



Wafangdian Bearing Company Limited
2019 Midyear Report
2019-19

August 16, 2019

Chapter I. Important Prompts, Table of Contents, and Definitions

The Board of Directors, board of supervisors, directors, supervisors, and top management of the Company hereby guarantee that there are no false record, misleading statements and important omission of the material in this report, and assume the individual and associated responsibilities for the truth, accuracy and completeness of the contents.

Chairman Meng Wei , General Accountant Ms. Sun Najuan and accounting charger Ms. Sun Najuan declare: guarantee the truth and completeness of the financial report in the annual report.

In addition to the following directors, the other directors attended the board meeting in person to review the semi-annual report

Names of directors not present in person	Not present himself as a director	Reason for not attending the meeting in person	Name of principal
Meng Wei	Chairman of the board of director	Working reason	Zhao Yang
Sun Maolin	director	Working reason	Chen Jiajun

The company has described the possible related risks in detail in this report, which is not enough for the company's substantial commitment to investors. Investors are requested to keep adequate awareness of the risks and understand the differences between plans, forecasts and commitments. The company in the fourth section of the report "business situation discussion and analysis" "ten, Risks faced by the company and countermeasures" in detail described the company's business risks and countermeasures, please pay attention to the relevant content.

The Company plans not to distribute cash dividends or bonus shares or turn capital reserve into share capital.

Table of Contents

Chapter I. Important Prompts, Table of Contents, and Definitions	1
Chapter II. Company Profile	4
Chapter III Business Summary	5
Chapter V Significant Events	10
I、 The relevant annual general meeting and extraordinary general meeting held in the report period.....	10
i. Shareholders' General Meeting in the report period.....	10
ii. The shareholders of the preferred shareholders who have resumed the voting are required to convene an extraordinary general meeting.....	10
Inapplicable	10
IV Engagement/Disengagement of CPAs	10
V、 Notice of the Board of Directors and the Supervisory Committee on the "non-standard audit report" of the accounting firm during the reporting period	10
Inapplicable.....	10
VI、 The Board of Directors of the previous year, "non-standard audit report" the relevant circumstances of the note	10
VII. Matters concerning Bankruptcy Reorganization Inapplicable VIII. Significant Lawsuits and Arbitrations Inapplicable	10
Chapter VI. Changes in Capital Stock and Shareholders	21
Chapter VII. Relevant information about preferred stock	23
Chapter VIII. Directors, Supervisors, Senior Management and Staff	23
Chapter VIII. Financial Report	24

Glossary

Terms	Defined as	Description
Company,the Company	Defined as	Wafangdian Bearing Company Limited
Wazhou Group	Defined as	Wafangdian Bearing Group Company
the report period, the current period	Defined as	January 1,2019–June 30,2019
Liaozhou Co.,Ltd	Defined as	Wazhou Liaoyang Bearing Manufacture Co.,Ltd
Dalian motor	Defined as	Dalian motor Bearing Co.,Ltd
SRB company	Defined as	Wazhou spherial roller bearing company limited
The Board of Directors	Defined as	Wafangdian Bearing Company Limited The Board of Directors
The Supervisory Committee	Defined as	Wafangdian Bearing Company Limited The Supervisory Committee
The Shareholders'Meeting	Defined as	Wafangdian Bearing Company Limited The Shareholders'Meeting
Shen Jiao Suo	Defined as	Shen Zhen Stock Exchange
SRC	Defined as	China Securities Regulatory Commission

Chapter II. Company Profile

I. Company Information

Abbreviated name of the stock	Wazhou B	Stock code:	200706
Listing location of the Company's stock:	Shenzhen Stock Exchange		
Chinese name of the Company	瓦房店轴承股份有限公司		
Abbreviation of Chinese name	瓦轴股份公司		
English name of the Company	Wafangdian Bearing Company Limited		
Abbreviation of English name	WBC		
Legal representative of the Company	Meng Wei		

II. Contacts

	Secretary of the Board	Representative of Stock Affairs
Name	Sun Najuan	Ke Xin
Correspondence address	No. 1 Beigongji Street, Wafangdian City, Liaoning Province, China.	No. 1 Beigongji Street, Wafangdian City, Liaoning Province, China.
Consulting telephone	0411-39116369	0411-39116732
Fax	0411-39116738	0411-39116738
E-mail	zwz2308@126.com	zwz2308@126.com

III. Other information

i. The way to contact with compay

Whether the company's registered address, office address and postal code, company website and E-mail address have changed during the reporting period

Applicable Inapplicable

ii. Place for information disclosure and location

Whether the information disclosure and preparation place have changed during the reporting period

Applicable Inapplicable

The name of the information disclosure newspaper selected by the company, the website address of the website designated by China securities regulatory commission that publishes the semi-annual report, and the reporting period of the place where the semi-annual report is prepared remains unchanged. For details, please refer to the 2018 annual report.

IV. Key accounting data and financial indicators

Whether the company needs to retroactively adjust or restate previous accounting data

[] Yes [V] No

In RMB Yuan			
	current period	previous period	+/-comparing with the previous period
Operating income(RMB)	957,539,400.42	1,074,867,981.68	-10.92%
Net profit attributable to shareholders of the listed company(Yuan)	7,771,067.43	3,313,980.12	134.49%
Net profit attributable to the shareholders of the listed company and after deducting of non-recurring gain/loss(RMB)	6,193,570.78	-1,544,284.08	-501.06%
Net Cash flow generated by business operation (RMB)	57,453,880.86	44,206,595.23	29.97%
Basic earnings per share(Yuan/share)	0.019	0.008	137.50%
Diluted earnings per share(Yuan/share)	0.019	0.008	137.50%
Net return on equity(%)	0.56%	0.24%	0.32%
	End of 2019.06.30	End of 2018.12.31	Changed over last year (%)
Total Assets (RMB)	3,219,383,424.55	3,298,167,332.49	-2.39%
Owner's Equity Attributed to Shareholders of ListedCompany(RMB)	1,387,801,417.23	1,380,023,044.55	0.56%

V. Differences in accounting information under IAS and domestic accounting standard

1. At the same time, differences in net profit and net assets in financial reports disclosed in accordance with international accounting standards and Chinese accounting standards.

Applicable Inapplicable

During the reporting period, there is no difference between the net profit and net assets in the financial reports disclosed in accordance with international accounting standards and Chinese accounting standards.

2. At the same time, the differences of net profit and net assets in financial reports disclosed in accordance with overseas accounting standards and Chinese accounting standards.

Applicable Inapplicable

During the reporting period, there is no difference between the net profit and net assets in the financial reports disclosed in accordance with overseas accounting standards and Chinese accounting standards.

VI. Non-recurring gain/loss items and amounts

In RMB Yuan

Items	Amount	Remarks
Gains and losses on disposal of non-current assets (including the write-off part of the asset impairment provision)	-1,051,495.51	
Government subsidies recorded into current profits and losses (closely related to enterprise business, except government subsidies enjoyed in accordance with the unified national standard or quota)	3,841,477.86	
Debt restructuring gains and losses	-2,245,393.82	
Other non-business income and expenditures than the above	1,032,908.12	
Total	1,577,496.65	--

For the Company's non-recurring gain/loss items as defined in the Explanatory Announcement No.1 on Information Disclosure for Companies Offering their Securities to the Public–Non-recurring Gains and Losses and its non-recurring gain/loss items as illustrated in the Explanatory Announcement No.1 on Information Disclosure for Companies Offering their

Securities to the Public–Non-recurring Gains and Losses which have been defined as recurring gains and losses, it is necessary to explain the reason.

Applicable Inapplicable

During the reporting period, there is no circumstance that the non-recurring profit and loss items listed in the explanatory announcement No. 1 on corporate information disclosure of publicly issued securities are defined as recurring profit and loss items.

Chapter III Business Summary

I Principal Businesses in the Reporting Period

Whether companies are required to comply with specific industry disclosure requirements

Yes No

The company's business scope is: bearing, bearing spare parts, mechanical equipment, auto parts and related products manufacturing and sales; Bearing repair, maintenance and technical services; Lease of machinery and equipment and housing; Bearing and related mechanical equipment and measurement instruments, instrument testing.

