68,270	6.40

Explanation on categories of accounts receivable:

Account receivable with significant amount in single item indicated account with single item amount above RMB one million. For account receivable with significant amount in single item, as no objective evidence showing that the potential devaluation would exceed the provision for bad debts withdrawn by aging analysis was found, so the provision was still withdrawn in the same way.

(2) Account receivable with significant single amount and withdrawal bad debt provision single at period end:

Account receivable	Book balance	Bad debt amount	Withdrawal ratio (%)	Reasons
Yangdong Co., Ltd.	27,790	27,790	100.00	Insolvency, re-construction by the Court
Hunan Power Machine Plant	4,297	4,297	100.00	Difficult in recover due to long age
Jiangxi Diesel Engine Plant	3,561	3,561	100.00	Difficult in recover due to long age
Bengbu Diesel Engine Plant	3,318	3,318	100.00	Difficult in recover due to long age
Liuzhou Special Diesel Engine Plant	1,612	1,612	100.00	Difficult in recover due to long age
Shaoyang Shenfeng Power Manufacture Co., Ltd.	1,590	1,590	100.00	Long age, un-recover after suit
Changchai Wanchou Diesel Engine Co.,	1,500	1,500	100.00	Difficult in recover due to long age
Yuejin Light Automobile Co., Ltd.	1,218	1,218	100.00	Difficult in recover due to long age
Wuxi Sida Xingxing Diesel Engine Co., Ltd.	1,191	1,191	100.00	Difficult in recover due to long age
Henan Agricultural Machinery Co.,	1,000	1,000	100.00	Long age, un-recover after suit
Total	47,077	47,077	100.00	

(3) Account receivable with minor single amount but withdrawal bad debt provision single at period end:

Account receivable	Book balance	Bad debt amount	Withdrawal ratio (%)	Reasons
Changchai Wanzhou Diesel Co., Ltd.	843	843	100.00	Difficult in recover due to long age
Hubei Duoling Power Machinery Co., Ltd.	776	776	100.00	Difficult in recover due to long age
Henna Xinxiang Internal-Combustion Engine Plant	754	754	100.00	Difficult in recover due to long age
Urumqi Xinhengchang Pump Equipment Co., Ltd.	672	672	100.00	Difficult in recover due to long age
Zhejiang Haofeng Power Manufacture Co., Ltd.	625	625	100.00	Difficult in recover due to long age
Yunnan Jinma Diesel Machine General Plant	579	579	100.00	Difficult in recover due to long age
Dongfeng Nanchon Motor Co., Ltd.	570	570	100.00	Difficult in recover due to long age
Jintan Shunfeng Agricultural Machinery Accessory Co., Ltd.	567	567	100.00	Difficult in recover due to long age
Nantong Tieniu Power Plant	556	556	100.00	Difficult in recover due to long age
Jiangsu Changjia Jingfeng Power Machinery Co., Ltd.	545	545	100.00	Difficult in recover due to long age
Guangxi Liuzhou Zhongxing Power Plant	475	475	100.00	Difficult in recover due to long age
Zhejiang Agricultural Machinery Accessory Co.,	458	458	100.00	Difficult in recover due to long age
Weichai Power Co., ltd.	450	450	100.00	Difficult in recover due to

				long age
Jiangmen Zhongyu Material Supply Co.,Ltd.	412	412	100.00	Difficult in recover due to long age
Jiangsu Changtong High-Tech Heavy-Duty Co., Ltd.	376	376	100.00	Difficult in recover due to long age
Changchai Group Jintan Diesel General Plant	375	375	100.00	Difficult in recover due to long age
Fujian Longma Agricultural Vehicle Manufacture Co., Ltd.	365	365	100.00	Difficult in recover due to long age
Kunming Zhongantong Technology-Trade Co., Ltd.	328	328	100.00	Difficult in recover due to long age
Tianjin Lovol Engines Co., Ltd.	321	321	100.00	Difficult in recover due to long age
Beijing Pinyang Highway Traffic Equipment Co., Ltd.	309	309	100.00	Difficult in recover due to long age
Scattered companies	6,114	6,114	100.00	Difficult in recover due to long age
Total	16,470	16,470	--	--

(4) Account receivable withdrawal bad debt provision based on age combination:

Account age	2011-6-30				
	Amount	Proportion (%)	Bad debt provision	Withdrawal ratio of bad debt provision (%)	Net account receivable
Within 6 months	1,438,419	98.50	--		1,438,419
6 months-1year	9,542	0.65	954	10.00	8,588
1-2 years	9,400	0.64	1,880	20.00	7,520
2-3 years	1,703	0.12	681	40.00	1,022
Over 3 years	1,353	0.09	1,353	100.00	--
Total	1,460,417	100.00	4,868	0.33	1,455,549

Account age	2010-12-31
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	Amount	Proportion (%)	Bad debt provision	Withdrawal ratio of bad debt provision (%)	Net account receivable
Within 6 months	984,880	98.10	--		984,880
6 months-1 year	7,893	0.79	789	10.00	7,104
1-2 years	9,200	0.92	1,840	20.00	7,360
2-3 years	827	0.08	373	40.00	454
Over 3 years	1,174	0.11	1,174	100.00	--
Total	1,003,974	100.00	4,176	0.42	999,798

(5) No arrears of shareholders (units) holding over 5% (include 5%) vote-right share of the Company in accounts receivable at period-end.

(6) The top five units in term of amount of account receivable

Name of Unit	Relationship with the Company	Amount	Time limit	Proportion to the total amount of account receivable (%)
Weichai Power (Weifan) Spare Resource Co., Ltd.	Client	292,402	within 1 year	19.19
Dongfeng Cummins Engine Co., Ltd.	Client	133,864	within 1 year	8.78
Wuxi Diesel Engine Factory of Faw Jiefang Automobile Co., Ltd.	Client	111,078	within 1 year	7.29
Zhejiang Yuanjing Auto Parts Co., Ltd.	Client	107,479	within 1 year	7.05
Bosch Automobile Diesel System Co., Ltd	Client	58,674	within 1 year	3.85
Total		703,497		46.16

Bosch Automobile Diesel System Co., Ltd. is hereafter referred to as Bosch Diesel System.

(7) Related party's account in accounts receivable

Name	Relationship with the Company	Amount	Proportion in total account receivable (%)
Bosch Diesel System	Associated company	58,674	3.85
Wuxi Weifu-Autocam Fine Machinery Co. LTD.	Joint-venture	1,764	0.12

Wuxi Weifu Fine Machinery Manufacture Limited Liability	Associated company	450	0.03
Total		60,888	4.00

(8) Actual write-off of account receivable in this report period

Name of Unit	Nature of account	write-off amount	Reason for write-off	Caused by related transaction or not
Yangdong Co., Ltd.	Account for goods	64	Unrecoverable	Not

5-04 Accounts paid in advance

(1) Accounts paid in advance listed according to account age

Account age	2011-6-30		2010-12-31	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	124,337	90.77	101,673	96.67
1 to 2 years	11,519	8.40	2,514	2.39
2 to 3 years	449	0.33	866	0.82
above 3 years	679	0.50	124	0.12
Total	136,984	100.00	105,177	100.00

(2) The top five units in term of amount of account paid in advance

Name of Unit	Relationship with the Company	Amount	Terms	Reason for not settling account
High Hope Int'l Group Jiangsu Native Produce Imp&Exp Corp. Ltd.	Non-related party	16,636	Within 1 year	Prepaid goods payment, goods had not been delivered
Jiangsu Overseas Group International Technology Engineer Co., Ltd.	Non-related party	14,305	Within 1 year	Prepaid goods payment, goods had not been delivered
Nantong Construction Group Joint-Stock Co., Ltd.	Non-related party	10,076	Within 1 year	Prepaid goods payment, goods had not been delivered
Shanghai Baosteel Special Metal Material Co., Ltd	Non-related party	9,289	Within 1 year	Prepaid goods payment, goods had not been delivered
SUNLAY (HONG KONG) DEVELOPMENT TRADING LIMITED	Non-related party	7,400	Within 1 year	Prepaid goods payment, goods had not been delivered
Total		57,706		

(3) No accounts paid in advance in this report period involved no shareholder (unit) holding more than 5% vote right share (include 5%) of the Company at period-end

5-05 Dividend receivable

Item	2010-12-31	Increase in this period	Decrease in this period	2011-6-30	Reason for not collecting	Whether related account depreciated or not
Dividend receivable with account age within 1 year						
Zhonglian Automobile Electronic Co., Ltd.	--	235,651	--	235,651	Distributed in 2011 and haven't been paid yet	Not
Bosch Diesel System	--	348,145	174,073	174,072	Distributed in March of 2011 and paid un-completely	Not
Wuxi Weifu Fine Machinery Manufacture Limited Liability	--	2,040	--	2,040	Distributed in June of 2011 and haven't been paid yet	Not
Total	--	585,836	174,073	411,763	--	

5-06 Other accounts receivable

(1) Other accounts receivable disclosed according to category

Category	2011-6-30			
	Book balance		Bad debt Provision	
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)
Significant single amount and withdrawal bad debt provision single	2,000	17.52	2,000	100.00
Withdrawal bad debt provision based on age combination	7,014	61.45	76	1.08
Including: significant single amount	--	--	--	--
Minor single amount	7,014	61.45	76	1.08
Minor single amount but withdrawal bad debt provision single	2,400	21.03	2,400	100.00
Total	11,414	100.00	4,476	39.21

Category	2010-12-31
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	Book balance		Bad debt Provision	
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)
Significant single amount and withdrawal bad debt provision single	2,000	17.57	2,000	100.00
Withdrawal bad debt provision based on age combination	6,984	61.35	92	1.31
Including: significant single amount	3,099	27.22	--	--
Minor single amount	3,885	34.13	92	2.36
Minor single amount but withdrawal bad debt provision single	2,400	21.08	2,400	100.00
Total	11,384	100.00	4,492	39.46

Explanation on categories of other accounts receivable:

Other accounts receivable with amount in single item above RMB one million indicated other accounts receivable with significant amount in single item from which provision for bad debt was still drawn based on account age analysis method, as no objective evidence showed that the potential depreciation would exceed provision for bad debt drawn by age analysis.

