



Wafangdian Bearing Company Limited
2018 Midyear Report
2018-21

August 17, 2018

2018 Midyear Financial report

(unaudited)

From Jan. 1, 2018 to Jun 30, 2018

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Financial Report

I. Financial Statement

1. Consolidated Balance Sheet.

Unit: RMB Yuan

Item	Closing Balance	Opening Balance
Current assets :		
Monetary fund	185,921,246.44	82,860,774.83
Financial assets held-for-trading		
Bills receivable	91,540,918.33	209,923,835.91
Account receivable	1,169,506,871.73	1,128,338,013.69
Account paid in advance	43,335,666.85	39,863,576.53
Interest receivable		
Dividend receivable		
Other receivables	25,480,796.33	21,895,381.98
Inventory	712,471,443.43	693,836,428.55
Non-current assets due within 1 year		
Other current assets	751,154.78	5,386,473.92
Total current assets	2,229,008,097.89	2,182,104,485.41
Non-current assets		
Financial assets available-for-sale	2,567,033.30	2,000,000.00
Investments held-to-maturity		
Long-term receivable		
Long-term equity investment		
Investment property	132,182,083.40	136,874,108.05
Fixed assets	665,943,050.67	710,247,969.72
Construction in progress	84,338,838.27	82,689,318.94
Construction materials		
Fixed assets disposal		
Biological assets		
Gas and petrol assets		
Intangible assets	87,309,293.26	87,530,122.26
Development expenditure		
Goodwill		
Long-term prepaid expense	638,384.96	700,228.04
Deferred tax assets	11,625,939.19	11,625,939.19
Other non-current assets		
Total non-current assets	984,604,623.05	1,031,667,686.20
Total assets	3,213,612,720.94	3,213,772,171.61
Current liabilities		
Short-term loan	615,000,000.00	648,000,000.00
Note payable	364,974,289.06	299,483,279.00
Accounts payable	679,399,393.32	630,832,287.45
Accounts received in advance	22,508,002.18	31,634,532.72
Commission charge payable		
Accrued payroll	15,886,068.57	16,660,148.64
Tax payable	5,292,297.13	13,849,972.32
Interest payable	157,000.00	1,190,100.00
Dividends payable		
Other payables	78,991,210.94	92,123,093.92
Non-current liabilities due within 1 year		50,000,000.00
Other current liabilities	3,967,022.53	3,967,022.53
Total current liabilities	1,786,175,283.73	1,787,740,436.58
Non-current liabilities		
Long-term loan		
Debenture payable		
Long-term payables	1,597,305.72	1,597,305.72

Special payables	296,698.98	296,698.98
Contingent liabilities		
Deferred income	35,846,493.62	37,754,771.56
Deferred tax liabilities	888,084.06	888,084.06
Other non-current liabilities		
Total non-current liabilities	38,628,582.38	40,536,860.32
Total liabilities	1,824,803,866.11	1,828,277,296.90
Owner's equity (shareholders' equity)		
Capital stock	402,600,000.00	402,600,000.00
Capital public reserves	485,691,050.47	485,691,050.47
Less: treasury share		
Surplus reserve	134,278,527.26	134,278,527.26
Undistributed profit	366,239,277.10	362,925,296.98
Difference of foreign currency translation		
Equity attributable to parent company	1,388,808,854.83	1,385,494,874.71
Minority interest		
Total owner's equity	1,388,808,854.83	1,385,494,874.71
Total owner's equity and liabilities	3,213,612,720.94	3,213,772,171.61

Chairman: Meng Wei

General Accountant : Sun Najuan

Accounting charger: Sun Najuan

2. Balance Sheet of Parent Company

Unit: RMB Yuan

Item	Opening Balance	Closing Balance
Current assets :		
Monetary fund	181,513,599.84	78,901,032.57
Financial assets held-for-trading		
Bills receivable	84,603,506.93	203,511,631.58
Account receivable	1,155,178,274.15	1,113,118,255.50
Account paid in advance	39,959,944.37	37,510,877.11
Interest receivable		
Dividend receivable		
Other receivables	24,464,781.40	20,605,278.47
Inventory	638,697,620.68	622,177,633.83
Non-current assets due within 1 year		
Other current assets	667,466.88	4,067,326.65
Total current assets	2,125,085,194.25	2,079,892,035.71
Non-current assets		
Financial assets available-for-sale	2,567,033.30	2,000,000.00
Investments held-to-maturity		
Long-term receivable		
Long-term equity investment	211,583,897.67	211,583,897.67
Investment property	115,693,914.39	119,890,581.55
Fixed assets	455,157,838.76	490,076,503.07
Construction in progress	83,579,490.38	82,374,150.54
Construction materials		
Fixed assets disposal		
Biological assets		
Gas and petrol assets		
Intangible assets	68,922,814.86	68,788,824.54
Development expenditure		
Goodwill		
Long-term prepaid expense	419,616.13	453,531.31
Deferred tax assets	10,350,000.00	10,350,000.00
Other non-current assets		
Total non-current assets	948,274,605.49	985,517,488.68

Total assets	3,073,359,799.74	3,065,409,524.39
Current liabilities		
Short-term loan	615,000,000.00	648,000,000.00
Note payable	364,974,289.06	299,483,279.00
Accounts payable	560,069,736.52	511,083,367.33
Accounts received in advance	24,138,755.36	31,518,509.16
Accrued payroll	9,130,569.50	9,803,431.58
Tax payable	2,267,810.54	10,821,733.56
Interest payable	157,000.00	1,190,100.00
Dividends payable		
Other payables	40,540,079.69	52,910,305.81
Non-current liabilities due within 1 year		50,000,000.00
Other current liabilities	3,869,474.53	3,869,474.53
Total current liabilities	1,620,147,715.20	1,618,680,200.97
Non-current liabilities		
Long-term loan		
Debenture payable		
Long-term payables		
Special payables	296,698.98	296,698.98
Contingent liabilities		
Deferred income	31,651,929.62	33,560,207.56
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities	31,948,628.60	33,856,906.54
Total liabilities	1,652,096,343.80	1,652,537,107.51
Owner's equity (shareholders' equity)		
Capital stock	402,600,000.00	402,600,000.00
Capital public reserves	485,678,443.26	485,678,443.26
Less: treasury share		
Surplus reserve	134,278,527.26	134,278,527.26
Undistributed profit	398,706,485.42	390,315,446.36
Total owner's equity	1,421,263,455.94	1,412,872,416.88
Total owner's equity and liabilities	3,073,359,799.74	3,065,409,524.39

3. Consolidated Income Sheet.

Unit: RMB Yuan

Item	Account for the current period	Account for the prior period
1.Total operating income	1,074,867,981.68	1,135,500,575.33
Including: Operating revenue	1,074,867,981.68	1,135,500,575.33
Interest income		
Handling charge and commission income		
2.Total operating cost	1,077,193,585.45	1,137,410,071.24
Including: Operating cost	939,746,571.13	1,004,195,641.99
Interest expenses		
Handling charge and commission income		
Tax & surcharges for main operations	8,592,102.92	9,832,448.15
Selling expenses	70,739,571.63	76,020,179.92
Administrative expense	34,075,703.49	31,245,721.82
Financial expense	24,052,423.13	16,016,268.75
Loss of impairment of assets	-12,786.85	99,810.61
Add: Gains of assets sale (loss with "-")	243,495.82	7,398.46
Other income(loss with "-")	2,155,428.15	2,438,777.94
3.Operating profit (loss with "-")	73,320.20	536,680.49
Add: Non-operating revenue	3,147,204.28	2,269,265.97
Including:income on disposal of non-current assets		

Less: Non-operating cost	185,971.17	172,310.91
Including: loss on disposal of non-current assets		
4.Total profit(loss with"-")	3,034,553.31	2,633,635.55
Less: Income tax expenses	-279,426.81	
5. Net profit(Loss with"-")	3,313,980.12	2,633,635.55
Net profit attributable to shareholders of parent company	3,313,980.12	2,633,635.55
Minority interests		
6. Other comprehensive returns		
7. Total comprehensive returns	3,313,980.12	2,633,635.55
Total comprehensive returns available for parent company	3,313,980.12	2,633,635.55
Total comprehensive returns available for minority shareholders		
6.Earnings per share		
(1) Basic earnings per share	0.008	0.007
(2) Diluted earnings per share	0.008	0.007

Chairman: Meng Wei General Accountant : Sun Najuan Accounting charger: Sun Najuan

4. Income Sheet of Parent Company.

Unit: RMB Yuan

Item	Account for the current period	Account for the prior period
1.Total operating income	1,055,959,948.67	1,121,747,641.74
Less:Operating cost	929,170,023.73	999,817,155.16
Tax & surcharges for main operations	7,127,550.36	8,636,001.96
Selling expenses	69,335,868.71	74,810,685.74
Administrative expense	22,927,138.05	18,388,929.30
Financial expense	18,377,173.41	16,060,266.15
Loss of impairment of assets	-12,786.85	99,810.61
Add: Gains of assets sale (loss with"-")	243,495.82	36,648.46
Other income(loss with "-")	1,926,877.94	2,423,777.94
2.Operating profit (loss with"-")	11,205,355.02	6,395,219.22
Add: Non-operating revenue	2,761,588.64	1,918,805.14
Less: Non-operating cost	5,855,331.41	182,450.85
Including: loss on disposal of non-current assets		
3.Total profit(loss with"-")	8,111,612.25	8,131,573.51
Less: Income tax expenses	-279,426.81	
4. Net profit(Loss with"-")	8,391,039.06	8,131,573.51
Net profit attributable to shareholders of parent company	8,391,039.06	8,131,573.51
Minority interests		
5. Other comprehensive returns		
6. Total comprehensive returns	8,391,039.06	8,131,573.51
7.Earnings per share		
(1) Basic earnings per share	0.021	0.020
(2) Diluted earnings per share	0.021	0.020

5. Consolidated Cash Flow Statement.

Unit: RMB yuan

Item	Account for the current period	Account for the prior period
1.Cash from operating activities		
Cash received from sale of goods or Provideing of services	473,793,646.35	512,413,730.92
Refund of taxes and fares		
Other cash received relating to operating activities	914,421.41	1,373,744.39
Sub-total of cash inflows	474,708,067.76	513,787,475.31
Cash paid for goods and services	214,448,371.39	371,323,998.46
Cash paid to or on behalf of the employees	119,948,971.31	119,257,067.02

Tax payments	40,270,692.83	47,104,172.58
Other cash paid relating to operating activities	55,833,437.00	52,708,495.81
Sub-total of cash outflows	430,501,472.53	590,393,733.87
Net cash flows from operating activities	44,206,595.23	-76,606,258.56
2.Cash flows from investing activities		
Cash received from return of investment		
Cash received from investment incomes		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1,251,120.00	4,885,900.00
Proceeds from sale of subsidiaries and other operating units		
Other cash received relating to investing activities		
Sub-total of cash inflows	1,251,120.00	4,885,900.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets	830,419.50	6,335,477.77
Cash paid to acquire investment		
Net cash used in acquiring subsidiaries and other operating units		
Other cash paid relating to investing activities		
Sub-total of cash outflows	830,419.50	6,335,477.77
Net cash flows from investment activities	420,700.50	-1,449,577.77
3.Cash flows from financing activities		
Cash received from absorbing investment		
Including: Cash received from increase in minority interest		
Proceeds from borrowings	90,000,000.00	223,000,000.00
Other proceeds relating to financing activities	328,905,975.40	321,721,729.99
Sub-total of cash inflows	418,905,975.40	544,721,729.99
Repayment of borrowings	182,064,872.18	208,000,000.00
Distribution of dividends or profits & interest expenses	15,666,321.40	15,240,108.89
Including: dividends or profit paid to minority interest		
Cash paid for other financing activities	248,898,190.83	286,551,613.33
Sub-total of cash outflows	446,629,384.41	509,791,722.22
Net cash flows from financing activities	-27,723,409.01	34,930,007.77
4. Effects of foreign exchange rate changes on cash	-118,504.41	-491,746.17
5.Net increases in cash and cash equivalents	16,785,382.31	-43,617,574.73
Add: cash and cash equivalent, at the beginning of year	58,043,497.54	142,233,376.52
6.Cash and cash equivalent at the end of the year	74,828,879.85	98,615,801.79