The company has a strong manufacturing capacity and quality assurance ability, extensive services in railway, automobile, metallurgy, mining, and other industries and fields.

II. Significant Changes in the Prime Assets

Inapplicable

III. Analysis on Core Competitiveness

Whether companies are required to comply with specific industry disclosure requirements

Yes No

As the largest bearing technology and product r&d and manufacturing base in China, the company has accumulated more than 70 years of practical experience in bearing and related fields, established a perfect bearing technology innovation system, and maintained close cooperation with domestic research institutes and universities. As the main drafter of several standards in the bearing industry, he has mastered the latest technical trend of the industry development. It has established significant advantages in technology research and development, product manufacturing, marketing and user service.

The company's personalized design and manufacturing process for customers can give consideration to the cost, delivery time and customer needs, improving the ability to respond to the market and customer personalized needs.

The company has a complete product service system, and has the ability to provide round-the-clock dynamic service on the site of product operation. And "ten value-added services" by the good image of the majority of customers praise. The company has a strong manufacturing capacity and quality assurance ability, widely serving in railway, automobile, metallurgy, mining, and other industries and fields.

At present, the company has established strategic cooperative relations with key customers in the field of domestic equipment application. Through in-depth marketing through customer value engineering, the company has firmly established its brand and influence in the domestic bearing market. In the international market, the company has obtained the certification qualification of important target market, and the international visibility has been preliminarily established.

Chapter IV Discussion and Analysis of the Management

I. Overview

In the first half of 2019, in the face of domestic and international macroeconomic environment and the cost of raw material costs, rising wages and other negative factors, the company will unswervingly focus on its main business, strengthen the basic management, slow and steady during the reporting period the company market steady development, structural adjustment effect is outstanding, the formation of a number of high-end manufacturing, grab a number of high-end market, developed a number of high-end strategy customer, revitalize the enterprise resource in an all-round way. The company's implementation of the "year of fine products" implementation of various measures, product quality improvement is obvious. During the reporting period, the company's business pace is steady and the enterprise continues to develop healthily.

During the reporting period, the company strengthens the responsibility of the board of directors, improves the decision-making process of the board of directors and further improves the corporate governance structure of the company. According to the requirements of listed companies, the company shall disclose relevant information in time, actively cooperate with the work of regulatory authorities, standardize the company's operation, improve the internal control system, and create a good platform for the company's development strategy.

By the end of this report, the total assets of the company are 3219.38 million yuan, which is 2.39% lower than that at the beginning of the year. The net assets attributable to shareholders of the listed company are 1387.8 million yuan, which is 0.56% higher than that at the beginning of the year. The total operating income is 957.54 million yuan, which is 10.92% lower than that of the same period last year. Net profit attributable to shareholders of the parent company reached 7.77 million yuan, up 134.49% over the same period last year.

II Analysis on Principal Businesses

See "discussion and analysis of business situation" in "overview" related content.

Major financial data year-on-year changes

In RMB Yuan

Item	Report period	Last report period	(+/-) Compared with the same period last year	Change reason
Business Income	957,539,400.42	1,074,867,981.68	-10.92%	
Business Cost	825,848,378.25	939,746,571.13	-12.12%	
Sales Expenses	67,095,924.79	70,739,571.63	-5.15%	
Management Expenses	28,965,222.08	30,570,312.19	-5.25%	
Financial Expenses	15,972,275.91	24,052,423.13	-33.59%	The working capital loan interest, the long-term loan interest has reduced year-on-year, the bill discount interest has reduced year-on-year
Tax Expenses		-279,426.81	-100.00%	The main reason is the return of the previous year's income tax
Research investment	5,958,788.14	3,505,391.30	69.99%	This period increases the research and development investment
Net Cash Flows from Operating Activities	57,453,880.86	44,206,595.23	29.97%	
Net Cash Flows from Investing	-233,179.58	420,700.50	-155.43%	The purchase of instruments and other

Activities				fixed assets increased substantially
Net Cash Flows from Financing Activities	-170,032,237.93	-27,723,409.01	513.32%	By the impact of inter-year loans, the cash inflow of borrowing decreased
Net Increase in Cash and Cash Equivalents	-112,876,020.24	16,785,382.31	-772.47%	Affected by cross - year reverse loans, cash and cash equivalent outflow increased

The composition or source of profits during the reporting period has undergone major changes

Applicable Inapplicable

No significant changes have taken place in the composition or source of profits during the reporting period.

Main business composition

In RMB Yuan

	Operating income	Operating cost	Gross profit rate	+/- (%) of operating income	+/- (%) of operating cost	+/- (%) of Gross profit rate
Industry-classified						
Export	96,496,753.19	88,060,986.57	8.74%	-28.20%	-31.04%	3.76%
Domestic						
Including: Traffic Bearing	180,697,403.07	167,319,068.98	7.40%	-16.57%	-15.57%	-1.09%
Special Bearing	200,661,444.63	169,033,959.56	15.76%	-18.90%	-22.01%	3.36%
Common Bearing	328,868,655.95	252,510,338.01	23.22%	-0.83%	-1.34%	0.40%
Product-classified						
Bearing	806,724,256.84	676,924,353.12	16.09%	-13.26%	-15.23%	1.96%
Region-classified						
Domestic	710,227,503.65	588,863,366.55	17.09%	-10.73%	-12.22%	1.41%
Foreign	96,496,753.19	88,060,986.57	8.74%	-28.20%	-31.04%	3.76%

III . Non-main business analysis

Applicable Inapplicable

	Amount	As a percentage of total profit	Cause statement	Sustainability or not
Changes in fair value recognised in profit or loss	10,785.96	0.14%	Changes in fair value of trading financial assets	Yes
Nonbusiness income	3,709,347.85	47.73%	Mainly is the debt reorganization gains proportion is big	No
Non-business expenditure	4,923,172.87	63.35%	Mainly is the debt restructuring losses accounted for relatively large	No

IV. Situation of assets and liabilities

1. Major change in asset item

In RMB Yuan

	End of 2019.06.30		End of 2018.06.30		Percentage of change (%)	Statement on major change
	Amount	Percent in total asset	Amount	Percent in total asset		
Monetary capital	195,477,418.19	6.07%	185,921,246.44	5.74%	0.33%	
Account receivable	1,174,053,339.45	36.47%	1,169,506,871.73	36.13%	0.34%	
Inventories	760,873,237.98	23.63%	712,471,443.43	22.01%	1.62%	
Investment property	126,100,684.61	3.92%	132,182,083.40	4.08%	-0.16%	
Long-term equity		0.00%				

investment						
Fixed assets	619,226,691.35	19.23%	665,943,050.67	20.57%	-1.34%	
Construction in process	44,320,267.34	1.38%	84,338,838.27	2.61%	-1.23%	
Short term loan	615,000,000.00	19.10%	615,000,000.00	19.00%	0.10%	

2.Assets and liabilities measured at fair value

Applicable√Inapplicable

In RMB Yuan

item	Opening balance	Changes in fair value for the current period	Changes in the accumulated fair value of an equity	Impairment of the current period	Current purchase amount	Current sale amount	Ending balance
Financial assets							
1.Trading financial assets (excluding derivative financial assets)	298,925.16	10,785.96					309,711.12
The above total	298,925.16	10,785.96					309,711.12
Financial liability	0.00	0.00	0.00	0.00	0.00		0.00

Whether the measurement attribute of the company's main assets has changed significantly during the reporting period

Applicable√Inapplicable

3. Limited asset rights by the end of the reporting period

As of the end of this report, the company's assets and rights are not restricted.

V. investment status analysis

1. General situation

Applicable√Inapplicable

2. Significant equity investment acquired during the reporting period

Applicable√Inapplicable

3. Major non-equity investments being made during the reporting period

Applicable√Inapplicable

4. Financial asset investment

(1) Securities investment

Applicable√Inapplicable

(2) derivatives investment

Applicable√Inapplicable

Company reporting period does not exist derivatives investment.

VI.Sales of major assets and equity

1. Sales of major assets

Applicable√Inapplicable

The company did not sell major assets during the reporting period.