(2) No arrears held by shareholder (unit) holding more than 5% vote right share (include 5%) of the Company at period-end

(3) The top five units in term of amount of other accounts receivable

Name of unit	2011-6-30	Time limit	Proportion to total amount of other accounts receivable (%)	Remark
Jiangsu Techniques and Technology Center	2,000	Above 3 years	17.52	Provision for bad debt had been withdrawn in full
Nanjing Jinning Machinery Plant	966	Within 6 months	8.46	No bad debt provision
Nanjing University	600	Above 3 years	5.26	Provision for bad debt had been
Southeast University	600	Above 3 years	5.26	Provision for bad debt had been
Nanjing University of Science and Technology	600	Above 3 years	5.26	Provision for bad debt had been
Nanjing University of Technology	600	Above 3 years	5.26	Provision for bad debt had been
Total	5,366		47.02	

5-07 Inventories

(1) Classification for inventories

Item	2011-6-30			2010-12-31		
	Book balance	Provision for devaluation	Book value	Book balance	Provision for devaluation	Book value
Inventory materials	243,398	59,135	184,263	230,607	59,437	171,170
Goods in production	300,868	894	299,974	141,356	894	140,462
Inventory goods	468,887	60,543	408,344	666,605	60,543	606,062
Total	1,013,153	120,572	892,581	1,038,568	120,874	917,694

(2) Provision for depreciation of inventory price

Inventory category	2010-12-31	Increase in this period	Decrease in this period		2011-6-30
			Transfer-in	Transfer-out	
Inventory materials	59,437	--	--	302	59,135
Goods in production	894	--	--	--	894
Inventory goods	60,543	--	--	--	60,543
Total	120,874	--	--	302	120,572

(3) Provision for inventory devaluation

Item	Basis for withdrawing provision for inventory devaluation	Reason for return and charge-offs of provision for inventory devaluation in this period	Proportion of charge-off amount in this period to the period-end amount of inventory in this item (%)
Inventory goods	Compared cost of inventory at period-end with its net realizable value by single item comparison method and withdrew provision for price drop according to the balance between the net realizable value and cost. As the country improved standard for vehicle exhaust emission, the Company had correspondingly withdrawn provision for devaluation for products and relevant raw materials failing to meet new standard.。	Charge-off mainly due to the sales for external	0.12%
Goods in production			--
Stock products			--

5-08 Other current assets

Item	2011-6-30	2010-12-31
Receivable export tax rebates	16,412	9,127
Others	--	84
Total	16,412	9,211

5-09 Investment in joint ventures and associated ventures

Investee	Type of enterprise	Registration place	legal person representative	Nature of business
I. Joint venture				
Wuxi Weifu-Autocam Fine Machinery Co. LTD.	Sino-foreign joint equity venture	Wuxi	Gao Guoyuan	Automotive spare parts
Weifu Environmental Protection Catalyst Co., Ltd.	Sino-foreign joint equity venture	Wuxi	Ou Jianbin	Catalyst
II. Associated company				
Bosch Diesel System	Sino-foreign joint equity venture	Wuxi	BOHLER KLAUS	Accessories and matching parts of internal combustion engine
Zhonglian Automobile Electronic Co., Ltd.	Limited company	Shanghai	Chen Hong	Accessories and matching parts of internal combustion engine
Wuxi Weifu Precision Machinery Manufacturing Co., Ltd.	Limited company	Wuxi	Chen Haojun	Accessories and matching parts of internal combustion engine
Wuxi ITM Engine Co., Ltd.	Limited company	Wuxi	Wang Weiliang	Accessories and matching

Investee	Registered capital(in ten thousand yuan)	Equity held (%)	Proportion of vote right (%)	Net assets value at period-end(in thousand yuan)
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I. Joint venture				
Wuxi Weifu-Autocam Fine Machinery Co. LTD.	US\$1,000	50.00	50.00	156,388
Weifu Environmental Protection Catalyst Co., Ltd.	5,000	49.00	49.00	694,777
II. Associated company				
Bosch Diesel System	US\$20,000	31.50	31.50	5,383,680
Zhonglian Automobile Electronic Co., Ltd.	60,062	20.03	20.03	2,725,060
Wuxi Weifu Precision Machinery Manufacturing Co., Ltd.	1,200	20.00	20.00	250,370
Wuxi ITM Engine Co., Ltd.	1,000	40.00	40.00	9,133

Investee	Total value of liability at period-end(in thousand yuan)	Total value of net assets at period-end (in thousand yuan)	Total operating value of this period(in thousand yuan)	Net profit of this period (in thousand yuan)
I. Joint venture				
Wuxi Weifu-Autocam Fine Machinery Co. LTD.	19,161	137,227	89,710	20,128
Weifu Environmental Protection Catalyst Co., Ltd.	331,307	363,470	566,321	55,856
II. Associated company				
Bosch Diesel System	2,459,517	2,924,163	3,001,751	530,458
Zhonglian Automobile Electronic Co., Ltd.	1,236,118	1,488,942	113,761	420,842
Wuxi Weifu Precision Machinery Manufacturing Co., Ltd.	130,698	119,672	159,749	33,496
Wuxi ITM Engine Co., Ltd.	96	9,037	--	-350

5-10 Long-term equity investment

(1) Detail List of long-term equity investment

Investee	calculating method	Investment cost	2010-12-31	Increase/decrease	2011-6-30	Cash bonus
Wuxi Weifu-Autocam Fine Machinery Co. LTD.	Equity	37,842	60,057	10,063	70,120	--
Weifu	Equity	24,500	150,731	26,001	176,732	--

Environmental Protection Catalyst Co., Ltd.						
Kunming Xitong Machinery Co., Ltd.	Equity	5704	4,278	-4,278	--	--
Subtotal of joint ventures			215,066	31,786	246,852	--
Bosch Diesel System	Equity	549,557	1,108,776	-181,051	927,725	348,145
Zhonglian Automobile Electronic Co., Ltd.	Equity	120,124	439,767	-151,482	288,285	235,651
Wuxi Weifu Precision Machinery Manufacturing Co., Ltd.	Equity	2,000	18,788	4,659	23,447	2,040
Wuxi ITM Engine Co., Ltd.	Equity	4,000	3,775	-140	3,635	--
Subtotal of associated ventures			1,571,106	-328,014	1,243,092	585,836
Guolian Securities Co., Ltd.	Cost	12,000	12,000	--	12,000	-
Guangxi Liufa Co., Ltd.	Cost	1,600	1,600	--	1,600	--
Financial Company of Changchai Co., Ltd.	Cost	800	800	--	800	--
H&J Vanguard Investment Co., Ltd.	Cost	33,000	33,000	--	33,000	--

Nanjing Hengtai Insurance Brokers Co., Ltd.	Cost	1,000	1,000	--	1,000	--
Jiangsu Huifeng Insurance Agency Co., Ltd.	Cost	500	500	--	500	--
Yangdong Co., Ltd.	Cost	2,356	2,356	--	2,356	--
Henan Gushi Weining Oil Pump & Nozzle Co., Ltd. etc.	Cost	2,033	2,033	--	2,033	--
Yangdong Co., Ltd.(Weifu Jinning)	Cost	200	200	--	200	--
Wuxi Venture Capital Limited Company	Cost	3,000	3,000	--	3,000	--
Beijing Foton Environmental Engine Co., Ltd.	Cost	86,940	86,940	--	86,940	--
Wuxi Xidong Technological Industry Park Co., Ltd.	Cost	5,000	5,000	--	5,000	--
Shanghai IMS Automotive Electronic System Co., Ltd.	Cost	10,000	10,000	--	10,000	--
Subtotal of other investments			158,429	--	158,429	--

Total of long-term equity investment			1,944,601	-296,228	1,648,373	585,836
Investee	Equity held (%)	Proportion of vote right (%)	Explanation for discrepancy between equity-holding proportion and vote right proportion	Depreciation provision at period-end	Depreciation provision withdrawn in this period	
Guolian Securities Co., Ltd.	1.20	1.20	--	--	--	
Guangxi Liufa Co., Ltd.	1.22	1.22	--	1,600	--	
Financial Company of Changchai Co., Ltd.			--	800	--	
H&J Vanguard Investment Co., Ltd.	11.72	11.72	--	33,000	--	
Nanjing Hengtai Insurance Brokers Co., Ltd.	1.85	1.85	--	1,000	--	
Jiangsu Huifeng Insurance Agency Co., Ltd.	10.00	10.00	--	500	--	
Yangdong Co., Ltd.	1.18	1.18	--	2,556	--	
Henan Gushi Weining Oil Pump & Nozzle Co., Ltd. etc.			--	2,033	--	

Wuxi Venture Capital Limited Company	1.4118	1.4118	--	--	--
Beijing Foton Environmental Engine Co., Ltd.	14.40	14.40	--	11,000	--
Wuxi Xidong Technological Industry Park Co., Ltd.	1.43	1.43	--	--	--
Shanghai IMS Automotive Electronic System Co., Ltd.	18.52	18.52	--	--	--
Total				52,489	--

(2) No significant limited on the wired investment income of investee

(3) Commentary on long-term equity investment

[Note 1] Kunming Xitong: In accordance with the equity transfer agreement signed between the Company and Kunming Jinlida Machinery Co., Ltd. Twenty percent equity of Kunming Xitong held by Kunming Jinlida Machinery Co., Ltd was agreed to transfer by the Company. Relevant changes for Industrial and Commerce have been completed on 12 May 2011. After equity transfer, the Company hold 70% equity of the company, then Kunming Xitong turns to be the controlling subsidiary of the Company.

[Note 2] Bosch Diesel System – with register capital of US\$ 0.2 billion while US\$ 60 million invested from the Company, thirty percent in total register capital; US\$ 3 million invested from Weifu Jinning, one point five percent of total register capital.