6. Cash Flow Statement Of Parent Company.

Unit: RMB yuan

Item	Account for the current period	Account for the prior period
1.Cash from operating activities		
Cash received from sale of goods or Providing of services	467,167,711.85	505,013,167.86
Refund of taxes and fares		
Other cash received relating to operating activities	859,015.98	1,036,362.56
Sub-total of cash inflows	468,026,727.83	506,049,530.42
Cash paid for goods and services	242,795,410.65	386,834,924.59
Cash paid to or on behalf of the employees	95,982,327.94	93,936,635.19
Tax payments	34,029,224.90	39,398,824.49
Other cash paid relating to operating activities	51,488,741.86	48,664,314.64
Sub-total of cash outflows	424,295,705.35	568,834,698.91
Net cash flows from operating activities	43,731,022.48	-62,785,168.49
2.Cash flows from investing activities		
Cash received from return of investment		
Cash received from investment incomes		
Net cash received from disposal of fixed assets, intangible	1,251,120.00	4,876,900.00

assets and other long-term assets		
Proceeds from sale of subsidiaries and other operating units		
Other cash received relating to investing activities		
Sub-total of cash inflows	1,251,120.00	4,876,900.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets	803,269.50	6,308,049.77
Cash paid to acquire investment		
Net cash used in acquiring subsidiaries and other operating units		
Other cash paid relating to investing activities		
Sub-total of cash outflows	803,269.50	6,308,049.77
Net cash flows from investment activities	447,850.50	-1,431,149.77
3.Cash flows from financing activities		
Cash received from absorbing investment		
Including: Cash received from increase in minority interest		
Proceeds from borrowings	90,000,000.00	223,000,000.00
Other proceeds relating to financing activities	328,905,975.40	321,721,729.99
Sub-total of cash inflows	418,905,975.40	544,721,729.99
Repayment of borrowings	182,064,872.18	208,000,000.00
Distribution of dividends or profits & interest expenses	15,665,802.99	15,237,696.69
Including: dividends or profit paid to minority interest		
Cash paid for other financing activities	248,898,190.83	286,551,613.33
Sub-total of cash outflows	446,628,866.00	509,789,310.02
Net cash flows from financing activities	-27,722,890.60	34,932,419.97
4. Effects of foreign exchange rate changes on cash	-118,504.41	-491,746.17
5.Net increases in cash and cash equivalents	16,337,477.97	-29,775,644.46
Add: cash and cash equivalent, at the beginning of year	54,083,755.28	118,675,591.71
6.Cash and cash equivalent at the end of the year	70,421,233.25	88,899,947.25

7. Consolidated Sheet Of Changes In Shareholder's Equity

Unit: RMB Yuan

Item	Amount in current period								Minority shareholders' equity	Owner's equity
	Owner's equity attributable to parent company									
	Capital stock	Capital public reserves	less: treasure stock	Surplus public reserves	General provision for risk	Undistributed profits	Others			
1. Balance at the end of last year	402,600,000.00	485,691,050.47		134,278,527.26		362,925,296.98			1,385,494,874.71	
Add: changes in accounting policies										
Changes in previous errors										
Others										
2. Balance at the beginning of this year	402,600,000.00	485,691,050.47		134,278,527.26		362,925,296.98			1,385,494,874.71	
3. The changes in this year (decrease with "-")						3,313,980.12			3,313,980.12	
(1) Total of comprehensive income						3,313,980.12			3,313,980.12	
(2) Capital contribution and reduction										
1) Ordinary share										
2) Capital contributed by other equity instrument holders										
3) Share-based payments charged to equity										
4) Others										
(4) Profits distribution										
1) Provision for surplus public reserves										
2) provision for general risks										
3) distribution for owner (shareholders)										
4) others										
(5) interior transference of owner's equity										
1) capital (capital										



stock)transferred by the capital public reserves								
2)capital (capital stock)transferred by the surplus public reserves								
3)loss offset by the surplus public reserves								
4)others								
4. Balance at the end of the current period	402,600,000.00	485,691,050.47		134,278,527.26		366,239,277.10		1,388,808,854.83

Unit: RMB yuan

Item	Amount in previous period							Minority shareholders' equity	Owner's equity
	Owner's equity attributable to parent company								
	Capital stock	Capital public reserves	less: treasure stock	Surplus public reserves	General provision for risk	Undistributed profits			
1. Balance at the end of last year	402,600,000.00	485,691,050.47		131,442,909.11		359,603,965.97		1,379,337,925.55	
Add: changes in accounting policies									
Changes in previous errors									
Others									
2. Balance at the beginning of this year	402,600,000.00	485,691,050.47		131,442,909.11		359,603,965.97		1,379,337,925.55	
3. The changes in this year (decrease with "-")				2,835,618.15		3,321,331.01		6,156,949.16	
(1) Total of comprehensive income						10,182,949.16		10,182,949.16	
(2) Capital contribution and reduction									
1) Ordinary share									
2) Capital contributed by other equity instrument holders									
3) Share-based payments charged to equity									
4) Others									
(4) Profits distribution				2,835,618.15		-6,861,618.15		-4,026,000.00	

1)Provision for surplus public reserves				2,835,618.15		-2,835,618.15		
2)provision for general risks								
3)distribution for owner(shareholders)								
4)others								
(5) interior transference of owner's equity								
1)capital (capital stock)transferred by the capital public reserves								
2)capital (capital stock)transferred by the surplus public reserves								
3)loss offset by the surplus public reserves								
4)others								
4. Balance at the end of the current period	402,600,000.00	485,691,050.47		134,278,527.26		362,925,296.98		1,385,494,874.71

8. Sheet Of Changes In Shareholder's Equity Of Parent Company.

Unit: RMB yuan

Item	Amount in current period					
	Capital stock	Capital public reserves	less: treasure stock	Surplus public reserves	Undistributed profits	Owner's equity
1.Balance at the end of last year	402,600,000.00	485,678,443.26		134,278,527.26	390,315,446.36	1,412,872,416.88
Add: changes in accounting policies						
Changes in previous errors						
Others						
2.Balance at the beginning of this year	402,600,000.00	485,678,443.26		134,278,527.26	390,315,446.36	1,412,872,416.88
3. The changes in this year (decrease with "-")					8,391,039.06	8,391,039.06
(1) Total of comprehensive income					8,391,039.06	8,391,039.06
(2) Capital contribution and reduction						



1) Ordinary share						
2) Capital contributed by other equity instrument holders						
3) Share-based payments charged to equity						
4) Others						
(4) Profits distribution						
1)Provision for surplus public reserves						
2)provision for general risks						
3)distribution for owner(shareholders)						
4)others						
(5) interior transference of owner's equity						
1)capital (capital stock)transferred by the capital public reserves						
2)capital (capital stock)transferred by the surplus public reserves						
3)loss offset by the surplus public reserves						
4)others						
4. Balance at the end of the current period	402,600,000.00	485,678,443.26		134,278,527.26	398,706,485.42	1,421,263,455.94

Unit: RMB yuan

Item	Amount in previous period					
	Capital stock	Capital public reserves	less: treasure stock	Surplus public reserves	Undistributed profits	Owner's equity
1.Balance at the end of last year	402,600,000.00	485,678,443.26		131,442,909.11	368,820,883.02	1,388,542,235.39
Add: changes in accounting policies						
Changes in previous errors						
Others						
2.Balance at the beginning of this year	402,600,000.00	485,678,443.26		131,442,909.11	368,820,883.02	1,388,542,235.39



3. The changes in this year (decrease with“-”)				2,835,618.15	21,494,563.34	24,330,181.49
(1) Total of comprehensive income					28,356,181.49	28,356,181.49
(2) Capital contribution and reduction						
1) Ordinary share						
2) Capital contributed by other equity instrument holders						
3) Share-based payments charged to equity						
4) Others						
(4) Profits distribution				2,835,618.15	-6,861,618.15	-4,026,000.00
1)Provision for surplus public reserves				2,835,618.15	-2,835,618.15	
2)provision for general risks					-4,026,000.00	-4,026,000.00
3)distribution for owner(shareholders)						
4)others						
(5) interior transference of owner's equity						
1)capital (capital stock)transferred by the capital public reserves						
2)capital (capital stock)transferred by the surplus public reserves						
3)loss offset by the surplus public reserves						
4)others						
4. Balance at the end of the current period	402,600,000.00	485,678,443.26		134,278,527.26	390,315,446.36	1,412,872,416.88

II. General information

Wafangdian Bearing Company Limited (the “Company”) is a joint stock limited company established in the People’s Republic of China (the “PRC”) on 16 July, 1997. In the opinion of the directors, its parent and ultimate holding company is Wafangdian Bearing Group Company Limited (“Wazhou Group”).

The Company’s B shares have been listed on the Shenzhen Stock Exchange since 19February, 1997.

The parent company is Wazhou Group. General shareholders meeting is the company’s authority and have the resolution power over company’s business policy, financing, investment and profit appropriation etc.significant events in accordance with relevant law. Board of directors is responsible for general meeting and has the power over the company’s decision making. Management is in charge of implementation of resolution made by general meeting and board meeting and is responsible for operation management. The company has the following functional departments including: procurement department, portfolio investment department, operating department, HR, marketing department, manufacturing and construction department, quality control department, financial department and logistic department. Wholly owned subsidiaries include Wazhou Liaoyang Bearing Manufacturing Co., Ltd(“Liaoyang Bearing”), Dalian Wazhou Precision Electric Motor Car Bearing (“DalianElectrical Motor”),and Wazhou Precision of Spherical Roller Bearings(Wafangdian)Co., Ltd(“Spherical Bearings”).

The addresses of the registered office and principal place of business of the Company are No.1, Phrase 1, Gongji Street, Wafangdian North, Liaoning Province, and the PRC.Legal representative is Meng Wei.

The Company is principally engaged in the manufacturing and sale of bearing, bearing spare parts, engineering equipment, automobile spare parts and relating products, bearing repair, maintenance and technology service etc and also in renting mechanical equipment and estate, inspection of bearings, mechanical equipment, measuring instruments and meters.

III. Basis for the preparation of financial statements

1 Basis for the preparation of financial statements

The Group prepares the financial statements on the basis of going concern and actual transactions and events, and in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People’s Republic of China, and based on the accounting policies and estimates in the note 4 ‘Significant accounting policies, accounting estimates and method for preparation of consolidated financial statements’.

IV. Significant accounting policies, accounting estimates and method for preparation of consolidated financial statements

1 Complying with Accounting Standard for Business Enterprise

The financial statements are prepared by the Group according to the requirements of Accounting Standard for Business Enterprise, and reflect the relative information for the financial position, operating performance, cash flow of the Group truly and fully.

2 Accounting period

The Group adopts the Gregorian calendar year as accounting period, i.e. from Jan 1 to Dec 31.

3. Operating cycle

Normal operating cycle refers to the duration from purchasing the assets for manufacturing up to cash or cash equivalent realisation. The group sets twelve months for one operating cycle and as the liquidity criterion for assets and liability.

4 Functional currency

The Group adopts RMB as functional currency.

5 Recording basis and pricing principle

The accrual basis shall be adopted for accounting treatment to follow the historical cost method, except that the financial assets held for trading and sale are measured at fair value.

6 Business combination

Business combination refers to transaction or event bringing together two or more separate enterprises into one reporting entity. The Group should recognize the acquired assets and liabilities at the combining date or acquisition date. The combining date or acquisition date is the date when the Group acquired actually acquiree and combined party.

The assets and liabilities that the combining party obtains in a business combination under the same control should be measured on the basis of their carrying amount in the combined party on the combining date. As for the balance between the carrying amount of the net assets obtained by the combining party and the carrying amount of the consideration paid by it, the capital surplus shall be adjusted. If the capital surplus is not sufficient to be offset, the retained earnings shall be adjusted.