2. Sales of significant equity

Applicable Inapplicable

VII. Analysis on Principal Subsidiaries and Mutual Shareholding Companies

Applicable Inapplicable

Main subsidiaries and joint-stock companies with an impact of more than 10% on the company's net profit

In RMB Yuan

Company name	Company type	Principal business	The registered capital	Total assets	Net assets	Turnover in	Operating profit	Net profit
Liaoyang Bearing company	Subsidiary	Product and Sale Bearing and machine-electrical equipment	19,350,000.00	119,055,293.30	-51,948,256.34	41,343,061.60	-362,855.06	-426,144.06
Dalian Electrical Equipment	Subsidiary	Product and Sale Bearing	10,000,000.00	82,766,754.40	3,943,512.94	48,212,942.95	-5,932,421.40	-5,247,421.40
Wzhou precision spherical roller bearing(Wafangdian) Co.,Ltd.	Subsidiary	Product and Sales Spherical Roller Bearing	194,000,000.00	240,901,186.05	207,361,869.48	69,548,391.24	-387,475.79	-388,031.79

Acquisition and disposal of subsidiaries during the reporting period

Applicable Inapplicable

Description of the main holding companies

VIII. Structured subject control of the company

Applicable Inapplicable

IX. Business performance forecast for January-September 2019

Applicable Inapplicable

It is predicted that the accumulated net profit from the beginning of the year to the end of the next reporting period may be a loss or a big change compared with the same period of last year

Applicable Inapplicable

X The company faces risks and response measures

In high-end bearing are in short supply, mid-range bearing of excess, top big customers failed to meet market expectations, rail transport sector market competition is intense, van new creation and overhaul bearing prices have fallen sharply, cost of raw material material is on the rise, brought some pressure to bearing enterprise, rising labor costs, profit space narrowing of contradictions are still outstanding; The competitive environment is hotter; Customer demand is more diversified, bring no small difficulty for the production organization.

Facing the risks and difficulties in operation, the company actively seeks benefits from management, improves operation quality, and continues to focus on inventory, accounts receivable and supply chain management.

Thoroughly implement the company's quality "quality year" plan, precision realization: P4, P5, P6, Z2. We will tackle five key quality problems. Continue to develop top customers, implement new market research work of urban rail and subway, form research reports, and actively respond to the impact of product price reduction on the company's market efficiency.

Chapter V Significant Events

I. The relevant annual general meeting and extraordinary general meeting held in the report period

i. Shareholders' General Meeting in the report period

Meeting session	Type	Investor participation ratio	Meeting Date	Disclosure Date	Disclosure index
2018 Annual Shareholder's Meeting	Annual Shareholder's Meeting	80.31%	2019.06.26	2019.06.27	http://www.cninfo.com.cn

ii. The shareholders of the preferred shareholders who have resumed the voting are required to convene an extraordinary general meeting

Applicable Inapplicable

II. Preplan for Profit Distribution and Conversion of Capital Reserve into Share Capital in the Reporting Period

Applicable Inapplicable

The Company plans not to distribute cash dividends or bonus shares or turn capital reserve into share capital.

III. Commitments finished in implementation by the Company, shareholders, actual controller, acquirer, directors, supervisors, senior executives or other related parties in the reporting period and commitments unfinished in implementation at the end of the reporting period

Applicable Inapplicable

IV. Engagement/Disengagement of CPAs

Applicable Inapplicable

V. Notice of the Board of Directors and the Supervisory Committee on the "non-standard audit report" of the accounting firm during the reporting period

Applicable Inapplicable

VI. The Board of Directors of the previous year, "non-standard audit report" the relevant circumstances of the note

Applicable Inapplicable

VII. Matters concerning Bankruptcy Reorganization

Applicable Inapplicable

VIII. Significant Lawsuits and Arbitrations

Applicable Inapplicable

IX. Penalty and Rectification

Applicable Inapplicable

X. Integrity of the Company and its Controlling Shareholder and Actual Controller

Applicable Inapplicable

XI. Implementation of the Company's Equity Incentive Plan, Employee Stock Ownership Plan or other Employee Incentive Measures

Applicable Inapplicable

XII. Important Related Transactions

1. The relate transactions related to the day-to-day operations.

Applicable Inapplicable

Relative parties	Relationship	Relative type	Content	Principle of price	Relative Price	Relative Amount(RMB'0000)	The Percentage of accounted for similar deals(%)	Approval amount (RMB'000)	More than the approved amount or not	The Way Of Account	Market price	Disclosure Date	Disclosure Index
Wazhou precision Steel Ball Company	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Merchandise Procurement	Components	Justice and Equity	Market price	202	0.01%	500	No	Cash Payment or The Knot	None		
Wazhou precision Steel Ball Company	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of goods	Goods and Materials	Justice and Equity	Market price	1	0.00%	100	No	Cash Payment or The Knot	None		
Wazhou precision Steel Ball Company	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Land rent	Land rent	Justice and Equity	cost	5	0.00%	20	No	Cash Payment or The Knot	None		
Wazhou precision Steel Ball Company	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Provide Labor Service	Heat treatment, acid pickling	Justice and Equity	Market price	77	0.10%	150	No	Cash Payment or The Knot	None		
Wazhou precision forging Ltd.	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Merchandise Procurement	Components	Justice and Equity	Market price	11,316	0.54%	23,000	No	Cash Payment or The Knot	None		

Wazhou precision forging Ltd.	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of goods	Materials	Justice and Equity	Market price	4,998	0.68%	15,000	No	Cash Payment or The Knot	None		
Wazhou precision forging Ltd.	Other Companies controlled by the same controlling share holders and the ultimate controlling party	House rent	House rent	Justice and Equity	Market price	26	0.02%	110	No	Cash Payment or The Knot	None		
Wazhou precision forging Ltd.	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Land rent	Land rent	Justice and Equity	cost	19	0.01%	80	No	Cash Payment or The Knot	None		
Dalian Wazhou Manufacturing Equipment Co., Ltd	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Merchandise Procurement	Components	Justice and Equity	Market price	463	0.02%	1,500	No	Cash Payment or The Knot	None		
Dalian Wazhou Manufacturing Equipment Co., Ltd	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of products	Materials	Justice and Equity	Market price	8	0.00%	50	No	Cash Payment or The Knot	None		
Dalian Wazhou Manufacturing Equipment Co., Ltd	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Merchandise Procurement	Products	Justice and Equity	Market price	572	0.03%	500	Yes	Cash Payment or The Knot	None		
Dalian Wazhou Manufacturing Equipment Co., Ltd	Other Companies controlled by the same controlling	Merchandise Procurement	Machine	Justice and Equity	Market price	31	0.05%	500	No	Cash Payment or The Knot	None		

	share holders and the ultimate controlling party	ent											
Dalian Wazhou Manufacturing Equipment Co., Ltd	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Provide Service	Heat treatment、pickling	Justice and Equity	Market price	9	0.00%	40	No	Cash Payment or The Knot	None		
Wazhou Group precision Transmission Bearing Co., Ltd	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Merchandise Procurement	Product	Justice and Equity	Market price	0		100	No	Cash Payment or The Knot	None		
Wazhou Group precision Transmission Bearing Co., Ltd	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of products	Components	Justice and Equity	Market price	0		100	No	Cash Payment or The Knot	None		
Wazhou Group precision Transmission Bearing Co., Ltd	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of goods and materials	Materials	Justice and Equity	Market price	173	0.02%	400	No	Cash Payment or The Knot	None		
Wazhou Group precision Transmission Bearing Co., Ltd	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Provide Labor Service	Heat treatment、pickling	Justice and Equity	Market price	53	0.07%	80	No	Cash Payment or The Knot	None		
Wazhou Group precision Transmission Bearing Co., Ltd	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Provide Labor Service	Services fee	Justice and Equity	Market price	132	0.11%	0	Yes	Cash Payment or The Knot	None		