5-11 Investment real estate

	Book balance at period-begin	Increase in this period	Decrease in this period	Book balance at period-end
I. The original book value				
House and building	24,381	--	--	24,381
II. Accumulated depreciation				
House and building	19,415	261	--	19,676
III. Book value of investment real estate				
House and building	4,966	261	--	4,705

Investment real estate of the Company calculated based on cost method. Totaled RMB 260,553.94 was withdrawal for depreciation in the period.

5-12 Fixed assets

(1) Particulars about fixed assets

	2010-12-31	Increase in this period	Decrease in this period	2011-6-30
I. The original book value				
Include: buildings	701,361	250	--	701,611
General equipment	164,859	3,347	1,604	166,602
Special equipment	1,033,811	68,283	9,285	1,092,809
Transportation equipment	23,286	2,259	3,641	21,904
Other equipment	206,116	16,664	8,456	214,324
Original book value in total	2,129,433	90,803	22,986	2,197,250
II. Accumulated depreciation				
Include: buildings	153,236	10,642	--	163,878
General equipment	95,546	7,573	1,257	101,862
Special equipment	527,714	41,190	5,668	563,236
Transportation equipment	15,981	1,289	3,141	14,129
Other equipment	120,555	6,951	7,477	120,029
Accumulated depreciation in total	913,032	67,645	17,543	963,134
III. Provision for fixed assets devaluation				
Include: General equipment	20,414	161	1,305	19,270
Special equipment	77,318	--	--	77,318
Transportation equipment	134	--	--	134
Other equipment	8,467	--	179	8,288
Total provision for fixed assets devaluation	106,333	161	1,484	105,010
IV. Book value of fixed assets				
Include: buildings	548,125			537,733
General equipment	48,899			45,470
Special equipment	428,779			452,255
Transportation equipment	7,171			7,641
Other equipment	77,094			86,007
Total book value of fixed assets	1,110,068			1,129,106

The accumulated depreciation value increased RMB67,645,317.38 in this period, among which, accumulated depreciation value of RMB 780,418.13 from Kunming Xitong at the beginning of merger period was included, and depreciation value withdrawal in this period amounted to RMB 66,864,899.25.

Original fixed assets value in the period including RMB 2,523,557.78 original fixed assets value

from Kunming Xitong at begging of the merger. Construction in process transferred RMB 80,101,570.65 into original value of fixed assets; others were referring to purchase directly.

(2) No fixed assets rented by means of financing lease at period-end

(3) No pledged fixed assets at period-end

(4) Property right certificate of fixed assets that had not been received

Item	Original value of fixed assets	Reasons why property right certificate had not been issued	Estimated time to obtain property right certificate
Plants and office buildings of Weifu Jinning	118,736	In the progress of fulfilling relevant property right formalities	2011
Plants and office buildings of Weifu Chang'an	59,586		
Plants in Huishan Development Zone of parent company	32,450	Newly-built plant, and in the process of handling	2011

5-13 Project in construction

(1) Specific projects

Project	2011-6-30			2010-12-31		
	Book balance	Depreciation provision	Net book value	Book balance	Depreciation provision	Net book
Project of High Pressure Common Rail	--	--	--	500	--	500
R & D of WAPS; productively promotion for parts of diesel common rail	79,329	--	79,329	33,326	--	33,326
Project of Engineering	44,710	--	44,710	39,316	--	39,316
Construction project of Weifu Industrial Zone	163,719	--	163,719	--	--	--
Miscellaneous Projects	96,051	4,669	91,382	73,784	4,669	69,115
Total	383,809	4,669	379,140	146,926	4,669	142,257

(2) Changes in significant projects in construction

Project	Amount at period-begin	Increase in this period	Fixed assets converted in this period	Amount at period-end	Project process	fund resource
Project of High Pressure Common Rail	500	--	500	--	100%	Self-raised funds
R & D of WAPS; productively promotion for	33,326	48,371	2,368	79,329	13%	Self-raised funds

parts of diesel common rail system						
Project of Engineering institution	39,316	7,891	2,497	44,710	72%	Self-raised funds
Construction project of Weifu Industrial Zone	--	163,719	--	163,719	25%	Self-raised funds
Total	73,142	219,981	5,365	287,758		

The aforesaid projects all contained no capitalized interest.

5-14 Intangible assets

(1) Particulars about intangible assets

Item	2010-12-31	Increase in this period	Decrease in this period	2011-6-30
I. Original book value				
Land use right of the parent company	30,452	--	--	30,452
Permitted trademark use right of Weifu Jinning	26,356	--	--	26,356
Land use right of Weifu Jinning	28,752	--	--	28,752
Software of Weifu Jinning	346	--	--	346
Land use right of Weifu Diesel System	13,232	--	--	13,232
Software of Weifu Diesel Oil System	6,282	--	--	6,282
Land use right of ITM Machinery	17,136	--	--	17,136
Land use right of the WeifuTianli	13,969	--	--	13,969
Non-patent technology of WeifuTianli	2,640	--	--	2,640
Software of WeifuTianli	861	--	--	861
Land use right of Weifu Jialin	1,172	--	--	1,172
Weifu Leader computer	--	128	--	128
Total	141,198	128	--	141,326

II. Accumulative				
Land use right of the parent company	3,718	336	--	4,054
Permitted trademark use right of Weifu Jinning	9,709	--	--	9,709
Land use right of Weifu Jinning	12,219	479	---	12,698
Software of Weifu Jinning	346	--	--	346
Land use right of Weifu Diesel oil System	1,807	141	--	1,948
Software of Weifu Diesel oil System	5,532	134	--	5,666
Land use right of ITM Machinery	2,599	171	--	2,770
Land use right of Weifu	227	164	--	391
Non-patent technology of WeifuTianli	2,327	209	--	2,536
Software of WeifuTianli	278	82	--	360
Land use right of Weifu	133	57	--	190
Weifu Leader computer	--	7	--	7
Total	38,895	1,780	--	40,675
III. Devaluation provision for intangible assets				
Permitted trademark use right of Weifu Jinning	16,647	--	--	16,647
IV. Book value of intangible assets				
Land use right of the parent company	26,734			26,398
Permitted trademark use right of Weifu Jinning	--			--
Land use right of Weifu Jinning	16,533			16,054
Software of Weifu Jinning	--			--
Land use right of Weifu Diesel oil System	11,425			11,284
Software of Weifu Diesel oil System	750			616
Land use right of ITM Machinery	14,537			14,366
Land use right of Weifu	13,742			13,578
Non-patent technology of WeifuTianli	313			104

Software of WeifuTianli	583			501
Land use right of Weifu	1,039			982
Weifu Leader computer	--			121
Total	85,656			84,004

Increase amount of accumulated amortization at this period was the same as amortizing amount.

Commentary on intangible assets:

1. Permitted trademark use right of Weifu Jinning: referred the permitted trademark use right of the original Weifu Group. At present, as the country had implemented new emission standard and relevant products were hardly marketable, so provision for book value was withdrawn in full amount in 2009.

5-15 Goodwill

Item	2011-6-30	2010-12-31
Weifu Tianli	1,784	1,784

Good will of Weifu Tianli: the Company combined Weifu Tianli by controlling with capital increased. Exceed part from combination cost of the Company to fair value of recognizable net assets of Weifu Tianli.

5-16 Deferred income tax assets

(1) Confirmed deferred income tax assets

Item	2011-6-30	2010-12-31
Provision for assets devaluation	40,434	40,718
Others	4,526	4,191
Operating losses of subsidiaries	1,660	1,400
Subtotal	46,620	46,309

(2) Assets causing temporary difference or temporary difference of liabilities items

Item	2011-6-30	2010-12-31
Provision for bad debt	72,890	72,762
Devaluation provision for inventory	120,572	120,874
Devaluation provision for fixed assets	105,010	106,333
Devaluation provision for projects in construction	4,669	4,669
Devaluation provision for intangible assets	16,647	16,647
Operating losses of Weifu Schmitter	6,643	5,599
Others	30,170	27,939
Total	356,601	354,823

(3) Specific deferred income tax assets unconfirmed

Item	2011-6-30	2010-12-31	Note
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Deductible temporary difference--provision for bad debt (parent company)	57,156	57,027	It would be difficult to list expense before taxation in the future as evidence required by tax authority was difficult to obtain.
Deductible losses--ITM Machinery	16,642	17,742	There were uncertainties in the potential of generating enough taxable income.
Total	73,798	74,769	

(4) The deductible losses of unconfirmed deferred income tax assets would fall due in the year as follow

Expire year	2011-6-30	2010-12-31	Note
2013	16,642	17,742	Weifu ITM Machinery have un-recover losses in 2008

5-17 Provision for assets devaluation

Item	2010-12-31	Increase in this period	Decrease in this period		2011-6-30
			Transfer-in	Transfer-out	
Provision for bad debt	72,762	192	--	64	72,890
Devaluation provision for inventory	120,874	--	--	302	120,572
Devaluation provision for long-term investment	52,489	--	--	--	52,489
Devaluation provision for fixed assets	106,333	161	--	1,484	105,010
Devaluation provision for projects in construction	4,669	--	--	--	4,669
Devaluation provision for intangible assets	16,647	--	--	--	16,647
Total	373,774	353	--	1,850	372,277

5-18 Short-term loans

Item	2011-6-30	2010-12-31
Credit loan	505,000	270,000

5-19 Notes payable

Type	2011-6-30	2010-12-31
Bank acceptance bill	255,438	309,986
Commercial acceptance bill	--	80,000
Total	255,438	389,986

Commentary on notes payable:

For the purpose of issuing bank acceptance bill, guaranty deposits for notes payable at period-end should sum up to RMB 115.38 million and pledged notes receivable should be worth RMB 96.95 million.