For a business combination not under same control, the combination cost shall be the fair value, on the acquisition date, of the assets paid, the liabilities incurred or assumed and equity securities issued by the acquirer in exchange for the control of the acquiree. The difference when combination cost exceeds the fair value of identifiable net assets of acquiree should be recognized as goodwill. If the combination cost is less than the fair value of identifiable net assets of acquiree, the difference should be recognized as current profit or loss.

7 Method of preparation of consolidated financial statements

(1) Recognition principle of scope of consolidation

Scope of consolidated financial statements should include all subsidiaries of the parent and the special purpose entities.

(2) Accounting method of consolidated financial statements

The Group's consolidated financial statements had been prepared in accordance with <Accounting Standard for Business Enterprise No.33 – Consolidated Financial Statements> and related regulations. All material intragroup transaction and balance had been eliminated in full. The parts of subsidiaries' equity non-attributable to parent company shall be as minority interest presented in the in the consolidated balance sheet within equity.

Where there are inconsistent accounting policies or accounting period, when preparing the consolidated financial statements, the Group shall adjust the subsidiaries' financial statements in accordance with the Group's accounting policies and accounting period.

For the subsidiary obtained under different control, when preparing the consolidated financial statements, the Group shall adjust the separate financial statements based on the fair value of identifiable net assets at the purchase date; for the subsidiaries combined by the Group under the same control, regard the subsidiaries that they have been existing since the beginning of the period, and the assets, liabilities, operation performance and cash flows shall be consolidated into the financial statements of the beginning of the combination period according to their original book value.

8 Cash and cash equivalent

The cash listed on the cash flow statements of the Group refers to cash on hand and bank deposit. The cash equivalents refer to short-term (normally with original maturities of three months or less) and liquid investments which are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

9 Translation of foreign currency

(1) Foreign currency transaction

Foreign currency transactions are translated at the spot exchange rate issued by People's Bank of China ("PBOC") when the transaction incurs. Monetary assets and liabilities in foreign currencies are translated into RMB at the exchange rate prevailing at the balance sheet day. Exchange differences arising from the settlement of monetary items are charged as in profit or loss for the period. Exchange differences of specific borrowings related to the acquisition or construction of a fixed asset should be capitalized as occurred, before the relevant fixed asset being acquired or constructed is ready for its intended uses. The foreign currency non-monetary items recorded at fair value are translated at the exchange rate issued on the date of fair value recognized. Exchange differences are charged as profit and loss of change of fair value. The foreign currency non-monetary items recorded at historical cost are translated at the exchange rate issued on the date when the transaction incurs, and don't change the RMB amount.

(2) Translation of foreign currency financial statements

The asset and liability items in the foreign currency balance sheet should be translated at a spot exchange rate at the balance sheet date. Among the owner's equity items except "undistributed profit", others should be translated at the spot exchange rate when they are incurred. The income and expense should be translated at spot exchange rate when the transaction incurs. Translation difference of foreign currency financial statements should be presented separately under the owner's equity item. For the foreign currency monetary items that form substantially the overseas business net investment, their exchange difference of movement of exchange rate should be presented separately as translation difference of foreign currency financial statement under the owner's equity item when prepare the consolidated financial statements. When disposing an overseas business, the Group should shift the translation difference of foreign currency financial statement related to the overseas business into the disposal profits and losses of current period. Foreign currency cash flows are translated at the spot exchange rate on the day when the cash flows incur. The amounts resulted from change of exchange rate are presented separately in the cash flow statement.

10 Financial assets and financial liabilities

(1) Financial assets

1) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting period, which are classified as non-current assets.

c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2) Recognition and measurement

Financial assets are recognized at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. Transaction costs of financial assets carried at the fair value through profit or loss are expensed in the income statement; Transaction costs of other financial assets are included in financial assets at initial recognition.

Available-for-sale financial assets are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Loans and receivables are measured at amortised cost using the effective interest method.

A gain or loss arising from change in fair value of an available-for-sale financial asset is recognised directly in equity, except for impairment losses and foreign exchange gains and losses arising from the translation of monetary financial assets. When such financial asset is derecognised, the cumulative gain or loss previously recognised in equity is recognised in income statement. Interest on available for sale debt instrument, calculated using effective interest method, and cash dividends declared by the investee on available-for-sale equity instruments are recognised as investment income in income statement.

3) Impairment of financial assets

The Group assesses the carrying amount of financial assets other than financial assets at fair value through profit or loss at each balance sheet date. If there is objective evidence that the financial asset is impaired, the Group shall determine the amount of any impairment loss accounts.

If an impairment loss on a financial asset carried at amortized cost has been incurred, the amount of loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and the amount of reversal is recognized in income statement.

If objective evidence shows that impairment for available-for-sale financial assets will occur, the cumulative loss arising from the decline in fair value that had been recognized directly in equity is removed from equity and recognized as impairment loss. For an available for sale debt instrument, if there is objective evidence that the value of the financial asset recovered and the recovery can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and the amount of reversal is recognized in income statement. For an available for sale equity instrument, if there is objective evidence that the value recovered and the recovery can be objectively related to an event occurring after the impairment loss recognized, the previously recognized impairment loss is reversed and directly recognized in equity.

4) Derecognizing of financial assets

Financial assets are derecognized when: i) the contractual rights to receive the cash flows from the financial assets have expired; or ii) all substantial risks and rewards of ownership of the financial assets have been transferred; or iii) the control over the financial asset has been waived even if the Group does not transfer or retain nearly all of the risks and rewards relating to the ownership of a financial asset.

On derecognition of a financial asset, the difference between the carrying amount and the aggregate of consideration received and the accumulative amount of changes of fair value originally recorded in the owner's equity is recognised in the income statement.

(2) Financial liabilities

The financial liabilities are classified into the financial liability at fair value through profit or loss and other financial liability for the initial recognition.

The financial liabilities at fair value through profit or loss include the financial liabilities held for trading and the designated financial liabilities at fair value through profit or loss when initial recognized. For this kind of financial liabilities should be measured at fair value, variation of fair value should be recorded into the current profit or loss.

Other financial liabilities should be subsequently measured at amortization cost by adopting actual interest rate method.

(3) Fair value measurement of financial assets and liabilities

a) If the market for a financial instrument is active, an entity establishes fair value by using the quoted price in the active market. In the active market, the Group measures the fair value of its holding financial assets and contingent financial liabilities by using the current quoted price; the Group measures the fair value of its contingent financial assets and holding financial liabilities by using the current quoted price. If there are no current quoted prices for the financial assets and liabilities, and no significant change in the economic environment after the settlement date, the quoted prices of the recent transactions should be used to measure the fair value of the financial assets and liabilities.

b) If the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

11 Accord receivables

(1) Individually significant amounts of accounts receivable accrued bad debt provision as per portfolio

Judgment basis or amount standards of individually significant amounts	The receivables with more than RMB 3 million individual amount shall be recognized as the significant receivables;
The accruing method of the receivables with individually significant amounts	The bad debt provisions shall be accrued based on the difference between current value of future cash flow and the carrying amounts.

(2) Accounts receivable accrued bad debt provision by portfolio

The basis of portfolio	
Accounting aging	Use the accounting aging of the receivables as the credit risk characteristics to classify the portfolio
Related parties	Use the amount characteristics of the receivables , if the transaction party is related parties characteristics need to classify the portfolio
Risk-free	Use the amount characteristics of the receivables, the credit of transaction party, the nature of the amounts and the safeguard mechanism of transaction as characteristics to classify the portfolio

1) The percentage of provision for bad debts based on the age of receivables as followings:

Accounting aging	Accrual percentage of the receivables (%)	Accrual percentage of other receivables (%)
Within 1 year	1	1
1-2 years	5	5
2-3 years	20	20

Over 3 years	50	50
Related parties	Accrue the bad debt provision by individual identification	method
Risk-free	Accrue the bad debt provision by individual identification	method

2) The other methods is applied to actuating of bad debts provision

(3) Individually insignificant amount accounts receivable but accrued bad debt provision as per portfolio

Accrual reason	The individual amount is not significant, but the accrued bad debt provision on the basis of portfolio can not reflect its risk characteristic
Accrual method	The bad debt provisions should be accrued based on the difference between current value of future cash flow and the carrying amount.

12 Inventories

Classification of inventory: Inventories are classified as raw material, wrappage, low-valuable consumable, working-in-progress, and finished goods etc.

Pricing of inventories received and sent out: The inventories are processed on perpetual inventory system, purchased and stored based on their standard cost. The raw materials are priced daily on their standard costs. The differences between the standard and actual costs is recorded into the costs of materials and for sending out according to proportion of storage and sending out of materials, and adjust the planned costs of raw material into actual costs. The working-in-progress finished goods are priced on their standard costs; the differences between the standard and actual costs are recorded into the costs of working-in-progress and finished goods according to the receiving and sending out proportion, and finally adjust the planned costs into actual costs.

At the balance sheet date inventory should be measured at the lower of the cost and net realizable value. For the inventories which are damaged, fully or partly obsoleted and selling price below cost, the Group should calculate the provision for impairment of inventories according to the estimated nonrecoverable part of cost. Finished goods and a large amount raw materials should be calculated provision for impairment based on the difference of the cost exceed the realizable value of single item. For raw and accessorial materials with a large quantities and lower unit price should be calculated provision for impairment according to classify of inventory.

For the finished goods, working in progress and raw material held for sale etc which shall be sold directly, the net realizable value should be confirmed at the estimated selling price less estimated selling expenses and related tax and expenses. The raw material held for production, its realizable value should be confirmed at the estimated selling price of finished goods less estimated cost of completion, estimated selling expenses and related tax. The net realizable value of inventories held for execution of sale contracts or labor contracts shall be calculated based on the contract price. If the quantities of inventories in the Group are more than quantities if inventories subscribed in the sales contracts, the net realizable value of the excessive part of the inventories should be calculated based on the general selling price.

13. Long-term equity investment

Long-term equity investments include the equity investments which the Group can control, joint control or have significant influence on the investee, or the Group can not control, joint control or significant influence on the investee and there is no offer in the active market, fair value can not be reliably measured.

Joint control refers to the control over an economic activity in accordance with contract. Any party of joint venture can not separately control the business activity of joint venture. The decision related to principal operating activities need unanimous consent from any party

Significant influence refers to the power to participate in making decisions on the financial and operating policies of investee, but not to control or do joint control together with other parties over the formulation of these policies. Significant influence confirm according to the Group holds the over 20% (including 20%) but lower than 50% voting shares. Unless there is evidence which indicate the Group can not participate in the decision of production and operating under the conditions above.

The initial cost of long term equity investments formed in the merger of enterprise under the same control shall be recognized at the carry amounts of equity of the merged enterprise. The initial cost of long term equity investments acquired in the merger of enterprise under the different control shall be recognized at fair value of the assets paid, liabilities risen or charged, and equity securities issued.

Besides the long-term equity investments acquired by the merger of enterprises, the initial cost of a long-term equity investment obtained by other means shall be ascertained in accordance with the provisions as follows:

- (1) The initial cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid. The initial cost consists of the expenses directly relevant to the obtaining of the long-term equity investment, taxes and other necessary expenses.
- (2) The initial cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued.
- (3) The initial cost of a long-term equity investment of an investor shall be the value stated in the investment contract or agreement except the unfair value stated in the contract or agreement.
- (4) The initial cost of a long-term investment obtained by the exchange of non-monetary assets and the initial cost of a long-term equity investment obtained by debts restructuring shall be ascertained in accordance with related Accounting Standards for Enterprises.

For the long-term equity investment in subsidiaries of the Group shall be measured in accordance with the cost method, and shall be adjusted when preparing consolidated financial statements in accordance with equity method. For the long-term equity investment of joint venture shall be measured in accordance with equity method.

For the long-term equity investment of the investing enterprise that does not do joint control or does not have significant influences on the invested entity, and has no offer in the active market and its fair value cannot be reliably measured should be measured in accordance with cost method. For the long-term equity investment of the investing enterprise that does not do joint control or does not have significant influences on the invested entity, and has offer in the active market and its fair value can be reliably measured should be measured as the assets available for sale.

14 Investment property

Investment property of the Company includes land and property. Cost model is adopted.