Wazhou Group Special Precision Bearing Company Limited	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Land rent	Land rent	Justice and Equity	Cost	2	0.00%	9	No	Cash Payment or The Knot	None		
Wazhou Group Special Precision Bearing Company Limited	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of goods and materials	Materials	Justice and Equity	Market price	33	0.00%	100	No	Cash Payment or The Knot	None		
Wazhou Group Special Precision Bearing Company Limited	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Machine rent	Machine rent	Justice and Equity	Cost	0		3	No	Cash Payment or The Knot	None		
Wazhou Group Special Precision Bearing Company Limited	Other Companies controlled by the same controlling share holders and the ultimate controlling party	House rent	House rent	Justice and Equity	Market price	13	0.01%	50	No	Cash Payment or The Knot	None		
Wazhou Group Special Precision Bearing Company Limited	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Provide Labor Service	Heat treatment, acid pickling	Justice and Equity	Market price	40	0.05%	60	No	Cash Payment or The Knot	None		
Wazhou Group Special Precision Bearing Company Limited	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Merchandise Procurement	Product	Justice and Equity	Market price	14	0.00%	10	Yes	Cash Payment or The Knot	None		
Wazhou Group Equipment technical	Other Companies controlled by the same controlling	Machine Procurement	Machine	Justice and Equity	Market price	85	0.15%	500	No	Cash Payment or The Knot	None		

engineering Company Limited	share holders and the ultimate controlling party												
Wafangdian Tongda Bearing Manufacturing Co., Ltd	Other Related party	Merchandise Procurement	Product	Justice and Equity	Market price	131	0.01%	9,000	No	Cash Payment or The Knot	None		
Wafangdian Tongda Bearing Manufacturing Co., Ltd	Other Related party	Sales of Materials	Materials	Justice and Equity	Market price	38	0.01%	150	No	Cash Payment or The Knot	None		
Wafangdian Tongda Bearing Manufacturing Co., Ltd	Other Related party	Sales of Product	Product	Justice and Equity	Market price	0		200	No	Cash Payment or The Knot	None		
Wafangdian Tongda Bearing Manufacturing Co., Ltd	Other Related party	Provide Service	Heat treatment、acid pickling	Justice and Equity	Market price	2	0.00%	10	No	Cash Payment or The Knot	None		
Da Lian Wazhou Fengyuan Machine Co.,Ltd	Other Related party	Merchandise Procurement	Components	Justice and Equity	Market price	56	0.00%	10,000	No	Cash Payment or The Knot	None		
Da Lian Wazhou Fengyuan Machine Co.,Ltd	Other Related party	House rent	House rent	Justice and Equity	Market price	3	0.00%	10	No	Cash Payment or The Knot	None		
Da Lian Wazhou Fengyuan Machine Co.,Ltd	Other Related party	Accepting Labor Service	Service Fee	Justice and Equity	Market price	58	0.05%	0	Yes	Cash Payment or The Knot	None		
Da Lian Wazhou Jin Zhou Machine Co.,Ltd	Other Related party	Merchandise Procurement	Components	Justice and Equity	Market price	488	0.02%	2,000	No	Cash Payment or The Knot	None		
Da Lian Wazhou Jin Zhou Machine Co.,Ltd	Other Related party	House rent	House rent	Justice and Equity	Market price	20	0.01%	80	No	Cash Payment or The Knot	None		
Da Lian Wazhou Jin Zhou Machine Co.,Ltd	Other Related party	Provide Service	Heat treatment、	Justice and Equity	Market price	1	0.00%	20	No	Cash Payment or The Knot	None		

			acid pickling										
Wazhou group (USA) bearing co., LTD	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of Products	Product	Justice and Equity	Market price	2,512	0.63%	6,000	No	Cash Payment or The Knot	None		
Wazhou group high-end automobile bearing co., LTD	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Merchandise Procurement	Product	Justice and Equity	Market price	3,367	0.16%	10,000	No	Cash Payment or The Knot	None		
Wazhou group high-end automobile bearing co., LTD	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of Products	Product	Justice and Equity	Market price	578	0.15%	4,000	No	Cash Payment or The Knot	None		
Wazhou group high-end automobile bearing co., LTD	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of Materials	Materials	Justice and Equity	Market price	11	0.00%	500	No	Cash Payment or The Knot	None		
Wazhou group high-end automobile bearing co., LTD	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of Products	Components	Justice and Equity	Market price	416	0.14%	2,000	No	Cash Payment or The Knot	None		
Wazhou group high-end automobile bearing co., LTD	Other Companies controlled by the same controlling share holders and the ultimate controlling party	House rent	House rent	Justice and Equity	Market price	258	0.16%	600	No	Cash Payment or The Knot	None		
Wazhou group high-end automobile bearing co., LTD	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Machine rent	Machine rent	Justice and Equity	Cost	610	0.37%	1,100	No	Cash Payment or The Knot	None		
Wazhou group	Other Companies	Provide	Heat	Justice and	Market	0		25	No	Cash	None		

high-end automobile bearing co., LTD	controlled by the same controlling share holders and the ultimate controlling party	Service	treatment、acid pickling	Equity	price						Payment or The Knot		
Wazhou Group Precision Roller limited company	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Merchandise Procurement	Components	Justice and Equity	Market price	6,140	0.29%	12,000	No		Cash Payment or The Knot	None	
Wazhou Group Precision Roller limited company	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of products	Components	Justice and Equity	Market price	548	0.19%	500	Yes		Cash Payment or The Knot	None	
Wazhou Group Precision Roller limited company	Other Companies controlled by the same controlling share holders and the ultimate controlling party	House rent	House rent	Justice and Equity	Market price	24	0.01%	50	No		Cash Payment or The Knot	None	
Wazhou Group Precision Roller limited company	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Machine rent	Machine rent	Justice and Equity	Cost	492	0.30%	1,000	No		Cash Payment or The Knot	None	
Wazhou Group Precision Roller limited company	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Land rent	Land rent	Justice and Equity	Cost	10	0.01%	21	No		Cash Payment or The Knot	None	
Wazhou Group Precision Roller limited company	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Provide Service	Heat treatment、acid pickling	Justice and Equity	Market price	600	0.77%	1,500	No		Cash Payment or The Knot	None	
Wazhou Group Precision Roller limited company	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of Materials	Materials	Justice and Equity	Market price	2,086	0.28%	5,000	No		Cash Payment or The Knot	None	

Wazhou Group Precision Retainer Limited Company	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Merchandise Procurement	Components	Justice and Equity	Market price	2,266	0.11%	6,000	No	Cash Payment or The Knot	None		
Wazhou Group Precision Retainer Limited Company	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of Materials	Materials	Justice and Equity	Market price	9	0.00%	50	No	Cash Payment or The Knot	None		
Wazhou Group Precision Retainer Limited Company	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Machine rent	Machine rent	Justice and Equity	Cost	124	0.07%	250	No	Cash Payment or The Knot	None		
Wazhou Group Precision Retainer Limited Company	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Land rent	Land rent	Justice and Equity	Cost	13	0.01%	26	No	Cash Payment or The Knot	None		
Wazhou Group Precision Retainer Limited Company	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of products	Components	Justice and Equity	Market price	0		50	No	Cash Payment or The Knot	None		
Wazhou Group Precision Retainer Limited Company	Other Companies controlled by the same controlling share holders and the ultimate controlling party	House rent	House rent	Justice and Equity	Market price	38	0.02%	90	No	Cash Payment or The Knot	None		
Wazhou Group Precision Retainer Limited Company	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Provide Service	Heat treatment、pickling	Justice and Equity	Market price	0		5	No	Cash Payment or The Knot	None		
Wazhou Group	Other Companies controlled by the	Merchandise	Product	Justice and Equity	Market price	82	0.00%	100	No	Cash Payment or	None		