5-20 Accounts payable

(1) Account age of account payable

Item	2011-6-30	2010-12-31
Within 1 year	1,268,497	1,177,029
1 to 2 years	2,483	7,745
2 to 3 years	8,495	5,539
Above 3 years	2,564	4,740
Total	1,282,039	1,195,053

(2) No accounts should pay for shareholders holding more than 5% (include 5%) vote right share of the Company among accounts payable in this report period

(3) Accounts of other related parties among accounts payable in this report period

Name of Unit	Related relationship	2011-6-30	2010-12-31
Wuxi Weifu Precision Machinery Manufacturing Co., Ltd.	Affiliated enterprise	17,723	32,123
Bosch Diesel System	Affiliated enterprise	5,623	5,623
Wuxi Weifu Environmental Protection Catalyst Co., Ltd.	Joint-venture	65,131	17,532
Weifu Autocam Precision Machinery Co., Ltd.	Joint-venture	1,307	205
Total		89,784	55,483

(4) Commentary on huge accounts payable with account age above one year

There was no huge account payable with account age above one year.

5-21 Account received in advance

(1) Account age of account received in advance

Item	2011-6-30	2010-12-31
Within 1 year	56,034	32,915
1 to 2 years	1,695	5,058
2 to 3 years	2,508	2,339
Above 3 years	2,130	1,960
Total	62,367	42,272

(2) No accounts of shareholders (units) holding more than 5% (include 5%) vote right share of the Company among other accounts received in advance in this report period.

(3) Accounts of other related unites among accounts received in advance in this report period

Name of Unit	Related relationship	2011-6-30	2010-12-31
Kunming Xitong Machinery Co., Ltd.	Controlling subsidiary of the Company at period-end	--	9,067
Weifu Precision Machinery Manufacturing Co., Ltd.	Associated enterprise	--	319

Commentary on huge accounts received in advance with account age above one year:

There were no huge accounts received in advance with account age exceeding one year.

5-22 Employees' wage payable

Item	2010-12-31	Increase in this period	Decrease in this period	2011-6-30
I. Salary, bonus, allowance and subsidy	164,242	190,508	165,192	189,558
II. Employees' welfare	--	16,486	16,486	--
III. Social insurance	37,355	51,888	50,674	38,569
IV. Housing Fund Social Insurance	3,446	15,785	15,791	3,440
V. Housing allowance for employees	28,202	--	2	28,200
VI. Labor union expenditure and Personnel education expenditure	15,326	3,727	3,416	15,637
VII. Others	21,181	176	13	21,344
Total	269,752	278,570	251,574	296,748

No payment of arrears among employees' salary payable.

Arrangements about the estimated distribution time and amount, etc. for employees' salary payable

The reward fund withdrawn by parent company according to resolutions of

Shareholders' General Meeting was contained in salary, bonus, allowance and subsidy. The Company withdrew RMB 10.50 million in 2008, RMB 22 million in 2009, RMB 73 million in 2010 respectively for the reward fund in conformity with the arrangement of the Board of Directors.

5-23 Taxes payable

Item	2011-6-30	2010-12-31
Value-added tax	5,523	7,490
Tax for city construction	1,209	1,197
Enterprise income tax	39,040	92,570
Extras of education expense	769	684
Individual income tax	757	1,491
Others	3,822	4,472
Total	51,120	107,904

5-24 Dividend payable

Item	2011-6-30	2010-12-31
Minority shareholders' dividend of Weifu Diesel System	--	3,406
Minority shareholders' dividend of Weifu International Trade	--	59
Minority shareholders' dividend of Weifu Tianli	--	15,232
Dividend payable for parent company	246,765	--
Total	246,765	18,697

5-25 Other accounts payable

(1) Account age of other account payable

Item	2011-6-30	2010-12-31
Within 1 year	67,394	50,119
1 to 2 years	2,279	3,420
2 to 3 years	2,415	3,629
Above 3 years	7,111	5,334
Total	79,199	62,502

(2) No accounts of shareholders (units) holding more than 5% (include 5%) vote right share of the Company among other accounts payable in this report period.

(3) Commentary on other accounts payable with account age exceeding one year:

Item	2011-6-30	Remark
Nanjing Electromechanical Industry (Group) Co.,	4,500	Current accounts

5-26 Long-term loans

(1) Classification of long-term loans

Item	2011-6-30	2010-12-31
Credit loan	3,000	3,000

(2) The top five long- term loans in term of amount

Creditor	Taking-effect date of the loan	Expiration date of the loan	Currency	Interest rate	2011-6-30	2010-12-31
Jiangsu International Trust Corporation Limited	2009-11-27	2012-5-27	RMB	0.3%	3,000	3,000

Commentary on long-term loan:

According to Loan Contract signed with Jiangsu International Trust Corporation Limited, Weifu Jinning borrowed RMB 3 million for the project "Industrialization of Electricity-controlled High-pressure VE Jetting Pump System of Low-emission Diesel Engine".

5-27 Long-term accounts payable

	Item	2011-6-30	2010-12-31
Nanjing Finance Bureau Hi-tech Branch [Note 1]	Financial supporting fund (year 2004)	1,710	1,710
Nanjing Finance Bureau Hi-tech Branch [Note 2]	Financial supporting fund (year 2005)	1,140	1,140
Nanjing Finance Bureau Hi-tech Branch [Note 3]	Financial supporting fund (year 2006)	1,250	1,250
Nanjing Finance Bureau Hi-tech Branch [Note 4]	Financial supporting fund (year 2007)	1,230	1,230
Loan transferred from treasury bond[Note 5]		5,600	5,600
Nanjing Finance Bureau Hi-tech Branch [Note 6]	Financial supporting fund (year 2008)	2,750	2,750
Nanjing Finance Bureau Hi-tech Branch [Note 7]	Financial supporting fund (year 2009)	1,030	1,030
Nanjing Finance Bureau Hi-tech Branch [Note 8]	Financial supporting fund (year 2010)	960	960
Total		15,670	15,670

[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 August 5, 2004 to August 4, 2012. Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

[Note 2] 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 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 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 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 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 5] National debt transferred to loan: is the transferred national debt capital received by Weifu Jinning in 2007.

[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 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 7] 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.

[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 Dec. 27, 2010 to Dec. 27, 2025. Provided that the operation period in the zone is less than 15 years, financial supporting capital will be reimbursed.

5-28 Deferred income tax liability

(1) Recognized deferred income tax liability

Item	2011-6-30	2010-12-31
The evaluation of Weifu Tianli appreciated	2,720	2,801

(2) Corresponding temporary difference arising from assets or liabilities

Item	2011-6-30	2010-12-31
The evaluation of Weifu Tianli appreciated	18,132	18,673

5-29 Other non-current liabilities

Item	2011-6-30	2010-12-31
Appropriation on industrialization project of electrical control and high voltage jet VE system of low emissions diesel	11,125	11,125
Others	3,980	2,225
Total	15,105	13,350

Explanation on other non-current liabilities, including various obtained government subsidies and end amounts related to assets and incomes in this period:

1. Appropriation on industrialization project of electrical control and high voltage jet VE system of low emissions diesel: in Sep of 2009, Weifu Jinning signed “Project Contract of Technology Outcome Transferring Special Capital in Jiangsu Province” with Nanjing Technical Bureau, according to which Weifu Jinning received appropriation RMB 6.35 million in 2009, and RMB 4.775 million received in 2010. According to the contract, the attendance date of this project was: from October of 2009 to March of 2012. This contract agreed 62% of newly increased investment in project would be spent in fixed assets investment.

5-30 Share capital

(1) Change of share capital in the report period

	2010-12-31	Increase and decrease in the period(+, —)					2011-6-30
		New issued share	Bonus issue	Capitalized surplus reserves	Others	Subtotal	
Restricted equity	100,075	--	--	--	-28,367	-28,367	71,708
-Domestic legal person shares	100,022	--	--	--	-28,364	-28,364	71,658
Shares by senior executors	53	--	--	--	-3	-3	50
Circulating share capital	467,201	--	--	--	28,367	28,367	495,568
Circulating share capital (A Shares)	352,281	--	--	--	28,367	28,367	380,648
Circulating share capital (B Shares)	114,920	--	--	--	--	--	114,920
Total	567,276	--	--	--	--	--	567,276

(2) Explanation on relevant particulars of share capitals

Wuxi Industry Group was the first largest shareholder of the Company with 100,021,999 shares held, which accounting 17.63% of total share capital of the Company.

5-31 Capital reserve

Items	2010-12-31	Increase in the period	Decrease in the period	2011-6-30
Other capital reserve	19,083	--	--	19,083
Capital premium	876,835	--	--	876,835
Total	895,918	--	--	895,918

5-32 Surplus public reserve

Items	2010-12-31	Increase in the period	Decrease in the period	2011-6-30
Statutory surplus public reserve	283,638	--	--	283,638

5-33 Retained profit

Item	2011-6-30	2010-12-31
Pre-adjustment undistributed profit of the end of last year	2,359,376	1,104,176
Adjusting total amount of undistributed profit of beginning of the year (increase+, decrease-)	--	--
Post-adjustment undistributed profit at the beginning of the year	2,359,376	1,104,176
Add: profit attributable to owners of parent company in this period	644,664	1,340,291
Subtract: extract statutory surplus public reserve	--	--
Payable cash dividend	246,765	85,091
Retained profit in the period-end	2,757,275	2,359,376

Explanation on distributing profit:

According to preplan of profit distribution of 2010 issued by the Board of Directors in March 2011, the general meeting of shareholders of 2010 decided that the Company would distribute cash dividend RMB 4.35 (tax included) per 10 shares based on share capital on Dec 31st of 2010, total distributed share capital of common stock was RMB 246,765,057.83.