Investment property is depreciated or amortized under straight line method. Estimated net residual value rate, useful life, depreciation rate as follows:

Category	Useful life (years)	Estimated net residual value rate (%)	Annual depreciation rate
Use right of land	40		8.33%
Including: Buildings	15	3	6.47%
Housing for production	30	3	3.23%
Housing for non-production	35	3	2.77%

15.Fixed asset

(1)Recognition criteria

Recognition criteria of fixed assets: Fixed assets are defined as the tangible assets which are held for the purpose of producing goods, rendering services, leasing or for operation & management, and have more than one year of useful life, and whose unit price is over RMB2,000.

Fixed assets shall be recognized when the economic benefit probably flows into the Group and its cost can be measured reliably. Fixed assets include: building, machinery, transportation equipment, electronic equipment and others.:

(2)Depreciation method

Category	Useful life(years)	Estimated net residual value rate (%)	Annual depreciation rate
Housing and Buildings			
Including: Buildings	15	3	6.47
Housing for productive	30	3	3.23
Housing for non-productive	35	3	2.77
Machinery equipments	10-15	3	6.47~9.70
Transportation equipments	6	3	16.17
Electronic equipments			
Including: Computer	4	3	24.25
General testing instruments	7	3	13.86
Specialized electronic equipments	8	3	12.13
Automated controlling equipments	8	3	12.13
Automated controlling meters	8	3	12.13
Others equipments			

Including: Industrial kiln	7	3	13.86
Tools & other production tools	9	3	10.78
Transmission equipments	15	3	6.47
Non-operational equipments and tools	18	3	5.39

16 Construction in progress

Measurement of CIP: Construction-in-progress is recognized at actual cost. Self-construction project is recognized at the cost of material, labour cost and construction expenses. Contractual construction is recognized at project price which should be paid. Installed construction is recognized at the value of equipment, installation and assembly cost. Besides above, the cost of CIP comprises borrowing cost and profit and loss resulting from foreign exchange.

17 Borrowing costs

Recognition principles on capitalization of borrowing cost: The Group should capitalizes the borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset and record borrowing cost into cost of related asset. The Group should recognize the other borrowing cost as the current expense and charged it as profit and loss of current period. A qualifying asset refers to fixed asset, investment property and inventory need be constructed for so long time to its intended use or sale.

Duration of capitalization of borrowing cost: When expenditures and borrowing cost are being incurred, and activities that are necessary to put the asset available for use or sale are in progress, the capitalization of borrowing costs as part of the cost of a qualifying asset should commence. Capitalization of borrowing costs should be suspended during extended periods in which active development is interrupted and interruption period last for over 3 month. The borrowing cost incurred during the period should be recognized as expenses and recorded into the profit and loss in the current period. When all the activities for bringing the asset to its intended use or sale are completed, the capitalization of borrowing costs ceases, and the borrowing costs should be recognized as an expense in the period incurred.

18 Intangible assets

Measurement of intangible assets: The intangible assets of the Group refer to land use right, ERP system software. The cost of outsourcing intangible assets shall include the purchase price, relevant taxes and other necessary expenditures directly attributable to intangible assets. The cost invested into intangible assets by investors shall be determined according to the stated value in the investment contract or agreement, except for those of unfair value in the contract or agreement.

Amortization method and period: The Group shall amortize land use right on the basis of its useful life by adopting straight line method from the time of acquiring. ERP system software and other intangible assets shall be amortized on the basis of shorter of estimated useful life, stated beneficial year in the contract, and legal available year. The amortization amount should be recorded into the cost or expense of relevant in the current period.

The Group shall check the estimated useful life and amortization method of intangible assets with limited useful life at the end of each year, if any change has been made, it shall be adjusted. The Group shall check the estimated useful life of intangible assets with uncertain useful life during the each accounting period. If there are evidences to prove the useful life of intangible assets is limited, the Group shall estimate the useful life and amortize the intangible assets within estimated useful life.

19 Impairment of non-financial asset

The Group checks the long-term equity investment for its subsidiaries, association and joint venture, fixed asset, construction-in-progress, intangible asset and others on each balance sheet date. There may be an impairment of asset when one of following indications occurs. The Group should test impairments. The Group tests the impairment of goodwill, intangible asset with uncertain useful life on the end of every year. When it is difficult to measure the recoverable amount of asset, it should measure the recoverable amount of asset on the basis of asset group.

After impairment test, if the book value exceeds the recoverable amount of the asset, the difference should be recognized as impairment loss. Once any loss of impairment is recognized, it shall not be reversed in the future accounting periods. The recoverable amount of asset refers to the higher one of the net amount of the fair value of asset minus disposal expense and the present value of estimated future cash flow of asset.

20 Long-term deferred expenses

Long-term deferred expenses of the Group refer to expenses which are paid and should be deferred over the future period. The amortization period shall be more than one year (no including 1 year). The expenses should be amortized averagely over the beneficial period. If the deferred expense can not take benefit for the future accounting period, the unamortized balance of the deferred expenses should be transferred into the current profit or loss.

21 Employee benefits

Employee compensation comprises short-term benefit, post-employment benefit, termination benefit and other long-term employee's benefit.

Employee's payables include salary, bonus, allowance, welfare, social insurance, housing funds, labour union expense, staff training expense, during the period in which the service rendered by the employees, the actually incurred short term employee benefits shall be recognized as liability and shall be recognized in P&L or related cost of assets based on benefit objective allocated from the service rendered by employees.

Post-employment benefits include the basic pension scheme and unemployment insurance etc. Based on the risk and obligation borne by the Group, post-employment benefits are classified into defined contribution plan and defined benefit plan. For defined contribution plan, liability shall be recognized based on the contributed amount made by the Group to separate entity at the balance sheet date in exchange of employee service for the period and it shall be recorded into current profit and loss account or relevant cost of assets in accordance with beneficial objective.

Termination benefits are employee benefits payable as a result of either an entity's decision to terminate an employee's employment before the contract due date or an employee's decision to accept voluntary redundancy in exchange for those benefits. An entity shall recognize the termination benefits as a liability and an expense at the earlier date when the entity cannot unilateral withdraw the termination benefits due to employment termination plan or due to redundancy suggestion, or when the entity can recognize the restricting cost or expense arising from paying termination benefits. For the termination benefits that will not be expected to be fully paid within twelve months after the end of the reporting period, it shall be accounted as other long-term employee benefit. For employee internally retired informally, termination benefits accounting shall be applied. The Group shall recognized the planned wages and social insurance of retired employee in the current profit and loss account when provision conditions are met, for the period since the termination of employee service rendered until the formal retirement date. (termination benefit).

Other long-term employee benefit provided by the Group, shall be accounted for as defined contribution plan if the defined contribution plan are met, otherwise shall be accounted for as defined benefit plan.

22 Contingent liabilities

The obligation pertinent to a contingency shall be recognized as an estimated debt when the following conditions are satisfied simultaneously:

- (1) The obligation is a current obligation of the Group;
- (2) It is likely to cause any economic benefit to flow out of the Group as a result of performance of the obligation; and
- (3) The amount of the obligation can be measured reliably.

The estimated debts shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation, and the Group shall take into full consideration of the risks, uncertainty, time value of money, and other factors pertinent to the contingencies. If the time value of money is of great significance, the best estimate amounts shall be determined after discounting the relevant future outflow of cash. The Group shall check the book value of the estimated debts on the balance sheet date. If there is any exact evidence indicating that the book value cannot really reflect the current best estimate amounts, the Group shall adjust the book value in accordance with the current best estimate amounts.

23 Principle of recognition of revenue

The revenue of the Group is mainly from selling goods, providing labour services and abalienating the right of use assets. Recognition standards for revenue are as below:

(1) Recognition of revenue from selling good:

- 1) The significant risks and rewards of ownership of the goods have been transferred to the buyer;
- 2) The Group remains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods;
- 3) The amount of revenues can be measured reliably;
- 4) The relevant economic benefits are likely to flow into the Group; and
- 5) The incurred cost or intended cost can be measured reliably.

(2) Recognition of revenue from providing labour services:

- 1) Total revenue and total cost can be measured reliably; the relevant economic benefits are likely to flow into the Group; and the stage of completion can be confirmed reliably;
- 2) If the Group can, on the date of the balance sheet day, reliably estimate the outcome of a transaction concerning the labour services it provides, it shall recognize the revenue from providing services employing the stage of completion method. If the outcome can not be estimated reliably and incurred cost can be offset, the revenue should be recognised by the compensation. When the standards can not be satisfied, the revenue should not be recognised, and the incurred cost should be recorded into the current profit and loss.

(3) Revenue from abalienating the use right of use assets

The revenue from abalienating of use right of assets shall be recognized, when the relevant economic benefits are likely to flow into the Group, and the amount of revenues can be measured reliably.

24 Government grants

A government subsidy of the Group shall be recognized if the Group can meet the conditions for the government subsidy and also can obtain the government subsidy. If a government subsidy is a monetary asset, it shall be measured in the light of the received or receivable amount. If a government subsidy is a non-monetary asset, it shall be measured at its fair value; if its fair value cannot be obtained in a reliable way, it shall be measured at its nominal amount (RMB 1).

The government subsidies pertinent to assets shall be recognized as deferred income, equally distributed within the useful lives of the relevant assets, and included in the current profits and losses. The government subsidies pertinent to incomes shall be treated respectively in accordance with the indications as follows: (1) those subsidies used for compensating the related future expenses or losses of the Group shall be recognized as deferred income and shall included in the current profits and losses during the period when the relevant expenses are recognized; or (2) those subsidies used for compensating the related expenses or losses incurred to the Group shall be directly included in the current profits and losses.

25 Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liability should be recognized at the differences (taxable temporary differences) between the tax base of an asset or liability and its carrying amount. The Group shall recognize the deferred income tax assets arising from a deductible temporary difference to the extent of the amount of the taxable income which it is most likely to obtain and which can be deducted from the deductible temporary difference. At the balance sheet date, deferred tax asset and deferred tax liability should be measured at applicable tax rate.

The Group shall recognize the deferred tax assets arising from a deductible temporary difference to the extent of the amount of the taxable income which is most likely to obtain which can be deducted from the deductible temporary difference. For the deferred tax assets which already have been recognized, where there is any evidence showing that the Group is probably unable to acquire sufficient amount of taxable income tax in a future period to offset against the deductible temporary difference, the book value of the deferred tax assets shall be deducted. Where it is likely to acquire sufficient amount of taxable income tax, the amount deducted shall be reversed.

26 Lease

The leases of the Group refer to operating lease.

The rents from operating leases shall be recorded by the lessee into the relevant asset costs or the profits and losses of the current period by using the straight-line method over each period of the lease term.

VI Accounting treatment method of income tax

1. The main applicable tax and rate to the Group as follows:

Tax	Tax base	Tax rate
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Value-added tax (VAT)	Sales revenue or Purchase	17%,13%,11%,6%,3%
Business tax	Revenue from property lease, examination fee, surcharge	5%
City construction tax	Value-added tax payables, business tax	7%
Education surcharge	Value-added tax payables, business tax	3%
Local education surcharge	Value-added tax payables, business tax	2%
Enterprise income tax(EIT)	Current period taxable profit	15%
Real estate tax	70% of cost of own property or revenue from leasing property	1.2% or 12%
Land use tax	Land using right area	RMB 6 per square meter

Notes for tax principles with different EIT rate

Tax principles	EIT rate
Wazhou Liaoyang Bearing construction Co.,Ltd	25%
Dalian Wazhou Precision Motor Car Bearing Company Limited	25%
Wazhou Precision of Spherical Roller Bearings(Wafangdian)Co., Ltd	25%

2. Tax preference

The company obtained the qualification of high and new technology enterprises at 29September, 2014. The Certificate No is GF201421200004, and the validity duration is three years. According to the tax law, the company can be granted for the preferential tax policy of enterprise income tax rate of 15% in three years.