Wind power Bearing Ltd	same controlling share holders and the ultimate controlling party	Procurement									The Knot			
Wazhou Group Wind power Bearing Ltd	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of Products	Product	Justice and Equity	Market price	547	0.14%	3,000	No	Cash Payment or The Knot	None			
Wazhou Group Wind power Bearing Ltd	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of Materials	Materials	Justice and Equity	Market price	6	0.00%	700	No	Cash Payment or The Knot	None			
Kugel- und Rollenlagerwerk Leipzig GmbH	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of Product	Product	Justice and Equity	Market price	320	0.08%	700	No	Cash Payment or The Knot	None			
Kugel- und Rollenlagerwerk Leipzig GmbH	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Accepting labor services	Technology development services	Justice and Equity	Market price	88	0.07%	0	Yes	Cash Payment or The Knot	None			
Wafangdian bearing Power Limited Company	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Fuel Power Procurement	warter	Justice and Equity	Agreement	10	0.01%	40	No	Cash Payment or The Knot	None			
Wafangdian bearing Power Limited Company	Other Companies controlled by the same controlling share holders and the ultimate	Fuel Power Procurement	electricity	Justice and Equity	Agreement	806	0.86%	1,800	No	Cash Payment or The Knot	None			

	controlling party												
Wafangdian bearing Power Limited Company	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Fuel Power Procurement	heating	Justice and Equity	Agreement	118	0.13%	200	No	Cash Payment or The Knot	None		
Wafangdian bearing Power Limited Company	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Accepting labor services	maintenance cost	Justice and Equity	Cost	21	0.02%	60	No	Cash Payment or The Knot	None		
Wafangdian bearing Power Limited Company	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Purchase equipment	equipment	Justice and Equity	Government price	8	0.01%	0	Yes	Cash Payment or The Knot	None		
Wazhou Group Bearing Engineering technology research center	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Receive Service	Technology Development Service	Justice and Equity	Agreement	508	0.41%	1,000	No	Cash Payment or The Knot	None		
Wazhou Group	The controlling share holders and the ultimate controlling party	Lease of Houses	Lease of Houses	Justice and Equity	Market price	639	1.09%	1,200	No	Cash Payment or The Knot	None		
Wazhou Group	The controlling share holders and the ultimate controlling party	Lease of land	Lease of land	Justice and Equity	Cost	85	0.11%	400	No	Cash Payment or The Knot	None		
Wazhou Group	The controlling share holders and the ultimate controlling party	Lease	Lease of machine	Justice and Equity	Cost	71	0.09%	300	No	Cash Payment or The Knot	None		
Wazhou Group	The controlling share holders and	Sales of Merchandise	Merchandise	Justice and Equity	Market price	3	0.00%	20	No	Cash Payment or	None		

	the ultimate controlling party	ise								The Knot			
Wazhou Group	The controlling share holders and the ultimate controlling party	Accepting Service	Security and Fire Service	Justice and Equity	Agreement	111	0.09%	200	No	Cash Payment or The Knot	None		
Wazhou Group	The controlling share holders and the ultimate controlling party	Merchandise Procurement	Product	Justice and Equity	Market price	16,629	0.80%	30,000	No	Cash Payment or The Knot	None		
Wazhou Group	The controlling share holders and the ultimate controlling party	Accepting Service	Trademark use	Justice and Equity	Agreement	364	0.25%	900	No	Cash Payment or The Knot	None		
Wazhou Group	The controlling share holders and the ultimate controlling party	Sales of products	Components	Justice and Equity	Market price	1,926	0.67%	5,000	No	Cash Payment or The Knot	None		
Wazhou Group	The controlling share holders and the ultimate controlling party	Purchase equipment	equipment	Justice and Equity	Market price	460	0.79%	0	Yes	Cash Payment or The Knot	None		
total				--	--	61,973	--	160,819	--	--	--	--	--
Details of large sales returns				non									
The actual performance during the reporting period (if any) of the estimated total amount of the daily related transactions to occur in the current period by category				non									
Reasons for the large difference between the transaction price and the market reference price (if applicable)				In-applicable									

2. Related transactions concerning acquisition and sales of assets or equity

Applicable Inapplicable

3. Related transactions concerning joint investment in foreign countries

Applicable Inapplicable

4. Current Associated Rights of Credit and Liabilities

Applicable Inapplicable

Whether there are non - operating related debt and debt transactionsInapplicable

Applicable Inapplicable

5. Other Major Related Transactions

Applicable Inapplicable

XIII. Non-operational Occupancy of the Company's Capital by the Controlling Shareholder and its Related Parties

Applicable Inapplicable

XIV. Important Contracts and Implementation

1. Custody, Contracting and Leases

(1) Custody

Applicable Inapplicable

(2) Contracting

Applicable Inapplicable

(3) Leases

Lease fact sheet

All leases of the company are associated leases. See important items xii in section 5 for details.

The profit and loss brought to the company reaches more than 10% of the total profit during the reporting period

Applicable Inapplicable

During the reporting period, there is no leasing project that brings profit and loss of the company to more than 10% of the total profit during the reporting period.

2. Significant Guarantees

Applicable Inapplicable

3. Other Major Contracts

Applicable Inapplicable

Company reporting period does not exist other major contracts.

XV. Social Responsibility

1. Major environmental protection issues

Whether the listed company and its subsidiaries are key pollutant discharging units announced by environmental protection authorities

no

The company and its subsidiaries are not key pollutant discharging units announced by environmental protection authorities

1. Major environmental protection issues

Whether the listed company and its subsidiaries are key pollutant discharging units announced by environmental protection authorities

no

The company and its subsidiaries are not key pollutant discharging units announced by environmental protection authorities

XVI. Notes to Other Significant Events

Applicable Inapplicable

XVII. Significant Events of the Company's Subsidiaries

Applicable Inapplicable

Chapter VI. Changes in Capital Stock and Shareholders

I. Changes in Capital Stock

1. Changes of shares

Unit:share

	Before Changes		Changes in Shares					After Changes	
	Shares	Ratio	New Shares Issued	Bonus Shares	Conversion of Reserves to Share	Others	Subtotal	Shares	Ratio
1.Non-tradable Shares	244,000,000	60.61%						244,000,000	60.61%
a. Promoters' Shares	244,000,000	60.61%						244,000,000	60.61%
Including: State-owned share	244,000,000	60.61%						244,000,000	60.61%
2.Tradable shares	158,600,000	39.39%						158,600,000	39.39%
b.B shares	158,600,000	39.39%						158,600,000	39.39%
3.Total	402,600,000	100.00%						402,600,000	100.00%

Reason of Changes of Shares

Applicable Inapplicable

Approval of share changes

Applicable Inapplicable

The transfer of shares of

Applicable Inapplicable

Implementation progress of share repurchase

Applicable Inapplicable

Implementation progress of reducing share repurchase through centralized bidding

Applicable Inapplicable

The influence of share changes on the most recent year and the most recent period of basic earnings per share and diluted

earnings per share, net assets per share attributable to the company's common shareholders and other financial indicators

Applicable Inapplicable

Other information the company deems necessary or required by the securities regulatory authorities to disclose

Applicable Inapplicable

Changes of restricted shares sold

Applicable Inapplicable

II. Issuing and Listing

Applicable Inapplicable

III. Shareholders and Actual Controlling Shareholder

1. Number of Shareholders and Shares

Unit: Share

Total number of shareholder at the end of report period	6,493		Total number of shareholder at the end of report period with preferred stock	0				
Common shareholders holding more than 5% or the top 10 common shareholders holding the situation								
Name	Nature	Ratio (%)	Total shares held	Increase or Decrease in hereport period	Non-current shares held	Current shares held	Impawned or Frozen Shares	
							Status	Amount
Wafangdian Bearing Group Corporation	State-owned shareholder	60.60%	244,000,000		244,000,000			

AKTIEBOLAGET SKF	Foreign shareholder	19.70%	79,300,000			79,300,000		
China Merchants Securities Hong Kong Co., Limited	State-owned shareholder	1.75%	7,028,838			7,028,838		
Huang Junyue	Domestic shareholder	1.59%	6,411,068			6,411,068		
Hu Xiaofeng	Domestic shareholder	0.47%	1,879,277			1,879,277		
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign shareholder	0.34%	1,382,406			1,382,406		
Jin Yunhua	Domestic shareholder	0.33%	1,311,256			1,311,256		
Chen Haitao	Domestic shareholder	0.19%	750,896			750,896		
MAN,KWAI WING 文贵荣	Foreign private shareholder	0.18%	713,101			713,101		
Meng Qingliang	Domestic shareholder	0.17%	694,948			694,948		

A statement of the above shareholders' association or concerted action
 Among the top 10 shareholders of the company, there is no association or consistent action between the largest shareholder and other shareholders or top 10 shareholders of tradable shares, and it is unknown whether there is any association or consistent action between other shareholders, top 10 shareholders of tradable shares or top 10 shareholders of tradable shares and other shareholders.