5-34 Operating income, operating cost

(1) Operating income, operating cost

Item	January – June 2011	January – June 2010
Income arising from main business	2,991,207	2,436,213
Income from other business	286,353	214,474
Total business income	3,277,560	2,650,687
operating cost	2,426,222	2,093,056

(2) Main business (Sub-sectors)

Sectors	January – June 2011		January – June 2010	
	Operating income	Operating cost	Operating income	Operating cost
Vehicle components	2,991,207	2,151,734	2,436,213	1,884,995

(3) Main business (Sub-products)

Products	January – June 2011		January – June 2010	
	Operating income	Operating cost	Operating income	Operating cost
Fuel injection system	2,446,636	1,705,544	2,080,217	1,580,404
Intake system	77,887	45,748	11,335	8,937
Tail treatment system	466,684	400,442	344,661	295,654
Total	2,991,207	2,151,734	2,436,213	1,884,995

(4) Main business (Sub-region)

Region	January – June 2011		January – June 2010	
	Operating income	Operating cost	Operating income	Operating cost
Domestic sales	2,869,301	2,032,796	2,344,187	1,798,640
Overseas sales	121,906	118,938	92,026	86,355
Total	2,991,207	2,151,734	2,436,213	1,884,995

(5) Particulars of operating income of top five clients of the Company

Clients	Operating income	Proportion in operating income (%)
Weichai Power (Weifang) spare resources Co., Ltd	427,093	13.03
Dongfeng Cummins Engine Co., Ltd.	285,097	8.70
Bosch Diesel Systems	213,933	6.53
Jiangling Motor Co., Ltd.	193,006	5.89
FAW Jiefang Automatic Co., Ltd. Wuxi Diesel Engine Plant	143,126	4.37
Total	1,262,255	38.52

5-35 business tax and extra

Item	January – June 2011	January – June 2010
Urban maintenance and construction tax	10,709	10,352
Educational surcharge	7,205	5,930
Business tax	507	10
Total	18,421	16,292

5-36 sales expense

Item	January – June 2011	January – June 2010
Salary and expense related to salary	12,051	11,211
Consumption of office materials and business	4,240	2,991
Transportation	7,632	5,429
Warehouse	3,854	1,874

Three-guarantee	17,324	35,096
Other	5,409	18,655
Total	50,510	75,256

5-37 Administrative expense

Item	January – June 2011	January – June 2010
Salary and expense related to salary	81,613	103,094
Depreciation expense and long-term assets amortized	14,363	13,193
Consumption of office materials and business	12,973	11,798
Taxes	6,378	5,978
Other	173,760	157,244
Total	289,087	291,307

5-38 Financial expense

Item	January – June 2011	January – June 2010
Interest expense	16,540	20,200
Interest expense of notes discounted	5,238	3,114
Interest expense of deposit	-3,245	-3,975
Exchange gains and losses	1,342	-2,252
Commission expense	395	352
Total	20,270	17,439

5-39 Losses from impairment of assets

Item	January – June 2011	January – June 2010
Bad debt losses	193	2,309
Loss on depreciation of inventories	-302	-4,230
Impairment losses on fixed assets	161	-7,303
Total	52	-9,224

5-40 Investment income

(1) Details situation of investment income

Item	January – June 2011	January – June 2010
Long term equity investment income of cost accounting method	--	1,810
Long term equity investment income of equity accounting method	293,611	200,108
Total	293,611	201,918

(2) Long term equity investment income of equity accounting method (Top 5)

Invested units	January – June 2011	January – June 2010
Bosch Diesel Systems	167,094	116,047

Zhonglian Automotive Electronic Co., Ltd.	84,169	48,000
Weifu Environmental Protection Catalyst Co., Ltd.	26,001	24,287
Weifu Autocam Precision Machinery Co., Ltd.	10,064	8,606
Weifu Precision Machinery Manufacturing Co., Ltd.	6,699	3,091
Total	294,027	200,031

(3) Explanation on investment income

There was no significant restriction on investment income of the Company.

5-41 Non-operating income

(1) Details of non-operating income

Item	January – June 2011	January – June 2010
Net income from disposal of fixed assets	4,125	640
Government grants	1,815	--
Others	104	33
The difference between owned interest and consolidated costs with different control	1,241	--
Total	7,285	673

(2) Details of government grants:

Item	January – June 2011	Note
Funds for technology projects	1,030	Technology, North District, Ningbo City [2011] No. 13
Other	785	
Total	1,815	

Relevant explanation on non-operating income:

The difference between owned interest and consolidated costs with different control: income arising from equity transfer of Kunming Xitong in 2011.

5-42 Non-operating expense

Item	January – June 2011	January – June 2010
Net loss from disposal of fixed assets	503	3,956
Donation expenditure	--	200
Flood protection Security Fund ect	3,533	3,051
Other expense	161	397
Total	4,197	7,604

5-43 Income tax expense

Item	January – June 2011	January – June 2010
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Income tax payable	95,737	24,108
Increased assets from deferred income tax	-311	948
Increased of deferred income tax liability	-81	
Income tax expense	95,345	25,056

5-44 Calculation of basic earnings per share and diluted earnings per share

Basic earnings per share = $P_0 \div S$

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

Among which: P_0 is the net profit attributable to the shareholders of ordinary shares of the Company or the net profit attributable to the shareholders of ordinary shares after the deduction of non-recurring gains and losses; S is the weighted average number of ordinary shares outstanding; S_0 is the total number of shares at the beginning of the period; S_1 is the number of increased shares due to reserve's conversion into share capital or distribution of dividends in the reporting period; S_i is the number of increased shares due to issue of new shares or debt-to-equity in the reporting period; S_j is the number of decreased shares due to repurchase in the reporting period; S_k is the number of contraction of shares in the reporting period; M_0 is the number of months in the reporting period; M_i is the number of accumulated months from the next month of shares increase to the end of the reporting period; M_j is the number of accumulated months from the next month of shares decrease to the end of the reporting period.

Diluted earnings per share = $P_1 / (S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0 - S_k + \text{The weighted average number of ordinary shares increased due to call warrants, share options and convertible bonds etc.})$

Among which, P_1 is the net profit attributable to the shareholders of ordinary shares of the Company or the net profit attributable to the shareholders of ordinary shares after the deduction of non-recurring gains and losses, as adjusted according to Enterprise Accounting Standards and relevant regulations after the effect of diluted potential ordinary shares is taken into account. In the calculation of diluted earnings per share, the Company shall taken the effect of all diluted potential ordinary shares on the net profit attributable to the shareholders of ordinary shares of the Company or the net profit attributable to the shareholders of ordinary shares after the deduction of non-recurring gains and losses and the weighted average number of shares and into account of the diluted earnings per share according to the extent of dilution in sequence until the diluted earnings per share reaches the minimum.

5-45 Notes of cash flow statement

(1) Tax returned received

Item	January – June 2011	January – June 2010
Export tax refund received by Weifu International Trade	12,117	8,783

(2) Received other cash related to operating activities

Item	January – June 2011	January – June 2010
Interest income on bank deposits	3,245	3,975
Government subsidy	3,800	--
Others	6,306	4,615

Total	13,351	8,590
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(3) Other cash paid related to operating activities

Item	January – June 2011	January – June 2010
Operating expense for cash	45,264	23,468
Management expense for cash	67,518	67,280
Others	2,299	2,420
Total	115,081	93,168

5-46 Additional information of consolidated cash flow statement

(1) Additional information of consolidated cash flow statement

Item	January – June 2011	January – June 2010
1. Net profit subject to cash flow arising from operating activities		
Net profit	674,352	336,493
Add: Provision for assets devaluation	52	-9,224
Depreciation of fixed assets, oil and gas assets, and productive biological assets	66,865	66,859
Amortization of intangible assets	1,780	1,710
Allocations of long-term expenses to be amortized	963	467
Losses from disposal of fixed, intangible and other long-term assets	-3,621	3,316
Losses from obsolete fixed assets	--	--
Losses from changes of fair value	--	--
Financial expenses	10,795	15,614
Losses from investment	-293,611	-201,918
Decrease of deferred income tax	-311	948
Increase of deferred income tax	-81	--
Decrease of inventory	61,219	-45,042
Decrease of operating receivables	-465,429	-766,802
Increase of operating payables	830	583,644
Net cash generated from operations	53,803	-13,935
2. Net increase in cash /cash equivalent		
Balance of cash at period-end	534,629	358,592
Less: Balance of cash at period-beginning	465,220	327,527
Add: Balance of cash equivalent at period-end		
Less: Balance of cash equivalent at period-beginning		
Net increase in cash /cash equivalent	69,409	31,065

(2) The composition of cash and cash equivalents

Item	2011-6-30	2010-12-31
I. Cash		
Including: cash in treasury	605	544

Bank deposit for payment at any time	534,024	450,166
Other monetary capital for pay at any time	--	14,510
II. Cash equivalents		
Including: investment on bonds due in 3 months		
III. Balance of cash and cash equivalents in period-end	534,629	465,220

Note 6: Related party relationships and related transactions (Amount unit: RMB'000)

6-01 Particulars about parent company of the Company

Parent company	Related relationships	Business type	Registration area	Legal representative	Nature of business	Registered capital
Wuxi Industry Group	Parent company	State-owned exclusively	Wuxi	Jiang Guoxiong	Operation of state-owned assets	3,239,202

Parent company	Parent company's shareholding ratio of the Company (%)	Proportion of parent company's voting rights of the company (%)	Ultimate controlling party of the enterprise	Organization code
Wuxi Industry Group	17.63	17.63	Wuxi State-owned Assets Supervision & Administration Commission of State Council	13600265-4
Explanation on particulars of parent company				
Wuxi Industry Group was solely state-owned enterprise funded and established by Wuxi Municipal People's Government which mainly took responsibility of authorizing the state-owned assets operation within a certain areas, investment management of significant project, investment and development of manufacturing and services and venture capital in high-tech achievement transformation.				