V. Taxation

1. The main applicable tax and rate to the Group as follows:

Tax	Tax base	Tax rate
Value-added tax (VAT)	Sales revenue or Purchase	17%, 13%, 11%, 6%, 3%
Business tax	Revenue from property lease	5%
City construction tax	Value-added tax payables, business tax	7%
Enterprise income tax(EIT)	Current period taxable profit	15%
Education surcharge	Value-added tax payables, business tax	3%
Local education surcharge	Value-added tax payables, business tax	2%
Real estate tax	70% of cost of own property or revenue from leasing property	1.2% or 12%
Land use tax	Land using right area	RMB 6 per square meter

Notes for tax principles with different EIT rate

Tax principles	EIT rate
Wazhou Liaoyang Bearing construction Co.,Ltd	25%
Dalian Wazhou Precision Motor Car Bearing Company Limited	25%
Wazhou Precision of Spherical Roller Bearings(Wafangdian)Co., Ltd	25%

2. Tax preference and approval

The company obtained the qualification of high and new technology enterprises at 29 November, 2017. The Certificate No is GR201721200199, and the validity duration is five years. According to the tax law, the company can be granted for the preferential tax policy of enterprise income tax rate of 15% in three years.

VI. Notes to consolidated financial statements

1. Cash and cash in bank

Item	Closing Balance	Opening Balance
Cash on hand	54,564.16	39,497.23
Cash in bank	74,774,315.69	58,004,000.31
Other cash and cash equivalents	111,092,366.59	24,817,277.29
Total	185,921,246.44	82,860,774.83

2 Notes receivable

(1) Category of notes receivable

Items	2018.07.30	2017.12.31
Bank acceptance notes	52,583,316.24	113,596,871.36
Commercial acceptance notes	38,957,602.09	96,326,964.55
Total	91,540,918.33	209,923,835.91

3 Accounts receivable

(1) Category of accounts receivable

Items	Closing Balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	
Accounts receivable with individual significant amount and identification separately bad debt provision	5,092,669.00	0.41%	5,092,669.00	100.00%	
Accounts receivable identified bad debt provision based on the characters of credit risk portfolio	1,210,873,018.25	97.38%	41,366,146.52	4.27%	1,169,506,871.73
Accounts receivable with individual insignificant amount and identification separately bad debt provision	27,541,279.51	2.21%	27,541,279.51	100.00%	
Total	1,243,506,966.76	100.00%	74,000,095.03		1,169,506,871.73

(Continued)

Items	Opening balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	
Accounts receivable with individual significant amount and identification separately bad debt	5,092,669.00	0.42%	5,092,669.00	100.00%	

provision					
Accounts receivable identified bad debt provision based on the characters of credit risk portfolio	1,170,649,399.63	97.29%	42,311,385.94	4.79%	1,128,338,013.69
Accounts receivable with individual insignificant amount and identification separately bad debt provision	27,541,279.51	2.29%	27,541,279.51	100.00%	
Total	1,203,283,348.14	100.00%	74,945,334.45		1,128,338,013.69

Accounts receivable accrued the bad debt provisions under accounting aging analysis method

Aging	Closing Balance		
	Accounts receivable	Provision for bad debts	Proportion (%)
Within 1 year	743,446,853.86	7,434,468.53	1.00%
1 to 2 years	148,770,792.90	7,438,539.65	5.00%
2 to 3 years	37,569,560.80	7,513,912.16	20.00%
Over 3 years	37,958,452.35	18,979,226.18	50.00%
Total	967,745,659.91	41,366,146.52	

4 Advances to suppliers

(1) Aging of advances to suppliers

Items	2018.06.30		2017.12.31	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	30,289,202.64	69.89%	36,499,031.46	91.56%
1 to 2 years	12,152,505.50	28.04%	3,085,092.20	7.74%
2 to 3 years	531,192.28	1.23%	205,543.10	0.52%
Over 3 years	362,766.43	0.84%	73,909.77	0.18%
Total	43,335,666.85	--	39,863,576.53	--

5. Dividends receivable

6 Other receivables

(1) The categories of other receivable

Items	Closing Balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	
Other receivables identified bad debt provision based on the characters of credit risk portfolio	26,749,629.22	82.91%	1,268,832.89	8.70%	25,480,796.33
Accounts receivable with individual insignificant amount and identification	5,513,140.92	17.09%	5,513,140.92	100.00%	

separately bad debt provision					
Total	32,262,770.14	100.00%	6,781,973.81		25,480,796.33

(Continued)

Items	Opening Balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	
Other receivables identified bad debt provision based on the characters of credit risk portfolio	23,164,214.87	80.78%	1,268,832.89	9.28%	21,895,381.98
Accounts receivable with individual insignificant amount and identification separately bad debt provision	5,513,140.92	19.22%	5,513,140.92	100.00%	
Total	28,677,355.79	100.00%	6,781,973.81		21,895,381.98

(2) Other receivables accrued the bad debt provisions under accounting aging analysis method

Aging	Closing Balance		
	Other receivables	Provision for bad debts	Proportion (%)
Within 1 year	6,962,467.41	69,624.67	1.00%
1-2 years	5,696,876.91	284,843.85	5.00%
2-3 years	165,641.74	33,128.35	20.00%
Over 3 years	1,762,472.04	881,236.02	50.00%
Total	14,587,458.10	1,268,832.89	

(3) Other receivables categorized by nature

Nature	Closing Balance	Opening Balance
Other receivables	32,262,770.14	28,677,355.79
Total	32,262,770.14	28,677,355.79

7 Inventories

(1) Categories of inventories

Item	2018.06.30			2017.12.31		
	Cost	Provision for decline	Net book value	Cost	Provision for declines	Net book value
Raw materials	80,566,678.10	910,648.85	79,656,029.25	56,740,605.63	910,648.85	55,829,956.78
Finished goods	523,949,536.64	36,265,289.07	487,684,247.57	512,690,931.09	36,265,289.07	476,425,642.02
Working progress	144,947,091.68		144,947,091.68	155,827,415.78		155,827,415.78

Low value consumables	184,074.93		184,074.93	5,753,413.97		5,753,413.97
Total	749,647,381.35	37,175,937.92	712,471,443.43	731,012,366.47	37,175,937.92	693,836,428.55

(2) Provision for decline in the value of inventories

Item	Opening Balance	Increase		Decrease		Closing Balance
		Accrual	Other	Reverse/ Written-off	Others transferred	
Raw materials	910,648.85					910,648.85
Finished goods	36,265,289.07					36,265,289.07
Total	37,175,937.92					37,175,937.92

8 Other current assets

Item	2018.06.30	2017.12.31
VAT to be deducted	751,154.78	3,531,136.36
Prepaid income tax		1,855,337.56
Total	751,154.78	5,386,473.92

9. Available-for-sale financial assets

(1) Available-for-sale financial assets

Item	Closing Balance			Opening Balance		
	Booking balance	Provision	Book value	Booking balance	Provision	Book value
Available-for-sale equity instruments	2,567,033.30		2,567,033.30	2,000,000.00		2,000,000.00
Measured as cost method	2,567,033.30		2,567,033.30	2,000,000.00		2,000,000.00
Total	2,567,033.30		2,567,033.30	2,000,000.00		2,000,000.00

10 Investment property

Item	Property	Land use right	Total
I. Initial Cost	173,119,534.89	51,969,186.22	225,088,721.11
1. Opening Balance			-
2. Increase			
(1) Purchase			
(2) Transferred from FA			
3. Decrease			
(1) Disposal			
(2) Transfer to others			
4. Closing Balance	173,119,534.89	51,969,186.22	225,088,721.11
II. Accumulated Depreciation			
1. Opening Balance	75,125,524.13	13,089,088.93	88,214,613.06

Item	Property	Land use right	Total
2. Increase	2,743,203.90	1,948,820.75	4,692,024.65
(1)Accrued			
3. Decrease			
(1) Disposal			
(2)Transfer to others			
4. Closing Balance	77,868,728.03	15,037,909.68	92,906,637.71
III. Impairment Reserve			-
1. Opening Balance			-
2. Increase			-
3. Decrease			
(1) Disposal			
(2)Transfer to others			
4. Closing Balance			
IV. Book Value			
1. Closing book value	95,250,806.86	36,931,276.54	132,182,083.40
2. Opening book value	97,994,010.76	38,880,097.29	136,874,108.05

11 Fixed assets

(1) Fixed assets by categories

Item	Building	Machinery Equipment	Transportation	Electronic Device	Other Equipment	Total
1. Initial Cost						
(1) Opening Balance	253,663,547.33	1,164,347,666.68	17,533,982.52	72,037,141.35	199,245,477.06	1,706,827,814.94
(2) Increase	16,078.54	2,640,459.26	0.00	1,096,104.00	171,966.81	3,924,608.61
1) Purchase	10,180.18	748,114.70		547,090.44	171,722.32	1,477,107.64
2) Transferred from construction-in-progress	5,898.36	1,892,344.56		549,013.56	244.49	2,447,500.97
3) Acquired from business combination						
(3) Decrease		24,410.26	323,582.96	689,162.92		1,037,156.14
1) Disposal		24,410.26	323,582.96	689,162.92		1,037,156.14
(4) Closing Balance	253,679,625.87	1,166,963,715.68	17,210,399.56	72,444,082.43	199,417,443.87	1,709,715,267.41
2.Accumulated Depreciation						
(1) Opening Balance	146,076,825.72	644,284,826.15	13,394,879.03	53,181,861.81	139,385,508.19	996,323,900.90
(2) Increase	4,172,514.79	37,194,966.96	463,037.51	2,109,494.92	4,166,373.45	48,106,387.62
1)Accrued	4,172,514.79	37,194,966.96	463,037.51	2,109,494.92	4,166,373.45	48,106,387.62

2) Other transfer						
(3) Decrease		395.26	296,777.11	616,843.73		914,016.10
1) Disposal		395.26	296,777.11	616,843.73		914,016.10
4) Closing Balance	150,249,340.51	681,479,397.85	13,561,139.43	54,674,513.00	143,551,881.64	1,043,516,272.42
3. Impairment Reserve						
(1) Opening Balance		255,944.32				255,944.32
(2) Increase						
(3) Decrease						
1) Disposal						
(4) Closing Balance		255,944.32				255,944.32
4. Book Value						
1. Closing book value	103,430,285.36	485,228,373.52	3,649,260.13	17,769,569.43	55,865,562.23	665,943,050.67
2. Opening book value	107,586,721.61	519,806,896.21	4,139,103.49	18,855,279.54	59,859,968.87	710,247,969.72

12 Construction in progress

(1) Details of Construction-in-progress

Item	Closing Balance			Opening Balance		
	Book Balance	Provision		Book Balance	Provision	
Improvement of seven-finished products	30,739,383.45		30,739,383.45	30,689,629.52		30,689,629.52
Improvement of one-finished products	92,820.85		92,820.85	92,820.85		92,820.85
Dalian industry park project	1,923,068.10		1,923,068.10	1,922,211.42		1,922,211.42
Improvement of precision roller branch	10,634,263.21		10,634,263.21	11,340,473.99		11,340,473.99
Improvement of grinding machine	1,960,849.25		1,960,849.25	1,960,571.95		1,960,571.95
Improvement of plant	3,620,644.45		3,620,644.45	3,703,419.57		3,703,419.57
Improvement of railway	11,873,079.37		11,873,079.37	10,195,223.88		10,195,223.88
Improvement of grinding machine	414,933.76		414,933.76	414,391.36		414,391.36
Improvement of second-finished products	1,483,761.06		1,483,761.06	1,483,761.06		1,483,761.06
Crane Project	2,735,507.63		2,735,507.63	2,734,957.91		2,734,957.91
Improvement of special large branch	2,220,709.81		2,220,709.81	2,220,662.31		2,220,662.31
Computer Project	2,081,977.04		2,081,977.04	2,081,977.04		2,081,977.04
Overhaul factory reconstruction	225,914.81		225,914.81	472,585.86		472,585.86
Heat treatment product line	160,940.46		160,940.46	160,551.84		160,551.84
Automobile				1,016,610.51		1,016,610.51

improvement					
Superfine machine installation project				1,291,421.97	1,291,421.97
Overhaul of bainite furnace				846,153.80	846,153.80
Refrigerated air Dryer System	7,863.25		7,863.25	7,863.25	7,863.25
Three ton battery fork truck	192,307.70		192,307.70	192,307.70	192,307.70
Sewage treatment plant	94,017.09		94,017.09	94,017.09	94,017.09
low voltage switch box	59,829.06		59,829.06	59,829.06	59,829.06
Information transformation of heat treatment production line	129,829.06		129,829.06	140,000.00	140,000.00
Ipsen multipurpose furnace overhaul renovation			0.00	832,500.00	832,500.00
G17-15-07 Ball bearing vibration detector	31,384.62		31,384.62	31,384.62	31,384.62
G17-16-03 New workshop warehouse and concrete road	130,630.63		130,630.63	130,630.63	130,630.63
G17-16-01 Environmental improvement works	153,153.15		153,153.15	153,153.15	153,153.15
other	13,371,970.46		13,371,970.46	8,420,208.60	8,420,208.60
Total	84,338,838.27		84,338,838.27	82,689,318.94	82,689,318.94