Top Ten Tradable Shareholders

Name	Current shares held at end of year	Category of Shares	
		Categories	Amount
AKTIEBOLAGET SKF	79,300,000	B	79,300,000
China Merchants Securities Hong Kong Co., Limited	7,028,838	B	7,028,838
Huang Junyue	6,411,068	B	6,411,068
Hu Xiaofeng	1,879,277	B	1,879,277
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	1,382,406	B	1,382,406
Jin Yunhua	1,311,256	B	1,311,256
Chen Haitao	750,896	B	750,896
MAN,KWAI WING 文贵荣	713,101	B	713,101
Meng Qingliang	694,948	B	694,948
Zhou LIN	575,100	B	575,100

A statement of the association or concerted action between the top 10 ordinary shareholders and between the top 10 ordinary shareholders and the top 10 ordinary shareholders
 The association and concerted action among the top ten shareholders of tradable shares and between the top ten shareholders of tradable shares and other shareholders are unknown.

Whether the top 10 ordinary shareholders of the company and the top 10 ordinary shareholders of the company shall conduct agreed repurchase transactions during the reporting period

Applicable Inapplicable

The top 10 ordinary shareholders of the company and the top 10 ordinary shareholders of the company under the conditions of unlimited sale did not carry out the agreed repurchase transaction during the reporting period.

IV Change of Controlling Shareholder Actual Controller in the Report Period

Change of controlling shareholder during the reporting period

Applicable Inapplicable

The controlling shareholders have not changed during the reporting period.

The actual controller changes during the reporting period

Applicable Inapplicable

The actual controller of the company during the reporting period has not changed.

Chapter VII. Relevant information about preferred stock

Applicable Inapplicable

No preferred shares exist during the reporting period.

Chapter VIII. Directors, Supervisors, Senior Management and Staff

I. Shares holding change in Directors, Supervisors, Senior Management

Applicable Inapplicable

The shareholding of directors, supervisors and senior managers of the company has not changed during the reporting period.

For details, please refer to the 2018 annual report.

II. Changes of Directors, Supervisors and Senior Management

Applicable Inapplicable

The shareholding of directors, supervisors and senior managers of the company has not changed during the reporting period.

For details, please refer to the 2018 annual report.

Chapter IX. Corporate bonds

Does the company have corporate bonds which are publicly issued and listed on the stock exchange and which are not due on the date of approval of the semi-annual report or which are not redeemed in full at maturity

No

Chapter X. Financial Report

I. Audit Report

The financial report is unaudited

II. Financial Statement

The unit of financial statements in the notes is: RMB yuan

1. Consolidated Balance Sheet.

organization unit: Wafangdian bearing co. LTD

Unit: RMB Yuan

Item	Closing Balance	Opening Balance
Current assets :		
Monetary fund	195,477,418.19	247,229,860.99
Financial assets held-for-trading	309,711.12	
Financial asset measured at FV and any change recognized in income		298,925.16
Bills receivable	122,062,605.16	93,624,563.82
Account receivable	1,174,053,339.45	1,141,632,991.76
Account paid in advance	23,937,177.80	21,885,856.45
Other receivables	30,751,841.81	92,255,736.14
Include: Interest receivable		
Dividend receivable	1,250,000.00	1,250,000.00
Inventory	760,873,237.98	747,511,054.75
Other current assets	13,583,330.33	14,184,383.36
Total current assets	2,321,048,661.84	2,358,623,372.43
Non-current assets		
Financial assets available-for-sale	2,000,000.00	2,000,000.00

Other equity instruments investment	9,926,856.64	
Other non-current financial assets		
Investment property	126,100,684.61	129,270,498.66
Fixed assets	619,226,691.35	661,598,663.85
Construction in progress	44,320,267.34	48,159,927.20
Intangible assets	84,078,732.64	85,667,085.86
Long-term prepaid expense	1,042,282.10	1,208,536.46
Deferred tax assets	11,639,248.03	11,639,248.03
Other non-current assets		
Total non-current assets	898,334,762.71	939,543,960.06
Total assets	3,219,383,424.55	3,298,167,332.49
Current liabilities:		
Short-term loan	615,000,000.00	620,000,000.00
Note payable	428,330,689.39	343,636,065.16
Accounts payable	608,304,310.45	714,437,792.49
Accounts received in advance	23,641,455.48	21,286,971.52
Accrued payroll	11,920,350.60	12,248,327.93
Tax payable	6,314,956.68	7,242,006.46
Other payables	72,544,167.67	131,854,654.39
Interest payable	169,110.83	748,135.28
Dividends payable	360,000.00	360,000.00
Non-current liabilities due within one year		
Other current liabilities	4,920,248.12	4,920,248.12
Total current liabilities	1,770,976,178.39	1,855,626,066.07
Non-current liabilities		
Long-term payables	396,698.98	396,698.98
Long - term employee compensation		
Estimated debts		
Deferred income	59,372,257.80	61,284,650.74
Deferred tax liabilities	836,872.15	836,872.15
Other non-current liabilities		
Total non-current liabilities	60,605,828.93	62,518,221.87
Total liabilities	1,831,582,007.32	1,918,144,287.94
Owner's equity (shareholders' equity)		
Capital stock	402,600,000.00	402,600,000.00
Capital stock	485,691,050.47	485,691,050.47
reasonable reserve	7,305.25	
Surplus reserve	136,770,391.01	136,770,391.01
Undistributed profit	362,732,670.50	354,961,603.07
Total owner's equity attributable to the parent company	1,387,801,417.23	1,380,023,044.55
Minority interest		
Total owner's equity	1,387,801,417.23	1,380,023,044.55
Total owner's equity and liabilities	3,219,383,424.55	3,298,167,332.49

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	190,006,139.24	146,186,890.65
Financial assets held-for-trading	309,711.12	
Financial asset measured at FV and any change recognized in income		298,925.16
Bills receivable	116,789,040.53	89,620,372.80
Account receivable	1,181,757,010.27	1,209,757,673.66
Account paid in advance	20,860,122.09	19,008,909.78
Other receivables	13,782,029.47	14,963,827.46
Include:Interest receivable		
Dividend receivable	1,250,000.00	1,250,000.00
Inventory	706,528,184.46	680,255,742.99
Other current assets	13,500,356.67	13,765,726.62
Total current assets	2,243,532,593.85	2,173,858,069.12
Non-current assets		
Financial assets available-for-sale	2,000,000.00	2,000,000.00
Long-term equity investment	211,583,897.67	211,583,897.67
Other equity instruments investment	9,926,856.64	
Other non-current financial assets		
Investment property	110,603,233.54	113,277,687.13
Fixed assets	428,767,626.36	460,415,212.74
Construction in progress	43,702,518.24	47,699,459.65
Gas and petrol assets		
Intangible assets	66,443,969.57	67,683,392.22
Long-term prepaid expense	879,369.07	1,017,695.53
Deferred tax assets	10,350,000.00	10,350,000.00
Other non-current assets		
Total non-current assets	884,257,471.09	914,027,344.94
Total assets	3,127,790,064.94	3,087,885,414.06
Current liabilities		
Short-term loan	615,000,000.00	620,000,000.00
Note payable	428,330,689.39	343,636,065.16
Accounts payable	528,315,115.31	585,972,014.52
Accounts received in advance	25,158,817.65	21,976,484.62
Contract liability		
Accrued payroll	5,358,709.97	5,520,469.68
Tax payable	2,926,500.91	4,783,202.06
Other payables	49,735,666.57	50,471,992.39
Include:Interest payable	169,110.83	748,135.28
Dividends payable	360,000.00	360,000.00
Other current liabilities	3,869,474.53	3,869,474.53
Total current liabilities	1,658,694,974.33	1,636,229,702.96
Non-current liabilities		
Long-term borrowing		
Long-term account payable	296,698.98	296,698.98
Deferred income	27,759,564.83	29,671,957.77
Deferred tax liabilities		
Other non-current liabilities		

Total non-current liabilities	28,056,263.81	29,968,656.75
Total liabilities	1,686,751,238.14	1,666,198,359.71
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
Surplus reserve	136,770,391.01	136,770,391.01
Undistributed profit	415,989,992.53	396,638,220.08
Total owner's equity	1,441,038,826.80	1,421,687,054.35
Total owner's equity and liabilities	3,127,790,064.94	3,087,885,414.06