6-02 Particulars of subsidiaries of the Company

Full name of subsidiaries	Subsidiary type	Enterprise type	Registration area	Legal representative	Nature of business
Weifu Jinning	Holding subsidiary	Limited company	Nanjing	Wang Weiliang	Engine parts
Weifu Leader	Holding subsidiary	Limited company	Wuxi	Wang Weiliang	Automobile exhaust purifier, muffler
Weifu Mashan	Wholly owned	Limited company	Wuxi	Gao Guoyuan	Engine parts

	subsidiary				
Weifu Changan	Wholly owned subsidiary	Limited company	Wuxi	Han Jiangming	Engine parts
Weifu Jida	Holding subsidiary	Limited company	Wuxi	Xu Liangfei	Metallic Nanoparticles
Weifu Nano	Holding subsidiary	Limited company	Wuxi	Xu Liangfei	Nano materials
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 ITM	Wholly owned subsidiary	Limited company	Wuxi	Wang Weiliang	Engine parts
Weifu Schmitter	Holding subsidiary	Limited company	Wuxi	Wang Weiliang	Engine parts
Weifu Tianli	Holding subsidiary	Limited company	Ningbo	Wang Weiliang	Engine parts
Weifu Jialin	Holding subsidiary	Limited company	Chaoyang	Miao Yuming	Engine parts
Weifu Tianshi	Holding subsidiary	Limited company	Quanjiao	Wang Weiliang	Engine parts
Kunming Xitong	Holding subsidiary	Limited company	Kunming	Chen Xuejun	Engine parts

Full name of subsidiaries	Registered capital	Equity ratio (%)	Voting rights ratio (%)	Organization code
Weifu Jinning	346,287	80.00	80.00	13497754-6
Weifu Leader	260,000	94.81	94.81	13600159-8
Weifu Mashan	45,000	100.00	100.00	13625011-3
Weifu Changan	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
Weifu Diesel System	300,000	100.00	100.00	76418029-1
Weifu International Trade	30,000	100.00	100.00	76103151-4
Weifu ITM	160,000	100.00	100.00	72418270-0
Weifu Schmitter	18,000	45.00	45.00	69449050-9

Weifu Tianli	104,690	51.00	51.00	73424810-1
Weifu Jialin	8,000	51.00	51.00	78877120-5
Weifu Tianshi	10,000	52.00	52.00	57301523-4
Kunming Xitong	4,000	70.00	70.00	77554741-5

6-03 Particulars of other related parties of this enterprise

Name of other related parties	Relationship between other related parties and the Company	Organization code
Weifu Autocam Precision Machinery Co., Ltd.	Joint Venture	77540714-8
Weifu Environmental Protection Catalyst Co., Ltd.	Joint Venture of Weifu Leader	75969849-1
Bosch Diesel Systems	Associated companies	60791796-6
Weifu Precision Machinery Manufacturing Co., Ltd.	Associated companies	73944370-7
Wuxi ITM Engine Co., Ltd.	Associated company of ITM Machinery	77540703-3

6-04 Particulars of related transactions

(1) Related transactions of purchasing goods, providing and accepting service

Related detailed situation of goods purchasing of the Company from related party was as follows:

Enterprises	January – June 2011		January – June 2010	
	Amounts	Proportion in amount of similar transaction (%)	Amounts	Proportion in amount of similar transaction (%)
Weifu Precision Machinery Manufacturing Co., Ltd.	79,087	4.02	60,920	3.73
Bosch Diesel Systems	158,645	8.06	143,986	8.82
Weifu Trade Co., Ltd.	--	--	1,021	0.06
Weifu Environmental Protection Catalyst Co., Ltd.	296,748	15.08	227,382	13.93
Wuxi Longsheng Technology Co., Ltd.	--	--	16,451	1.01
Weifu Autocam Precision Machinery Co., Ltd.	7,082	0.36	37	0.002
Weifu Jialin	--	--	20	0.001
Wuxi ITM Engine Co., Ltd.	--	--	415	0.03
Kunming Xitong[Note]	863	0.04	2,682	0.16

[Note] Kunming Xitong consolidated into the range of consolidation since May of 2011, related purchasing from January 2011 to April 2011 amounting to RMB 0.8627 million.

Related detailed situation of goods selling of the Company from related party was as follows:

Enterprises	January – June 2011	January – June 2010
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	Amounts	Proportion in amount of similar transaction	Amounts	Proportion in amount of similar transaction
Weifu Precision Machinery Manufacturing Co., Ltd.	14,092	0.43	10,423	0.39
Bosch Diesel Systems	213,933	6.53	207,056	7.81
Weifu Jialin	--	--	39,121	1.48
Weifu Trade Co., Ltd.	--	--	1,768	0.07
Kunming Xitong[Note]	37,758	1.15	266	0.01
Weifu Environmental Protection Catalyst Co., Ltd.	7,367	0.22	9,769	0.37
Weifu Autocam Precision Machinery Co., Ltd.	2,897	0.09	1,109	0.04

[Note] Kunming Xitong consolidated into the range of consolidation since May of 2011, related purchasing from January 2011 to April 2011 amounting to RMB 37.7583 million.

(2) Other Related transactions

Project	Related parties	January – June 2011	January – June 2010
Service and technical service fees payable	Bosch Diesel Systems	--	2,207
Purchase of fixed assets	Bosch Diesel Systems	60	--
Sales of fixed assets	Weifu Precision Machinery Manufacturing Co., Ltd.	149	38
Land and trademark fees payable	Wuxi Industry Group	5,149	4,054

6-05 Receivables and payables of related party

Project	Related parties	2011-6-30	2010-12-31
Accounts receivable			
	Bosch Diesel Systems	58,674	55,380
	Weifu Autocam Precision Machinery Co., Ltd.	1,764	980
	Weifu Precision Machinery Manufacturing Co., Ltd.	450	--
	Kunming Xitong	--	5
Account paid in advance			
	Weifu Precision Machinery Manufacturing Co., Ltd.	1,538	843
	Weifu Environmental Protection Catalyst Co., Ltd.	1,137	171

Accounts payable			
	Weifu Precision Machinery Manufacturing Co., Ltd.	17,723	32,123
	Weifu Environmental Protection Catalyst Co., Ltd.	65,131	17,532
	Bosch Diesel Systems	5,623	5,623
	Weifu Autocam Precision Machinery Co., Ltd.	1,307	205
Account received in advance			
	Kunming Xitong	--	9,067
	Weifu Precision Machinery Manufacturing Co., Ltd.	--	319

Note 7: Contingent matters

7-01 There was no significant contingent liability and its financial influence arising from pending litigation and arbitration till 30 June 2011

7-02 Contingent liability and its financial influence arising from provision of debt guarantees for other units:

As at 30 June 2011, the Company has no contingency that formed by liability guarantee received from other units.

7-03 Other contingent events

Till 30 June 2011, situation of assets mortgage or pledge were as follows:

1. The Company offered RMB 116,127,000 of bank deposit as margin for issuing bank acceptance and letter of credit.
2. The Company pledged bank acceptance bills receivable RMB 96,950,000 to bank as margin for issuing bank acceptance.

Note 8: Commitments

8-01 Significant commitments

1. Privately share offering
Being deliberated and approved by 14th Meeting and 15th Meeting of the 6th Session of the Board and 2nd Extraordinary Shareholders' General Meeting 2010, the Company plan to offering RMB common share(A-stock) privately to Wuxi Industrial Development Group Co., Ltd. ("Industrial Group"), largest shareholder of the Company, and German Bosch Co., Ltd. ("Bosch Company"), foreign strategy investor.

(1) The shares will on price of 25.83 yuan per share for privately offering. The Company will adjust the relevant ex-right and ex-dividend of issued price if events of ex-right and ex-dividend as dividend payout, bonus share, capitalizing from reserves occurred during the period from price based date to issued date.

(2) The Company plans to issue no more than 112,858,000 shares (including 112,858,000) in this

private placement. Wuxi Industry Group plans to secondary holding 36,017,600 shares of A-stock of the Company with 20% of proportion held after secondary holding; ROBERT BOSCH GMBH (short for “German Bosch”) plans to secondary holding 76,840,400 shares of Weifu High-Tech A-share of the Company with 14% of proportion held after secondary holding. The Company will adjust the issued quantity correspondingly if events of ex-right and ex-dividend as dividend payout, bonus share, capitalizing from reserves occurred during the period from price based date to issued date.

(3) After the private placement, shares purchased by largest shareholder—Wuxi Industry Group and German Bosch should no be transferred with 36 months since the date of issued closed. The target placement will trade in Shenzhen Stock Exchange after the lock-in period.

(4) Shareholders before/after private placement should enjoy the accumulated retained profit before placement after the placement finished.

(5) The share placing this time was purchased by cash.

(6) The effective term will within 12 months since the approval date of 2nd Extraordinary Shareholders’ General Meeting of 2010 for Private Placement. The Company will adjust the private placement if there have updated regulations or rules concerning the private placement.

(7) Fund raising by this offering will invest in:

- ✧ R & D of the WAPS and industrialization; project of productively promotion for parts of diesel common trail system

- ✧ project of industrialization for tail treatment

- ✧ project of engineering institution

- ✧ construction project for industrial zone

- ✧ R & D project of electrokinetic cell and electrokinetic cell materials

- ✧ Project of equity acquisition: plans to purchased 1% equity of Bosch Auto Diesel System Co., Ltd. (“Bosch Diesel”) held by Bosch Company; plans to purchased 1.5% equity of Bosch Diesel held by Industrial Group.

- ✧ Supplement current capital

2. Progress

On 29 June 2011, the event of introduction of foreign strategy investor contained in plan of privately offering, obtained the “Principal Agreement on Approval of German Bosch Co., Ltd. strategically invested Wuxi Weifu High-Tech Group Co., Ltd.” from Ministry of Commerce. German Bosch purchasing RMB common shares (A-stock) by privately offering from Wuxi Weifu High-Tech Group Co., Ltd. in cash, principal agreed by Ministry of Commerce.

Recently, the privately offering plan has been submitted to CSRC, and implementation plan will base on the approval plan from CSRC.

3. The Company will change to Foreign owned Co., Ltd. by plan of privately offering.

8-02 Particulars of previous commitments

There were no significant commitments of the Company.

Note 9: Future events of balance sheet

9-01 Explanation on particulars of profit distribution of balance sheet

According to decisions of the 16th Meeting of the 6th Board of Directors of the Company held on March 17, 2011 the Company planed to dispatch cash dividend RMB 4.35 (tax included) per 10 shares to all shareholders based on RMB 567,275,995 of total shares of Dec 31st of 2010, amounting to dividends

RMB 246,765,057.83 would be totally dispatched (tax included). This dispatch plan has been ratified by Shareholders' General Meeting dated 30th June 2011 and cash dividend was paid on 17 August 2011.

