



APPLICATION OF THE PROCEEDS FROM THE H SHARES ISSUE

The Company raised approximately RMB1,615,500,000 (approximately HK\$1,507,500,000) by the issue of 335,000,000 new H shares under the initial public offering of the Company's H Shares listed on The Stock Exchange of Hong Kong Limited on 23 June 1997 and two subsequent partial exercises of over-allotment option.

Save for the proceeds of RMB1,180,725,000 which have already been used as disclosed in previous annual results announcement, the proceeds from the H Shares issue were used in the first half of the year as follows:

- approximately RMB41,621,100 is still being applied to the technological renovation project for 100/105 medium power diesel engine.
- as to the balance for the Company's additional general working capital.