13 Intangible assets

Item	Land use right	software	Total
1.Initial cost			
1). Opening balance	124,220,541.52	6,272,685.89	130,493,227.41
2).Increase		97,087.38	97,087.38
(1) Purchase		97,087.38	97,087.38
(2)Internaldevelopment			
(3) Acquired by company combination			
3). Decrease			
4). Closing balance	124,220,541.52	6,369,773.27	130,590,314.79
2. Amortization			
1). Opening balance	36,823,081.84	6,140,023.31	42,963,105.15
2).Increase	1,545,146.91	71,983.31	1,617,130.22
(1)Accrual	1,545,146.91	71,983.31	1,617,130.22
(2)Transfer into			
3). Decrease	1,299,213.84		1,299,213.84

4). Closing balance	37,069,014.90	6,212,006.62	43,281,021.53
3. Provision for impairment			
1). Opening balance			
2). Increase			
3). Decrease			
4). Closing balance			
4. Book value			
1.Closing Book value	87,151,526.61	157,766.65	87,309,293.26
2.Opening Book value	87,397,459.68	132,662.58	87,530,122.26

14 Long-term deferred and prepaid expenses

Item	2017.12.31	Increase	Amortization	Other decrease	2018.06.30
Office house decoration	700,228.04		61,843.08		638,384.96
Total	700,228.04		61,843.08		638,384.96

15 Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets without deduction

Item	Closing Balance		Opening Balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	74,103,756.75	11,625,939.19	74,103,756.75	11,625,939.19
Total	74,103,756.75	11,625,939.19	74,103,756.75	11,625,939.19

(2) Deferred tax liabilities without deduction

Item	Closing Balance		Opening Balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Asset evaluation increment in business combination without the same control	5,920,560.37	888,084.06	5,920,560.37	888,084.06
Total	5,920,560.37	888,084.06	5,920,560.37	888,084.06

(3) The net value of deferred tax assets and deferred tax liabilities with deduction

Item	Closing Balance of deferred tax assets and liabilities with deduction	Closing Balance of deferred tax assets/deferred tax liabilities	Opening Balance of deferred tax assets and liabilities with deduction	Opening Balance of deferred tax assets/deferred tax liabilities
Deferred tax assets		11,625,939.19		11,625,939.19
Deferred tax liabilities		888,084.06		888,084.06

16 Short-term loan

(1) Category of short-term loan

Loan category	2018.06.30	2017.12.31
Credit loan	615,000,000.00	648,000,000.00
Total	615,000,000.00	648,000,000.00

17 Notes payable

Items	2018.06.30	2017.12.31
Commercial acceptance notes	362,918,752.32	295,396,000.00
Bank acceptance notes	2,055,536.74	4,087,279.00
Total	364,974,289.06	299,483,279.00

18 Accounts payable

(1) Accounts payable

Item	Closing Balance	Opening Balance
Loan	618,238,277.92	559,579,919.87
Project payments	44,673,609.65	50,109,631.21
Other	16,487,505.75	21,142,736.37
Total	679,399,393.32	630,832,287.45

19 Advances from customers

(1) Received in advance

Item	Closing Balance	Opening Balance
Loan	22,508,002.18	31,634,532.72
Total	22,508,002.18	31,634,532.72

20 Employee benefits payable

(1) Category of employee's payables

Item	Opening Balance	Increase	Decrease	Closing Balance
Short-term employee's payable	7,313,818.35	102,608,361.74	103,289,812.34	6,632,367.75
Welfare with deposit and withdrawal plan	9,346,330.29	14,423,053.67	14,515,683.14	9,253,700.82
Total	16,660,148.64	117,031,415.41	117,805,495.48	15,886,068.57

(2) Short-term employee's payables

Item	Opening Balance	Increase	Decrease	Closing Balance
Salaries, bonus, allowance, and subsidy	204,820.34	75,980,585.34	76,028,894.31	156,511.37
Welfare	3,200.00	7,824,726.68	7,824,726.68	3,200.00
Social insurance	595,786.05	8,786,783.06	8,785,404.46	597,164.65
Include: Medical insurance	306,854.19	6,670,717.80	6,670,717.80	306,854.19
Industrial injury insurance	218,079.54	1,232,985.63	1,231,607.03	219,458.14
Maternity insurance	70,852.32	883,079.63	883,079.63	70,852.32
Housing funds	2,267,654.57	9,947,105.26	10,431,740.64	1,783,019.19
Labour union and training expense	4,242,357.39	69,161.40	219,046.25	4,092,472.54
Total	7,313,818.35	102,608,361.74	103,289,812.34	6,632,367.75

(3) Welfare with deposit and withdrawal plan

Item	Opening Balance	Increase	Decrease	Closing Balance
Pension	9,010,407.61	14,036,744.84	14,129,374.31	8,917,778.14
Unemployment insurance	335,922.68	386,308.83	386,308.83	335,922.68
Total	9,346,330.29	14,423,053.67	14,515,683.14	9,253,700.82

21 Taxes payable

Item	Closing Balance	Opening Balance
Value-added tax	3,538,584.05	11,018,297.67
Individual income tax	222,312.20	140,904.05
Enterprise income tax		
City maintenance and construction tax	323,209.56	982,277.76
Real estate tax	301,009.32	294,515.16
Land use tax	206,982.61	204,027.14
Stamp tax	81,712.41	109,592.56
Education surcharge	248,191.90	728,270.43
River toll fee	217.02	1,486.14
Others	370,078.06	370,601.41
Total		

22 Interest payable

Item	Closing Balance	Opening Balance
Interest for long-term loan with instalments		65,300.00
Interest for short-term loan	157,000.00	1,124,800.00
Total	157,000.00	1,190,100.00

23 Other payables

Other payables categorized by payments nature

Payments nature	Closing Balance	Opening Balance
Bid security deposits	1,321,570.00	1,118,409.62
Risk deposits from branch manager	259,777.75	259,777.75
Trademark fees	9,916,000.00	10,777,573.08
Others	67,493,863.19	79,967,333.47
Total	78,991,210.94	92,123,093.92

24 Non-current liabilities due within one year

(1) Non-current liabilities due within one year

Item	Closing Balance	Opening Balance
Long-term loan due within one year		90,000,000.00
Total		90,000,000.00

25 Other current liabilities

Item	Closing Balance	Opening Balance
Government subsidy within 1 year	3,967,022.53	3,967,022.53
Total	3,967,022.53	3,967,022.53

26 Long-term payables

(1) Long-term payables categorized by payments nature

Payments nature	Closing Balance	Opening Balance
Equipment payments	100,000.00	100,000.00
Housing subsidy	1,497,305.72	1,497,305.72

27 Special payables

Items	Opening Balance	Increase	Decrease	Closing Balance	Formation Basis
Special pollution treatment	221,698.98			221,698.98	Granted by Wafangdian Bureau of Finance and Wafangdian Bureau of Environment Protection with approval with "WaCaiZhi Qi No.[2004]217"
Informatization Construction	75,000.00			75,000.00	Dalian Financial Bureau and Municipal Office of Economic and Information Technology Committee with approval

					with “Da CaiZhi Qi No. [2012]917” and “Da Jing Xin Fa No. [2012]199”
Total	296,698.98			296,698.98	

28 Other non-current liabilities

(1) Category of deferred income

Item	Opening Balance	Increase	Decrease	Closing Balance	Formation Basis
Government subsidy	37,754,771.56		1,908,277.94	35,846,493.62	
Total	37,754,771.56		1,908,277.94	35,846,493.62	

(2) Government subsidy

Government subsidy item	Opening Balance	Increase	Recorded into non-operation income	Other Change	Closing Balance	Related with asset/equity
Liaozhou Industry development subsidies	4,194,564.00				4,194,564.00	asset
Compensation for Da Lian plants moving	27,042,358.18			1,352,117.94	25,690,240.24	asset
Development of intelligent manufacturing equipment subsidies	2,400,000.00			200,000.00	2,200,000.00	asset
Improvement of high-end bearing production subsidies	1,889,280.00			236,160.00	1,653,120.00	asset
Interest subsidy of grand axle load	1,660,000.00			120,000.00	1,540,000.00	asset
Construction of workshop for technology masters subsidy	568,569.38				568,569.38	asset
Total	37,754,771.56			1,908,277.94	35,846,493.62	

29 Share capital

Shareholders name/category	2017.12.31		Change for current period					2018.06.30	
	Amounts	%	Issuing new shares	Distributing shares	Transferring capital reserves to share capital	Others	Subtotal	Amounts	%
Total shares	402,600,000.00	100.00	—	—	—	—	—	402,600,000.00	100.00

30 Capital reserves

Items	2017.12.31	Increase	Decrease	2018.06.30
Share premium	201,956,446.52			201,956,446.52
Other capital reserves	283,734,603.95			283,734,603.95
Total	485,691,050.47			485,691,050.47

31 Surplus reserves

Items	2017.12.31	Increase	Decrease	2018.06.30
Statutory surplus reserve	113,687,908.35			113,687,908.35
Discretionary surplus reserve	20,590,618.91			20,590,618.91
Total	134,278,527.26			134,278,527.26

32 Undistributed profit

Item	This period	Last period
Closing balance before adjustment	362,925,296.98	359,603,965.97
Opening balance after adjustment	362,925,296.98	359,603,965.97
Add: Current net profit attributable to shareholders of parent company	3,313,980.12	10,182,949.16
Less: Provision for statutory surplus reserves		2,835,618.15
Dividends payable for common shares		4,026,000.00
Closing balance of	366,239,277.10	362,925,296.98

33 Operating revenue & cost

Items	This period		Last period	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Revenue from main operation	967,045,981.57	840,649,172.13	986,168,093.43	862,562,230.54
Revenue from other operation	107,822,000.11	99,097,399.00	149,332,481.90	141,633,411.45
Total	1,074,867,981.68	939,746,571.13	1,135,500,575.33	1,004,195,641.99

34 Operating taxes and surcharges

Items	This period	Last period
Business tax		
City construction tax	2,837,747.43	3,428,881.69
Education surcharge	1,871,171.22	2,425,208.91
Other	3,883,184.27	3,978,357.55
Total	8,592,102.92	9,832,448.15

35 Selling expenses

Items	This period	Last period
Transportation expense	15,584,316.08	20,935,762.98
Employee benefit	17,781,672.15	13,476,776.84
Travel expense	9,078,815.87	9,656,691.45
Conference expense	2,329,999.72	2,465,600.45
Trademark use fee	2,101,642.83	927,157.82
International Transportation expense	5,179,043.74	10,610,815.19
Other expense	18,684,081.24	17,947,375.19
Total	70,739,571.63	76,020,179.92

36 Administrative expenses

Items	This period	Last period
Employee benefit	18,773,771.75	17,708,196.38
Tax expense	17,251.55	511,493.60
Technology development expense	3,505,391.30	1,318,389.62
Intangible assets amortization	2,266,737.13	2,266,864.90
Depreciation expense	811,587.96	998,045.03
Business entertaining expense	338,336.74	403,673.93
Travel expense	533,425.68	397,589.98
Other expense	7,829,201.38	7,641,468.38
Total	34,075,703.49	31,245,721.82