Note10: Explanation about main projects on financial sheet of parent company

(No special explanation on the following projects, unit: RMB'000)

10-01 Accounts receivable

(1) Disclose accounts receivable by type

Type	2011-6-30			
	Book balance		Bad debt provision	
	Amount	Ratio (%)	Amount	Ratio (%)
Significant single amount and withdrawal bad debt provision singly	45,886	5.46	45,886	100.00
Bad debt provision withdrawal by age combination	788,401	93.72	1,231	0.16
Including: significant single amount	771,817	91.75	361	0.05
Minor single amount	16,584	1.97	870	5.25
Minor single amount but withdrawal bad debt provision singly	6,870	0.82	6,870	100.00
Total	841,157	100.00	53,987	6.42

Type	2010-12-31			
	Book balance		Bad debt provision	
	Amount	Ratio (%)	Amount	Ratio (%)
Significant single amount and withdrawal bad debt provision singly	45,886	7.38	45,886	100.00
Bad debt provision withdrawal by age combination	568,908	91.53	1,301	0.23
Including: significant single amount	560,363	90.16	655	0.12
Minor single amount	8,545	1.37	646	7.56
Minor single amount but withdrawal bad debt provision singly	6,741	1.09	6,741	100.00
Total	621,535	100.00	53,928	8.68

Explanation on types of accounts receivable

Accounts receivable with over RMB 1 million of single amounts is accounts receivable of significant single amount. To accounts receivable of significant single amount, provision for bad debts is still made by aging analysis method because no objective evidence can manifest that Contingent depreciation will exceed provision for bad debts by aging analysis method.

(2)Bad debt provision of account receivable withdrawal by age combination

Aging

2011-6-30

2010-12-31

	Amount	Ratio (%)	Bad debt provision	Amount	Ratio (%)	Bad debt provision
Within 6 months	784,388	99.50	--	563,142	98.99	--
6 months to 1 year	702	0.09	70	1,775	0.31	178
1 to 2 years	1,841	0.23	368	3,417	0.60	683
2 to 3 years	1,128	0.14	451	223	0.04	89
Over 3 years	342	0.04	342	351	0.06	351
Total	788,401	100.00	1,231	568,908	100.00	1,301

(3) There are no arrears from shareholders holding over 5% (5% included) of voting shares of the Company.

(4) Particulars about accounts receivable of top 5 units

Unit	Relationship with the Company	Amount	Service life	Proportion in total accounts receivables (%)
Weichai Power spare resources(Weifang) Co., Ltd.	Client	172,696	Within 1 year	20.53
Dongfeng Cummins Engine Co., Ltd.	Client	98,987	Within 1 year	11.77
Weifu Chang'an	Subsidiary	80,115	Within 1 year	9.52
FAW Jiefang Automotive Co., Ltd. Wuxi Diesel Engine Factory	Client	71,926	Within 1 year	8.55
Kunming Xitong	Subsidiary	39,695	Within 1 year	4.72
Total		463,419		55.09

10-02 Other account receivables

(1) Disclose other account receivables by types:

Types	2011-6-30			
	Book balance		Bad debt provision	
	Amount	Ratio (%)	Amount	Ratio (%)
Significant single amount and withdrawal bad debt provision singly	2,000	1.14	2,000	100.00
Bad debt provision withdrawal by age combination	170,381	97.49	--	--
Including: significant single amount	169,553	97.02	--	--
Minor single amount	828	0.47	--	--
Minor single amount but withdrawal	2,400	1.37	2,400	100.00

bad debt provision singly				
Total	174,781	100.00	4,400	2.52

Types	2010-12-31			
	Book balance		Bad debt provision	
	Amount	Ratio (%)	Amount	Ratio (%)
Significant single amount and withdrawal bad debt provision singly	2,000	1.41	2,000	100.00
Bad debt provision withdrawal by age combination	137,067	96.89	--	--
Including: significant single amount	135,686	95.91	--	--
Minor single amount	1,381	0.98	--	--
Minor single amount but withdrawal bad debt provision singly	2,400	1.70	2,400	100.00
Total	141,467	100.00	4,400	3.11

Explanation on types of other account receivables:

Other accounts receivable with over RMB one million of single amount is other receivables of significant single amount. To other receivables of significant single amount, provision for bad debts is still made by aging analysis method because no objective evidence can manifest that Contingent depreciation will exceed provision for bad debts by aging analysis method.

(2) There are no arrears from shareholders holding over 5% (5% included) of voting share of the Company in the report period

(3) Particulars of amount of other receivables of top 5 units

Unit	2011-6-30	Service year	Proportion in total amount of other receivables (%)	Note
Weifu Leader	169,553	Within one year	97.01	Subsidiary
Technology and technology center in Jiangsu Province	2,000	Over 3 years	1.14	Full provision for bad debts had been made
Nanjing University	600	Over 3 years	0.34	Full provision for bad debts had been
Southeast University	600	Over 3 years	0.34	Full provision for bad debts had been

Nanjing University of Science	600	Over 3 years	0.34	Full provision for bad debts had been
Nanjing Polytechnic University	600	Over 3 years	0.34	Full provision for bad debts had been
Total	173,953		99.51	

10-03 Long-term equity investments

Invested unit	Accounting Method	Investment cost	2010-12-31	Increase or decrease	2011-6-30
Weifu Jinning	Cost	178,640	178,640	--	178,640
Weifu Leader	Cost	230,114	230,114	--	230,114
Weifu Nano	Cost	24,000	24,000	--	24,000
Weifu Jida	Cost	3,500	3,500	--	3,500
Weifu Diesel System	Cost	260,188	260,188	--	260,188
Weifu Masan	Cost	48,693	48,693	--	48,693
Wei-Fu Changan	Cost	70,902	70,902	--	70,902
Weifu International Trade	Cost	31,000	31,000	--	31,000
Weifu ITM	Cost	167,000	17,000	150,000	167,000
Weifu Schmitter	Cost	8,100	8,100	--	8,100
Weifu Tianli	Cost	90,229	90,229	--	90,229
Weifu Jialin	Cost	4,000	4,686	--	4,686
Weifu Tianshi	Cost	5,200	--	5,200	5,200
Kunming Xitong	Cost	5,704	4,279	1,193	5,472
Weifu Autocam	Equity	37,842	60,057	10,063	70,120
Bosch Diesel System	Equity	523,695	1,056,283	-164,472	891,811
Zhonglian Automotive Electronic Co., Ltd.	Equity	120,124	439,767	-151,482	288,285
Weifu Precision Machinery Manufacturing Co., Ltd.	Equity	2,000	18,788	4,659	23,447
Guolian Securities Co., Ltd.	Cost	12,000	12,000	--	12,000
Guangxi Liufa Co., Ltd.	Cost	1,600	1,600	--	1,600
Chang Chai Group Finance Company	Cost	800	800	--	800
H&J VANGUARD Co., Ltd.	Cost	33,000	33,000	--	33,000
Nanjing Hengtai Insurance Brokers Co., Ltd.	Cost	1,000	1,000	--	1,000
Jiangsu HSBC Insurance Agency Co., Ltd.	Cost	500	500	--	500
Yangdong Co., Ltd.	Cost	2,356	2,356	--	2,356
Wuxi Xindong Technology Park Industry Co., Ltd.	Cost	5,000	5,000	--	5,000
Total			2,602,482	-144,839	2,457,643

Invested unit	Equity	Voting	Explanation on	Provision	Accumulated	Cash
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	ratio in invested unit (%)	rights ratio in invested unit (%)	difference between equity ratio and voting rights ratio in invested unit	for impairment in this period	provision for impairment	dividend
Weifu Jinning	80.00	80.00	--	--	--	--
Weifu Leader	94.81	94.81	--	--	--	--
Weifu Nano	80.00	80.00	--	--	1,500	--
Weifu Jida	70.00	70.00	--	--	3,500	--
Weifu Diesel System	100.00	100.00	--	--	--	--
Weifu Masan	100.00	100.00	--	--	--	--
Weifu Chang'an	100.00	100.00	--	--	--	--
Weifu International Trade	100.00	100.00	--	--	--	--
Weifu ITM	100.00	100.00	--	--	--	--
Weifu Schmitter	45.00	45.00	--	--	--	--
Weifu Jialin	51.00	51.00	--	--	--	--
Weifu Tianli	51.00	51.00	--	--	--	--
Weifu Tianshi	52.00	52.00	--	--	--	--
Kunming	70.00	70.00	--	--	--	--
Weifu Autocam	50.00	50.00	--	--	--	--
Bosch Diesel System	30.00	30.00	--	--	--	331,567
Zhonglian Automotive Electronic Co., Ltd.	20.03	20.03	--	--	--	235,651
Weifu Precision Machinery Manufacturing Co., Ltd.	20.00	20.00	--	--	--	2,040
Guolian Securities Co., Ltd.	1.20	1.20	--	--	--	--
Guangxi Liufa Co., Ltd.	1.22	1.22	--	--	1,600	--
Chang Chai Group Finance Company			--	--	800	--
H&J VANGUARD Capital Co., Ltd.	11.72	11.72	--	--	33,000	--
Nanjing Hengtai Insurance Brokers Co.,	1.85	1.85	--	--	1,000	--

Ltd.						
Jiangsu HSBC Insurance Agency Co., Ltd.	10.00	10.00	--	--	500	--
Yangdong Co.,			--	--	2,356	--
Wuxi Xidong Technology Park Industry Co., Ltd.	1.43	1.43	--	--	--	--
Total				--	44,256	569,258

Explanation on long-term equity investment:

1. Weifu Schmitter: Weifu Schmitter is a Sino-foreign joint venture jointly set up by the Company, Germany-based Schmitter Group Aktiengesellschaft and Shanghai Weishi Automobile Technology Development Co., Ltd., which obtained the No. 320200400033433 Corporate Business License issued by Wuxi Administration for Industry and Commerce, Jiangsu Province on Sept. 17, 2009. The registered capital of this company was RMB 18 million, where the Company invested RMB 8.10 million, representing 45% of the registered capital; Germany-based Schmitter Group Aktiengesellschaft invested RMB 7.20 million, representing 40% of the registered capital; Shanghai Weishi Automobile Technology Development Co., Ltd. invested RMB 2.70 million, representing 15% of the registered capital. The RMB 2.70 million contributions from the Company during the year was the first contribution. The Company was the first largest shareholder of this company and held majority of voting rights in its board of directors; therefore, the Company consolidated it into the consolidated financial statements as a subsidiary since the date of its inception.
2. Weifu ITM: changed its name from “Wuxi ITM Information Machinery Development Co., Ltd.” to “Wuxi Weifu ITM Pressure Technology Co., Ltd.”. Relevant changes for Industrial and Commerce have been completed on 14 March 2011. Capital increase of 0.15 billion yuan was invested by the Company without equity proportion changed. After capital increased, the company owns register capital of 0.16 billion yuan. Relevant changes for Industrial and Commerce have been completed on 3 June 2011.
3. Weifu Tianshi: a company limited jointly invested by the Company and Anhui Quanchai Power Co., Ltd., the Business License for Legal Entity (No. 341124000024350(1-1)) granted by Quanjiao County Industrial and Commercial Administration Bureau was obtained on 13 April 2011. Register capital amounting to 10 million yuan, 5.2 million yuan invested by the Company, 52% of the total register capital take; Anhui Quanchai Power Co., Ltd. invested 4.8 million yuan with 48% in total register capital. The company turns to be a subsidiary of the Company.
4. Kunming Xitong: In March of 2011, the Company entered into an equity transfer agreement with Kunming Jinlida Machinery Co., Ltd. Twenty percent equity of Kunming Xitong held by Kunming Jinlida Machinery Co., Ltd was agreed to transfer by the Company with price of 1.4688 million yuan. Relevant changes for Industrial and Commerce have been completed on 12 May 2011. After equity transfer, the Company holds 70% equity of the company. The company turns to be a controlling subsidiary of the Company.

10-04 Operating income

(1) Operating income

Item	January –June 2011	January –June 2010
Main business income	1,337,063	1,156,900
Other business income	235,081	171,025
Total operating income	1,572,144	1,327,925
Operating cost	1,276,038	1,170,004

(2) Main business (classified by business)

Industry	January –June 2011		January –June 2010	
	Operating income	Operating cost	Operating income	Operating cost
Auto parts	1,337,063	1,058,761	1,156,900	1,000,967

(3) Main business (classified by product)

Product	January –June 2011		January –June 2010	
	Operating income	Operating cost	Operating income	Operating cost
Auto system of fuel injection	1,337,063	1,058,761	1,156,900	1,000,967

(4) Main business (classified by area)

Area	January –June 2011		January –June 2010	
	Operating income	Operating cost	Operating income	Operating cost
Domestic sales	1,337,063	1,058,761	1,152,131	997,375
Overseas sales	--	--	4,769	3,592
Total	1,337,063	1,058,761	1,156,900	1,000,967

(5) Particulars about operating income of top 5 clients

Client	Operating income	Proportion in operating income (%)
Weichai Power (Weifang) spare Resources Co., Ltd.	205,841	13.09
Dongfeng Cummins Engine Co., Ltd.	203,895	12.97
Weifu Diesel System	152,579	9.71
FAW Jiefang Automotive Co., Ltd. Wuxi Diesel Plant	90,252	5.74
Bosch Diesel System	82,290	5.23
Total	734,857	46.74

10-05 Investment income

(1) Details of investment income

Item	January –June 2011	January –June 2010
Long-term equity investment income in cost method	--	1,810
Long-term equity investment income in equity method	267,750	176,383
Total	267,750	178,193

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

Invested unit	January –June 2011	January –June 2010
Guolian Securities Co., Ltd.	--	1,800
Hengtai Insurance Agency Co., Ltd.	--	10
Total	--	1,810

(3) Long-term equity investment income in equity method (Top 5)

Invested unit	January –June 2011	January –June 2010
Bosch Diesel System	167,094	116,047
Zhonglian Automotive Electronic Co., Ltd.	84,168	48,000
Weifu Autocam Precision Machinery Co., Ltd.	10,064	8,606
Weifu Precision Machinery Manufacturing Co., Ltd.	6,699	3,091
Kunming Xitong	-275	--
Total	267,750	175,744

Note: Only show invested units whose investment income takes over 5% of total amount of profit, or top 5 invested units whose ratio of total amount of profit is biggest.

10-06 Supplementary materials of cash flow statement

Item	January –June 2011	January –June 2010
1. Net profit subject to cash flow arising from operating activities		
Net profit	368,206	196,788
Add: Provision for assets devaluation	221	-9,991
Depreciation of fixed assets, oil assets and productive biological assets	33,897	38,314
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 “-”)	-3,439	2,750
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 “-”)	10,795	14,134
Losses from investment(Income is listed with “-”)	-267,750	-178,193
Decrease of deferred income tax(Increase is listed with “-”)	204	1,473
Increase of deferred income tax(Decrease is listed with “-”)	--	--
Decrease of inventory(Increase is listed with “-”)	-8,485	-25,390
Decrease of operating receivables(Increase is listed with “-”)	-196,683	-315,184
Increase of operating payables(Decrease is listed with “-”)	165,594	169,799

Other	--	--
Net cash generated from operations	102,895	-105,165
2. Net increase in cash /cash equivalent		
Balance of cash at period-end	172,796	85,671
Less: Balance of cash at period-beginning	85,170	85,791
Add: Balance of cash equivalent at period-end		
Less: Balance of cash equivalent at period-beginning		
Net increase in cash /cash equivalent	87,626	-120
	2011-6-30	2010-12-31
3. Constitution of cash and cash equivalents		
Cash balance listed in balance sheet	230,305	149,944
Less: Guarantee of bank acceptance bill not conforming to the definition of cash	57,510	64,774
Balance of cash and cash equivalents listed in cash flow statement	172,795	85,170

Note 11: Supplementary information

11-01 Non-recurring gains and losses

Unit: RMB'000

Items	January –June 2011	January –June 2010
Gains and losses from the disposal of non-current assets	3,621	3,987
Governmental subsidy reckoned into current gains and losses, but closely relevant to the Company's business except for the governmental subsidy enjoyed in quota or ration according to the national general standards	1,815	--
Gains from fair value of net assets recognizable by the investee enjoyed while the investment costs of subsidiaries, affiliated enterprise and joint-stock enterprises of the company were smaller than the obtained investment	1,241	--
Net amount of other non-operating income and expenditure beside for the above items	-56	-564
Sub total	6,621	3,423
Less: Impact on income tax	913	549
Net non-recurring gains and losses	5,708	2,874
The net non-recurring gains and losses attributable to minority shareholders	425	-87
The net non-recurring gains and losses attributable to common stockholders	5,283	2,961
Net profit attributable to common shareholders deducting non-recurring gain or loss	639,381	316,147
Impact on net profit from net non-recurring profit and loss (%)	0.82	0.93

Note: The "+" in table means the revenue and income, "-" indicates losses or

expenses.

11-02 Return on equity and earnings per share

Profit in the report period	Net asset yield based on weighted average (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders of the Company	14.56	1.14	1.14
Net profit attributable to common stockholders of the Company deducting non-recurring gains and loss	14.44	1.13	1.13

11-03 Exception of major accounting statements items and explanation on reasons

1. Account receivable:

Account receivable at end of June 2011 increased RMB 455,750,200 over end of 2010 with 45.58% up mainly due to the favorable sales in first half year of 2011, the business income correspondingly increased.

2. Account paid in advance:

Account paid in advance at end of June 2011 increased RMB 31,807,200 over end of 2010 with 30.24% up. Mainly because the fixed assets renewal of Weifu Jinning and Weifu ITM was increase he equipment account that paid in advance.

3. Dividend receivable:

Dividend receivable at end of June 2011 will recover in 2nd half year of 2011.

4. Other current assts:

Other current assets at end of June 2011 increased RMB 7,201,500 over end of 2010 with 78.19% up. Mainly because the export tax refund receivable for Weifu International Trading was increased.

5. Construction in progress:

Construction in progress at end of June 2011 increased RMB 236,883,600 over end of 2010 with 166.52% up. Mainly because construction for industrial zone and technology reforming were invested by parent company.

6. Short-term borrowings:

Short-term borrowings at end of June 2011 increased RMB 235,000,000 over end of 2010 with 87.04% up. Mainly because the Company borrowing from bank for insufficient self-owned capital that resulted from resolving the business operation.

7. Note payable:

Note payable at end of June 2011 decreased RMB 134,547,200 over end of 2010 with 34.50% down. Mainly because the notes have due for payment.

8. Account received in advance:

Account received in advance at end of June 2011 increased RMB 20,094,900 over end of 2010 with 47.54% up. Mainly refers to the amount for goods received in advance.

9. Dividend payable:

Cash dividend payable at end of June 2011 has been paid on 17 August.

10. Sales expenses:

Sales expenses at first half year of 2011 decreased RMB 24,746,200 over same period of last year with 32.88% down. Mainly due to the decrease of expense for “three guarantee”.

11. Assets impairment losses:

Losses of assets disposal at first half year of 2011 increase 100.57% over that of last year. Mainly because being restructuring the use of sluggish inventory and realizing the sluggish fixed assets that disposed in first half year of 2010, the impairment provision reversal correspondingly.

12. Investment income:

Investment income at first half year of 2011 increased RMB 91,693,100 over same period of last year with 45.41% up. Mainly due to the investment income increased in invested company. .

13. Non-operating income:

Non-operating income at first half year of 2011 increased RMB 6,611,900 over same period of last year with 982.54% up. Mainly because the Company gains net income from fixed assets disposal of RMB 3,485,000, government granted of RMB 1,815,000 was increased and equity transfer of Kunming Xitong in 2011 was generated income of RMB 1,241,000.

14. Non-operating expenses:

Non-operating expenses at first half year of 2011 decreased RMB3, 406,500 over same period of last year with 44.80% down. Mainly because the Company net losses from fixed assets sales decreased RMB 3,453,000.

15. Income tax:

Income tax at first half year of 2011 increased RMB70, 288,600 over same period of last year with 280.53% up. Mainly because the Company gains a benefit in this period, then the income tax gains a correspondingly growth.