3. Consolidated Income Sheet.

Unit: RMB Yuan

Item	Account for the current period	Account for the prior period
1.Total operating income	957,539,400.42	1,074,867,981.68
Operating revenue	957,539,400.42	1,074,867,981.68
Interest income		
2.Total operating cost	951,356,615.60	1,077,180,798.60
Operating cost	825,848,378.25	939,746,571.13
Interest expenses		
Tax & surcharges for main operations	7,516,026.43	8,592,102.92
Selling expenses	67,095,924.79	70,739,571.63
Administrative expense	28,965,222.08	30,570,312.19
Research and development expense	5,958,788.14	3,505,391.30
Financial expense	15,972,275.91	24,052,423.13
Including: interest expenses	14,684,202.27	14,765,355.42
interest revenue	976,354.49	345,878.37
Add:Other income	3,841,477.86	2,155,428.15
Investment income(loss with "-")		
Gains of change of fair value of assets(loss with "-")	10,785.96	
Assets impairment loss(loss with "-")		-12,786.85
Asset disposal income (loss with "-")	-1,050,156.19	243,495.82
3.Operating profit (loss with "-")	8,984,892.45	73,320.20
Add: Non-operating revenue	3,709,347.85	3,147,204.28
Less: Non-operating cost	4,923,172.87	185,971.17
4.Total profit(loss with "-")	7,771,067.43	3,034,553.31
Less: Income tax expenses		-279,426.81
5. Net profit(Loss with "-")	7,771,067.43	3,313,980.12
(I) classification by business continuity		
(1) continuous operating net profit (net loss is marked with "-")	7,771,067.43	3,313,980.12
(2) termination of net profit (net loss is marked with "-")		
(II) classification by ownership		
Net profit attributable to shareholders of parent company	7,771,067.43	3,313,980.12
Minority interests		
6.Net after-tax income of other comprehensive income		
Net after-tax of other comprehensive income attributable to the owner of the parent company		
(1) other comprehensive income that cannot be reclassified into profit or loss		
1. Re-measure the change amount of the defined benefit plan		

2. Other comprehensive income that cannot be transferred to profit or loss under the equity method		
3. Changes in the fair value of other equity instruments		
4. Changes in the fair value of the enterprise's own credit risk		
5. Other		
(2) other comprehensive income that will be reclassified into profits and losses		
1. Other comprehensive income that can be converted to profit or loss under the equity method		
2. Changes in the fair value of other debt investments		
3. Changes in fair value of financial assets available for sale		
4. The amount of financial assets reclassified into other comprehensive income		
5. Reclassify the investment from hold to maturity into profit and loss of financial assets available for sale		
6. Provisions for credit impairment of other credit investments		
7. Cash flow hedge reserve		
8. Translation difference in foreign currency financial statements		
9. Other		
Net after-tax of other comprehensive income attributable to minority shareholders		
7. Total comprehensive returns	7,771,067.43	3,313,980.12
Total comprehensive returns available for parent company	7,771,067.43	3,313,980.12
Total comprehensive returns available for minority shareholders		
8. Earnings per share		
(1) Basic earnings per share	0.019	0.008
(2) Diluted earnings per share	0.019	0.008

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	967,098,461.53	1,055,959,948.67
Less: Total operating cost	825,848,378.25	929,170,023.73
Tax & surcharges for main operations	6,114,398.13	7,127,550.36
Selling expenses	66,239,051.53	69,335,868.71
Administrative expense	18,787,601.68	19,863,996.75
Research and development expense	5,382,277.77	3,063,141.30
Financial expense	15,979,982.34	18,377,173.41
Including: interest expenses	14,684,202.27	17,046,029.08
interest revenue	960,302.24	333,623.82
Add: Other income	3,841,477.86	1,926,877.94
Investment income(loss with "-")		
Among them: the investment income of joint venture and joint venture		
Income from the termination of a financial asset measured at amortized cost (loss marked with "-")		
Net exposure hedge gain (loss marked with "-")		
Fair value change income (loss marked with "-")	10,785.96	
Credit impairment loss (marked with "-")		
Impairment loss of assets (marked with "-")		-12,786.85

Income from asset disposal (loss marked with "-")	3,591.74	243,495.82
2. Operating profit (loss with "-")	21,186,752.47	11,205,355.02
Add: Non-operating revenue	3,023,847.85	2,761,588.64
Less: Non-operating cost	4,858,827.87	5,855,331.41
3. Total profit (loss with "-")	19,351,772.45	8,111,612.25
Less: Income tax expenses		-279,426.81
4. Net profit (Loss with "-")	19,351,772.45	8,391,039.06
(1) continuous operating net profit (net loss is marked with "-")	19,351,772.45	8,391,039.06
(2) termination of net profit (net loss is marked with "-")		
Net after-tax income of other comprehensive income		
(1) other comprehensive income that cannot be reclassified into profit or loss		
1. Re-measure the change amount of the defined benefit plan		
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method		
3. Changes in the fair value of other equity instruments		
4. Changes in the fair value of the enterprise's own credit risk		
5. Other		
(2) other comprehensive income that will be reclassified into profits and losses		
1. Other comprehensive income that can be converted to profit or loss under the equity method		
2. Changes in the fair value of other debt investments		
3. Changes in fair value of financial assets available for sale		
4. The amount of financial assets reclassified into other comprehensive income		
5. Reclassify the investment from hold to maturity into profit and loss of financial assets available for sale		
6. Provisions for credit impairment of other credit investments		
7. Cash flow hedge reserve		
8. Translation difference in foreign currency financial statements		
9. Other		
6. Total comprehensive returns	19,351,772.45	8,391,039.06
7. Earnings per share		
(1) Basic earnings per share	0.048	0.021
(2) Diluted earnings per share	0.048	0.021

5. Consolidated Cash Flow Statement.

Unit: RMB yuan

Item	Account for the current period	Account for the prior period
I. cash flow generated from business activities:		
Cash received for selling goods and providing services	577,148,383.49	473,793,646.35
Net increase in customer deposits and interbank deposits		
Net increase in borrowing from the central bank		
Net increase in funds borrowed from other financial institutions		
Cash received from the premium of the original insurance contract		
Received net reinsurance cash		
Net increase in household savings and investment funds		
Cash for interest, fees and commissions		
Net increase in borrowing funds		
Net cash received for buying and selling securities		
Tax refunds received		
Receiving other cash related to operating activities	63,574,455.78	914,421.41
Subtotal cash inflow from operating activities	640,722,839.27	474,708,067.76
Cash payment for goods and services		
Net cash received for buying and selling securities	282,865,029.33	214,448,371.39

Net increase in customer loans and advances		
Net increase in central bank and interbank deposits		
Cash payment for the original insurance contract		
Net increase in financial assets held for trading purposes		
Net increase in the funds removed		
Cash to pay interest, fees and commissions		
Cash to pay policy dividends		
Cash paid to and for employees	126,331,776.48	119,948,971.31
Tax payments	21,808,215.69	40,270,692.83
Other cash paid relating to operating activities	152,263,936.91	55,833,437.00
Sub-total of cash outflows	583,268,958.41	430,501,472.53
Net cash flows from operating activities	57,453,880.86	44,206,595.23
II. Cash flow generated from investment activities:		
Recovery of cash received from investments		
Cash received on investment income		
The net cash recovered from the disposal of fixed assets, intangible assets and other long-term assets	875,012.42	1,251,120.00
Dispose of net cash received by subsidiaries and other business units		
Receive other cash related to investment activities		
Subtotal of cash inflow from investment activities	875,012.42	1,251,120.00
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets	1,108,192.00	830,419.50
Cash paid for investments		
Net increase in pledged loans		
Obtain net cash paid by subsidiaries and other business units		
Pay other cash related to investment activities		
Subtotal cash outflow from investment activities	1,108,192.00	830,419.50
Net cash flow from investment activities	-233,179.58	420,700.50
III. Cash flow generated from financing activities:		
Absorb cash received from investments		
Among them: the subsidiary to absorb minority shareholders investment received cash		
Obtain the cash received from the loan	45,000,000.00	90,000,000.00
Cash received by issuing bonds		
Receipt of other cash related to fund-raising activities	33,843,584.00	328,905,975.40
Subtotal of cash inflow from financing activities	78,843,584.00	418,905,975.40
A cash payment to repay a debt	50,000,000.00	182,064,872.18
Cash to distribute dividends, profits, or interest payments	13,170,374.03	15,666,321.40
Among them: dividends and profits paid by subsidiaries to minority shareholders		
Payment of other cash related to fund-raising activities	185,705,447.90	248,898,190.83
Cash outflow from financing activities subtotal	248,875,821.93	446,629,384.41
Net cash flow from financing activities	-170,032,237.93	-27,723,409.01
4. Effects of foreign exchange rate changes on cash	-64,483.59	-118,504.41
5. Net increases in cash and cash equivalents	-112,876,020.24	16,785,382.31
Add: cash and cash equivalent, at the beginning of year	188,431,805.23	58,043,497.54
6. Cash and cash equivalent at the end of the year	75,555,784.99	74,828,879.85