37 Financial expenses

Items	This period	Last period
Interest expenses	22,726,199.79	16,282,310.02
Less: interest income	345,878.37	384,832.07
Add: Exchange losses	950,510.58	-1,336,112.98
Add: Others expenditure	721,591.13	1,454,903.78
Total	24,052,423.13	16,016,268.75

38 Assets impairment losses

Items	This period	Last period
Loss of bad debts	-12,786.85	99,810.61
Total	-12,786.85	99,810.61

39 Gain on assets disposal

Item	current year	prior year
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Gain on disposal group classified as held for sale	243,495.82	7,398.46
Gain on non-current assets disposal	243,495.82	7,398.46
Gain on fixed assets disposal	243,495.82	7,398.46
Total		

40. Other income

Items	current year	prior year
Job stabilization subsidy	228,550.21	
Labour union subsidy		15,000.00
International market development subsidy from Foreign Trade bureau		147,000.00
Technology innovation subsidy in Liaoning		368,500.00
Dalian sub-factory relocation subsidy	1,352,117.94	1,352,117.94
Improvement of high-end bearing production subsidies	236,160.00	236,160.00
Development of intelligent manufacturing equipment subsidies	200,000.00	200,000.00
Technical master studio development subsidy		
Overhaul bearing project discounting interest subsidy	120,000.00	120,000.00
Insurance premium subsidy	18,600.00	
Total	2,155,428.15	2,438,777.94

41 Non-operating income

(1) Non-operating income list

Item	This period	Last period	Amounts recognized into current non-recurring profit or loss
Income from debt restructuring	1,456,952.01	1,356,259.02	1,456,952.01
Penalty income	1,570,251.86	832,777.00	1,570,251.86
Others	120,000.41	80,229.95	120,000.41
Total	3,147,204.28	2,269,265.97	3,147,204.28

42 Non-operating expenses

Item	This period	Last period
Loss from debt restructuring	85,383.59	
Loss on disposal of non-current assets	75,526.04	5,970.42
Penalty loss	11,410.47	15,648.86
Others	13,651.07	150,691.63
Total	185,971.17	172,310.91

43 Income tax expenses

(1) Income tax expenses

Items	current year	prior year
Current income tax expenses	-279,426.81	
Total	-279,426.81	

(2) Accounting profit to income tax expense adjustment

Items	Current year
Consolidated total profit this year	3,034,553.31
Income tax expenses at applicable tax rate	-279,426.81
Income tax expense	-279,426.81

44 Notes to cash flow statement

(1) Cash receipt/payment of other operating/investing/financing activities

1) Other cash received relating to operating activities

Items	This period	Last period
Other cash received relating to operating activities	914,421.41	1,373,744.39
Total	914,421.41	1,373,744.39

2) Other cash paid relating to operating activities

Items	This period	Last period
Other cash paid relating to operating activities	55,833,437.00	52,708,495.81
Total	55,833,437.00	52,708,495.81

3) Other cash received relating to financial activities

Items	This period	Last period
Other cash paid relating to financial activities	328,905,975.40	321,721,729.99
Total	328,905,975.40	321,721,729.99

4) Other cash paid relating to financial activities

Items	This period	Last period
Other cash paid relating to financial activities	248,898,190.83	286,551,613.33
Total	248,898,190.83	286,551,613.33

45 Supplementary information of consolidated cash flow statement

Items	This period	Last period
1. Adjusting net profit into cash flows of operating activities:		
Net profit	3,313,980.12	2,633,635.55

Add: Provision for impairment of assets	-12,786.85	99,810.61
Depreciation of fixed assets	50,705,693.88	48,297,397.65
Amortization of intangible assets	2,266,737.13	2,266,864.90
Amortization of long-term deferred expenses	33,915.18	33,915.18
Losses on disposal of fixed assets, intangible assets, and long-term assets (income listed with "-")	-243,495.82	-10,771.00
Losses on write-off of fixed assets (income listed with "-")	75,526.04	
Financial expense (income listed with "-")	24,052,423.13	16,016,268.75
Decrease of inventory (increase listed with "-")	-18,635,014.88	74,534,439.97
Decrease of operating receivables (increase listed with "-")	-156,396,318.53	-138,273,848.15
Increase of operating payables (decrease listed with "-")	139,045,935.83	-82,203,972.02
Net cash flows arising from operating activities	44,206,595.23	-76,606,258.56

Cash and cash equivalents

Items	This period	Last period
Cash	74,828,879.85	58,043,497.54
Closing balance of cash and cash equivalents	74,828,879.85	58,043,497.54

VII. Equity of Other Entities

1. Equity of subsidiaries

(1) Organization structure of group company

Name of subsidiary	Location	Registered Location	Nature of operation	Share (%)		Method
				Direct	Indirect	
Wazhou Liaoyang Bearing construction Co.,Ltd	Wafangdian	Liaoyang Baita District Weiguo Rd No.61	Manufacturing and selling bearing and machines	100		acquisition
Dalian Wazhou Precision Motor Car Bearing Company Limited	Wafangdian	Dalian Free Trade Zone SanshiliYongsheng Rd No.12	Manufacturing and selling bearing and machines	100		investment
Wazhou Precision of Spherical Roller Bearings(Wafangdian)Co., Ltd	Wafangdian	WafangdianBeigongji St No.1	Manufacturing and selling bearing and machines	100		acquisition

VII Risk Related to Financial Instrument

The main financial instruments held by the group company are including investment in share equity, borrowing, accounts receivable, and accounts payable. The details introduction about each financial instrument is referred to this notes No.VI above. The related risks of these financial instruments and the risk management policy conducted to reduce these risks by the group company are introduced as below. The Group management conducts to manage and monitor these risks exposure and control these risks under certain risk level.

1. Objectives and policies of each risk management

The objectives of risk management conducted by the group company are to reach the balance between risk and profit return by reducing the negative influence to operating performance to the minimum level as well as

maximising the shareholders' and other investors' profits. Based on these objectives, the basic risk management policy is to recognize and analyse all sorts of risk that the group company faced with, to set up the proper risk tolerance bottom line conducting risk management, as well as to monitor these risks in a timely and effective manner, and to ensure these risks under the limit level.

(1) Market risk

1) Currency risk

The currency risk is referred as the risk caused by the fluctuation of exchange rate. The main currency risk that the company faced with is related to the USD since the main export business is settled by USD. Other than the balance of foreign currency presented in Note VI. 44, all assets and liabilities of company are presented in RMB On December 31, 2015. The balance in foreign currency of assets and liabilities may cause currency risk with influence to operating performance.

2) Interest risk

The main potential interest risk which is caused by the fluctuation of the cash flow of financial instruments is related to the floating rate of bank loan (Note VI. 15). The policy that adopted by the Group is to maintain the floating rate of loan.

(2) Credit risk

On 31 December, 2015, the Group's most probable credit risk exposure is from the financial loss primarily due to the failure of fulfilling the obligation by one party of the contract. The impairment losses of company's financial assets are including:

Among the book value of recognized financial assets in the consolidated statement of financial position, for the financial instruments measured at fair value, their book values reflect the risk exposure, however, not maximum risk level; the level is changing along with the fair value.

As the aim to reduce the credit risk, the Group sets up the credit department to ensure the credit limit, to examine and approve the credit application, and to carry out monitor procedures to claim expired creditor's right. In addition, at each of balance sheet date, the Group checks with every single process of receipt of receivable to ensure the sufficiency of provision of bad debt. Therefore, the management of the Group believed the credit risk had been minimized significantly.

The working capital has low level of credit risk since the cash is deposited in the banks with high credit reputation.

(3) Liquidity risk

As the management of liquidity risk, the Group's policy is to regularly monitor the sufficiency of cash and cash equivalent, the liquidity requirements to ensure the normal operations, and the fluctuation of cash flow. The bank loan activities are under monitoring by management to make sure to comply with the loan agreement.

The liquidity risk is referred as the Group failed to fulfil its financial obligations by the due date. The Group manages the liquidity risk by the maintain sufficiency of working capital to cover the expired debt to avoid the unacceptable losses or the damage of Group's reputation. The Group analyses the debt structure and due time periodically to ensure the sufficiency of available cash flow. The bank loan activities are under monitoring by management to make sure to comply with the loan agreement. At the same, the Group has consultation with financial organizations about the financing activities to maintain the credit level and to reduce the credit risk.

IX. Disclosure of Fair Value

X Related Parties Relationship and Transactions

1 Parent company and ultimate controller

Parent company	Registered address	Business nature	Registered capital	Shareholding percentage (%)	Voting power percentage (%)
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Wazhou Group	No. 1 North Gongji Street, Wafangdian City, Dalian	Manufacture and sales of bearing and other equipments	413,793,100.00	60.61	60.61
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(2). Subsidiaries

Referring to the content in Note IX. 1. (1) Organization structure of group company

2 Other related parties

Name of related party	Related party relationship
Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Precision Steel Ball Company	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Exact Forge Ltd.,	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group Wind power Bearing Ltd	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group Exact Transmission Bearing Co., Ltd	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group Equipment Technology Project Co., Ltd.	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group Special Precision Bearing Co., Ltd.	Other entity controlled by the same parent company and ultimate controlling party
Liao Ning North Metal Materials supply Co., Ltd	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group (USA) Bearing CO., Ltd.	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group high-end auto bearing limited company	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group Precision Roller limited companu	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group Precision Retainer Limited Company	Other entity controlled by the same parent company and ultimate controlling party
Kugel- und Rollenlagerwerk Leipzig GmbH	Other entity controlled by the same parent company and ultimate controlling party
Wafangdian bearing Power Limited Company	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group Bearing Engineering technology research center	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group Special Steel limited Company	Other entity controlled by the same parent company and ultimate controlling party
Dalian GONA Wazhou Auto Bearings Co., Ltd	Other related party
Dalian Wazhou Jinzhou Machinery Co., Ltd	Other related party
Wafangdian Tongda Bearing Manufacturing Co., Ltd	Other related party
Dalian WazhouFengyuan Machinery Co., Ltd	Other related party

3 Related party transactions

(1) Purchase of goods

Related party	Content	current year	Authorized amount	Over or not	prior year
Wazhou Group	Purchase of goods	30,619,927.27	150,000,000.00	No	
Wazhou Exact Forge Ltd.	Purchase of goods	111,393,715.62	230,000,000.00	No	77,936,367.41
Dalian Wazhou Jinzhou Machinery Co., Ltd	Purchase of goods	7,864,718.39	8,000,000.00	No	32,874,239.72
Dalian Wazhou Fengyuan Machinery Co., Ltd	Purchase of goods	46,955,706.73	100,000,000.00	No	40,745,644.79
Wazhou Group Exact Transmission Bearing Co., Ltd	Purchase of goods	47,958,716.67	140,000,000.00	No	35,651,638.02
Wazhou Group Equipment Technology Project Co., Ltd.	Purchase of goods	489,477.68	10,000,000.00	No	6,546,307.65
Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd	Purchase of goods/equipments	6,734,683.20	36,000,000.00	No	10,239,204.30
Wafangdian Tongda Bearing Manufacturing Co., Ltd.	Purchase of goods	42,508,436.34	90,000,000.00	No	35,967,883.00
Wazhou Group Wind power Bearing Ltd	Purchase of goods	9,484,876.58	22,000,000.00	No	67,903,907.05
Wazhou Precision Steel Ball Company	Purchase of goods	1,503,484.72	5,000,000.00	No	2,249,100.62
Wafangdian bearing Power Limited Company	Purchase of goods	10,653,628.93	22,200,000.00	No	10,391,594.66
Wazhou Group Precision Roller limited company	Purchase of goods	69,149,890.34	100,000,000.00	No	47,821,095.07
Wazhou Group Precision Retainer Limited Company	Purchase of goods	28,884,389.11	60,000,000.00	No	27,936,491.52
Wazhou Group high-end auto bearing limited company	Purchase of goods	35,549,549.22	200,000,000.00	No	64,029,180.29
Wazhou Group Special Precision Bearing Co., Ltd.	Purchase of goods	50,288.10	0.00	Yes	
Wazhou Group Bearing Engineering technology research center	Purchase of reserve	1,531,492.08	8,000,000.00	No	1,518,389.62
Wazhou Group	Purchase of reserve	38	250	No	107
Wazhou Group	Purchase of reserve	130	900	No	93
Total		453,012,980.98	1,215,700,000.00	No	462,911,043.72

(2) Sales of goods

Related party	Content	current year	prior year
Wazhou Exact Forge Ltd.,	Sales of goods	46,150,623.18	88,377,746.34
Wazhou Group	Sales of goods	15,499.77	111,453.04
Wazhou Group (USA) Bearing CO., Ltd.	Sales of goods	25,230,262.57	33,462,342.95
Wazhou Group Exact Transmission Bearing Co., Ltd	Sales of goods	20,892,673.15	17,128,024.78
Dalian Wazhou Manufacturing Equipment Co., Ltd	Sales of goods	74,038.35	137,745.81
Wazhou Group Precision Wind power Bearing Ltd	Sales of goods	6,887,104.50	15,125,611.60
Wazhou Group Special Precision Bearing Co., Ltd.	Sales of goods	271,679.73	255,794.10

Wazhou Precision Steel Ball Company	Sales of goods	31,876.56	999,505.14
Dalian Wazhou Jinzhou Machinery Co., Ltd	Sales of goods	3,661.80	29,615.00
Wafangdian Tongda Bearing Manufacturing Co., Ltd.	Sales of goods	686,608.84	213,232.25
Wazhou Group Precision Roller limited company	Sales of goods	24,423,093.18	24,734,923.69
Wazhou Group Precision Retainer Limited Company	Sales of goods	51,663.87	1,810,068.24
Wazhou Group high-end auto bearing limited company	Sales of goods	43,998,131.35	129,506,733.45
Kugel- und Rollenlagerwerk Leipzig GmbH	Sales of goods	3,351,510.13	1,549,815.31
Wazhou Group high-end auto bearing limited company	provide labour services	195,477.99	162,116.67
Wazhou Group Precision Roller limited company	provide labour services	6,293,599.71	8,585,573.54
Wazhou Group Special Precision Bearing Co., Ltd.	provide labour services	342,841.37	295,246.43
Dalian Wazhou Jinzhou Machinery Co., Ltd	provide labour services	68,824.03	57,455.85
Wazhou Precision Steel Ball Company	provide labour services	466,981.76	762,464.12
Wazhou Group Exact Transmission Bearing Co., Ltd	provide labour services	25,261.57	29,875.05
Dalian Wazhou Manufacturing Equipment Co., Ltd	provide labour services	164,181.78	281,992.44
Wafangdian Tongda Bearing Manufacturing Co., Ltd.	provide labour services		16,456.70
Total		179,625,595.19	323,633,792.50

4 Assets rent out

Details can be found in the part VII “the important related party transactions” 1 “The related transactions related to the day-to-day operations.”

5 Related party assets transfer and debt structure reconstruction

6. Balances with related parties

(1) Accounts receivable due from related parties

Item	Related party	Closing Balance		Opening Balance	
		Book Balance	Provision	Book Balance	Provision
Accounts receivable	Wazhou Exact Forge Ltd.	2,687,126.33		9,357,030.29	
Accounts receivable	Wazhou Group Precision Roller Limited Company	62,494,203.33		68,353,382.34	

Item	Related party	Closing Balance		Opening Balance	
		Book Balance	Provision	Book Balance	Provision
Accounts receivable	Wazhou Group (USA) Bearing CO., Ltd.	15,659,092.29		13,686,294.41	
Accounts receivable	Wazhou Group Precision Retainer Limited Company	18,823,964.21		24,191,042.68	
Accounts receivable	Wazhou Group Special Precision Bearing Co., Ltd.	4,568,598.65		4,724,144.07	
Accounts receivable	Wazhou Group Limited Company	2,255,928.31		2,255,928.31	
Accounts receivable	Wazhou Group Exact Transmission Bearing Co., Ltd	11,484,768.27		3,714,337.85	
Accounts receivable	Wazhou Group high-end auto bearing limited company	121,981,082.84		157,299,071.76	
Accounts receivable	Wazhou Special Steel Ball Company	1,265,539.80		1,127,180.69	
Accounts receivable	Kugel- und Rollenlagerwerk Leipzig GmbH	1,216,618.52		2,843,173.17	
Accounts receivable	Wafangdian Tongda Bearing Manufacturing Co., Ltd.	71,061.68		149,884.33	
Accounts receivable	Dalian Wazhou Jinzhou Machinery Co., Ltd	619,374.11		484,891.17	
Prepaid	Kugel- und Rollenlagerwerk Leipzig GmbH			3,368,086.16	
Prepaid	Wazhou bearing Power limited Company	5,099,826.27		1,340,370.00	

(2) Accounts payable due from related parties

Item	Related party	Closing Balance	Opening Balance
Accounts payable	Wazhou Group Wind Power Bearing Ltd	22,657,706.00	56,086,707.09
Accounts payable	Wazhou Group Limited Company	24,265,359.57	3,552,228.26
Accounts payable	Wazhou Group Equipment Technology Project Co., Ltd.	13,882,010.02	17,010,528.77
Accounts payable	Wafangdian Tongda Bearing Manufacturing Co., Ltd.	34,216,624.03	20,874,853.98
Accounts payable	Dalian Wazhou Jinzhou Machinery Co., Ltd	1,197,535.41	6,757,162.31
Accounts payable	Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd	4,060,208.41	8,447,383.10
Accounts payable	Wazhou Exact Forge Ltd.,	59,523,954.57	12,760,327.17
Accounts payable	Dalian Wazhou Fengyuan Machinery Co., Ltd	22,457,937.48	25,856,222.75

Item	Related party	Closing Balance	Opening Balance
Accounts payable	Wazhou Group Precision Retainer Limited Company	1,632,766.91	6,692,821.86
Accounts payable	Wazhou Precision Steel Ball Company	3,546,738.23	3,486,892.33
Accounts payable	Wazhou Group Precision Roller Limited Company	4,884,537.36	3,403,327.15
Accounts payable	Wazhou Group (USA) Bearing CO., Ltd.		147,968.25
Accounts payable	Wazhou Group Exact Transmission Bearing Co., Ltd	18,741,436.53	21,020,328.46
Accounts payable	Wazhou bearing power limited company	544,121.00	311,333.62
Accounts payable	Wazhou Group Bearing Engineering technology research center	2,323,382.46	2,833,243.49
Other payables	Wazhou Group limited company	1,738,516.32	12,295,652.49
Other payables	Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd	431,088.45	431,088.45
Other payables	Wazhou Group Equipment Technology Project Co., Ltd.	953,000.00	953,000.00

7. Contingency

As at June 30,2018, the Group does not have any other contingencies.

XII. Share-Based Payment

XIII. Commitment and Contingency

As at June 30,2018, the Group does not have any other significant commitments.

XIV. Events after the Balance Sheet Date

The Group does not have any other significant events after the Balance Sheet Date.

XV. Other Significant Events

XVI. Notes to the Main Items of the Financial Statements of Parent Company

1 Accounts receivable

(1) Accounts receivable category

Item	Closing Balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	
Accounts receivable with bad debt provision based on the characters of credit risk portfolio	1,196,362,584.79	98.43%	41,184,310.64	4.29%	1,155,178,274.15
Accounts receivable with insignificant individual amount and separate bad debt provision	19,049,504.15	1.57%	19,049,504.15	100.00%	
Total	1,215,412,088.94	100.00%	60,233,814.79		1,155,178,274.15

(Continued)

Item	Opening Balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	
Accounts receivable with bad debt provision based on the characters of credit risk portfolio	1,155,247,805.56	98.38%	42,129,550.06	4.80%	1,113,118,255.50
Accounts receivable with insignificant individual amount and separate bad debt provision	19,049,504.15	1.62%	19,049,504.15	100.00%	
Total	1,174,297,309.71	100.00%	61,179,054.21		1,113,118,255.50

2) Accounts receivable accrued the bad debt provisions in the portfolio as accounting aging analysis method

Aging	Closing Balance		
	Accounts receivable	Provision for bad debts	Proportion (%)
Within 1 year	736,656,401.91	7,366,564.02	1.00%
1-2 years	148,280,910.59	7,414,045.53	5.00%
2-3 years	37,842,019.47	7,568,403.89	20.00%
3-4 years	37,670,594.39	18,835,297.20	50.00%
Total	960,449,926.36	41,184,310.64	

(2) Bad debt provision accrued and write-off (withdraw)

(3) Accounts receivable written off in current period

2 Other receivables

2. Other receivables

(1) The category of other receivables

Items	Closing Balance		
	Booking balance	Provision	Booking

	Amount	%	Amount	%	balance
Other receivables with bad debt provision based on the characters of credit risk portfolio	25,464,888.40	83.46%	1,000,107.00	6.94%	24,464,781.40
Other receivables with insignificant individual amount and separate bad debt provision	5,048,580.92	16.55%	5,048,580.92	100.00%	
Total	30,513,469.32	100.00%	6,048,687.92		24,464,781.40

(Continued)

Items	Opening Balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	
Other receivables with bad debt provision based on the characters of credit risk portfolio	21,605,385.47	81.06%	1,000,107.00	7.65%	20,605,278.47
Other receivables with insignificant individual amount and separate bad debt provision	5,048,580.92	18.94%	5,048,580.92	100.00%	
Total	26,653,966.39	100.00%	6,048,687.92		20,605,278.47

1) Other receivables accrued the bad debt provisions in the portfolio as accounting aging analysis method

Aging	Closing Balance		
	Other receivables	Provision for bad debts	Proportion (%)
Within 1 year	10,676,890.69	106,768.91	1.00%
1-2 years	1,938,203.70	96,910.19	5.00%
2-3 years	328,580.19	65,716.04	20.00%
3-4 years	1,461,423.72	730,711.86	50.00%
Total	14,405,098.30	1,000,107.00	

(2) Other receivables categorized by nature

Nature	Closing Balance	Opening Balance
Other receivables	30,513,469.32	26,653,966.39
Total	30,513,469.32	26,653,966.39

3 Long-term equity investments

(1) Category of long-term equity investments

Item	Closing Balance			Opening Balance		
	Closing Balance	Provision	Book Value	Opening Balance	Provision	Book Value
Investment into subsidiaries	211,583,897.67		211,583,897.67	211,583,897.67		211,583,897.67
Total	211,583,897.67		211,583,897.67	211,583,897.67		211,583,897.67

(2) Investments into subsidiaries

Subsidiaries names	Opening Balance	Increase	Decrease	Closing Balance	Provision carried current period	Closing Balance of provision
Wazhou Liaoyang Bearing construction Co.,Ltd	17,337,259.95			17,337,259.95		
Dalian Wazhou Precision Motor Car Bearing Company Limited	45,478,956.37			45,478,956.37		
Wazhou Precision of Spherical Roller Bearings(Wafangdian)Co., Ltd	148,767,681.35			148,767,681.35		
Total	211,583,897.67			211,583,897.67		

4 Operating revenue and cost

Item	This period		Last period	
	Revenue	Cost	Revenue	Cost
Revenue from main operation	952,060,623.14	832,879,338.83	972,513,250.78	857,675,134.61
Revenue from other operation	103,899,325.53	96,290,684.90	149,234,390.96	142,142,020.55
Total	1,055,959,948.67	929,170,023.73	1,121,747,641.74	999,817,155.16

XVII Supplementary Information to the Financial Statements

1. Non-operating profit or loss

Items	Amount	Notes
Gain or loss from disposal of non-current assets	167,969.78	
Government grants recorded into profit or loss during current period	2,155,428.15	
Profit or loss from debts restructuring	1,371,568.42	
Others non-operating revenue and expense besides the above items	1,665,190.73	
Effect from income tax	501,892.88	
Total	4,858,264.20	

2. Return on equity and earnings per share

Profit of report period	Weighted average return on net assets (%)	Earnings per share (EPS)	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of parent company	0.24%	0.008	0.008
Net profit after deducting non-recurring gains and losses attributable to shareholders of parent company	-0.11%	-0.004	-0.004

WangFangdianBearing company Limited
August17,2018