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 rendering of services	550,559,888.92	467,167,711.85
Refund of taxes and fares		
Other cash received relating to operating activities	3,606,912.93	859,015.98
Sub-total of cash inflows	554,166,801.85	468,026,727.83
Cash paid for goods and services	227,158,557.86	242,795,410.65
Cash paid to or on behalf of the employees	105,551,900.80	95,982,327.94
Tax payments	16,552,862.63	34,029,224.90
Other cash paid relating to operating activities	51,892,148.31	51,488,741.86
Sub-total of cash outflows	401,155,469.60	424,295,705.35
Net cash flows from operating activities	153,011,332.25	43,731,022.48
2.Cash flows from investing activities		
Cash received from investment incomes		
Obtain the cash received from the investment income.		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	875,012.42	1,251,120.00
Proceeds from sale of subsidiaries and other operating units		
Other cash received relating to investing activities		
Sub-total of cash inflows	875,012.42	1,251,120.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets	1,093,952.00	803,269.50
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	1,093,952.00	803,269.50
Net cash flows from investment activities	-218,939.58	447,850.50
3.Cash flows from financing activities		
Cash received from absorbing investment		
Proceeds from borrowings	45,000,000.00	90,000,000.00
Other proceeds relating to financing activities	33,843,584.00	328,905,975.40
Sub-total of cash inflows	78,843,584.00	418,905,975.40
Repayment of borrowings	50,000,000.00	182,064,872.18
Distribution of dividends or profits & interest expenses	13,170,374.03	15,665,802.99
Cash paid for other financing activities	185,705,447.90	248,898,190.83
Sub-total of cash outflows	248,875,821.93	446,628,866.00
Net cash flows from financing activities	-170,032,237.93	-27,722,890.60
4. Effects of foreign exchange rate changes on cash	-64,483.59	-118,504.41
5.Net increases in cash and cash equivalents	-17,304,328.85	16,337,477.97
Add: cash and cash equivalent, at the beginning of year	87,388,834.89	54,083,755.28
6.Cash and cash equivalent at the end of the year	70,084,506.04	70,421,233.25

7. Consolidated Sheet Of Changes In Shareholder's Equity

Current amount

Unit: RMB Yuan

Item	Amount in current period														Minority shareholders' equity	Owner's equity
	Owner's equity attributable to parent company													total		
	Capital stock	Other equity instruments			Capital public reserves	less: treasury stock	other comprehensive income	appropriative reserve	Surplus public reserves	General provision for risk	Undistributed profits	Others				
	Preferred shares	Perpetual Capital Securities	Other													
I. Ending balance of last year	402,600,000.00				485,691,050.47				136,770,391.01		354,961,603.07		1,380,023,044.55		1,380,023,044.55	
Plus: accounting policy changes																
Early error correction																
Business combination under the same control other																
II. The beginning balance of the current year	402,600,000.00				485,691,050.47				136,770,391.01		354,961,603.07		1,380,023,044.55		1,380,023,044.55	
III. Amount of increase or decrease or change in the current period (marked with "-" for reduction)								7,305.25			7,771,067.43		7,778,372.68		7,778,372.68	
(I) total comprehensive income											7,771,067.43		7,771,067.43		7,771,067.43	
(II) capital input and reduction by the owner																
1. Common stock invested by the owner																
2. Other equity holders put in capital																
3. Share payment the amount recorded as owners equity																
4. other																



(III) profit distribution															
1. Withdraw surplus reserves															
2. Extract general risk provisions															
3. Distribution to owners (or shareholders)															
4. other															
(IV) internal carry-forward of owners' equity															
1. Conversion of capital reserves to additional capital (or capital stock)															
2. Surplus reserves to additional capital (or equity)															
3. Surplus reserves cover losses															
4. Set up the change of benefit plan and carry forward retained earnings															
5. Other comprehensive income carried forward retained earnings															
6. other															
(V) special reserves									7,305.25					7,305.25	7,305.25
1. This extract									7,305.25					7,305.25	7,305.25
2. In current use															
(VI) others															
iv. Ending balance of the current period	402,600,000.00				485,691,050.47				7,305.25	136,770,391.01				362,732,670.50	1,387,801,417.23

Last term amount

Unit: RMB yuan



Item	Amount in previous period														Minority shareholders' equity	Owner's equity
	Owner's equity attributable to parent company												total			
	Capital stock	Other equity instruments			Capital public reserves	less: treasury stock	other comprehensive income	appropriate reserve	Surplus public reserves	General provision for risk	Undistributed profits	Others				
Preferred shares	Perpetual Capital Securities	Other														
I.Ending balance of last year	402,600,000.00				485,691,050.47				134,278,527.26		362,925,296.98		1,385,494,874.71		1,385,494,874.71	
Plus: accounting policy changes																
Early error correction																
Business combination under the same control other																
II.The beginning balance of the current year	402,600,000.00				485,691,050.47				134,278,527.26		362,925,296.98		1,385,494,874.71		1,385,494,874.71	
III. Amount of increase or decrease or change in the current period (marked with "-" for reduction)									2,491,863.75		-7,963,693.91		-5,471,830.16		-5,471,830.16	
(I) total comprehensive income											10,632,169.84		10,632,169.84		10,632,169.84	
(II) capital input and reduction by																

the owner																
1. Common stock invested by the owner																
2. Other equity holders put in capital																
3. Share payment the amount recorded as owners equity																
4. other																
(III) profit distribution									2,491,863.75		-18,595,863.75		-16,104,000.00		-16,104,000.00	
1. Withdraw surplus reserves									2,491,863.75		-2,491,863.75					
2. Extract general risk provisions																
3. Distribution to owners (or shareholders)											-16,104,000.00		-16,104,000.00		-16,104,000.00	
4. other																
(IV) internal carry-forward of owners' equity																
1. Conversion of capital reserves to additional capital (or capital stock)																
2. Surplus reserves to additional																

capital (or equity)															
3. Surplus reserves cover losses															
4. Set up the change of benefit plan and carry forward retained earnings															
5. Other comprehensive income carried forward retained earnings															
6. other (V) special reserves															
1. This extract															
2. In current use															
(VI) others															
Iv. Ending balance of the current period	402,600,000.00				485,691,050.47				136,770,391.01		354,961,603.07		1,380,023,044.55		1,380,023,044.55

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

Current amount

Unit: RMB yuan

Item	Amount in current period											Owner's equity
	Capital stock	Other equity instruments			Capital public reserves	less: treasure stock	other comprehensive income	appropriate reserve	Surplus public reserves	General provision for risk	Undistributed profits	
		Preferred shares	Perpetual Capital Securities	Other								



Ending balance of last year	402,600,000.00				485,678,443.26				136,770,391.01	396,638,220.08		1,421,687,054.35
Plus: accounting policy changes												
Early error correction												
other												
The beginning balance of the current year	402,600,000.00				485,678,443.26				136,770,391.01	396,638,220.08		1,421,687,054.35
lii. Amount of increase or decrease or change in the current period (marked with "-" for reduction)										19,351,772.45		19,351,772.45
(1) total comprehensive income										19,351,772.45		19,351,772.45
(2) capital input and reduction by the owner												
1. Common stock invested by the owner												
2. Other equity holders put in capital												
3. Share payment the amount recorded as owners equity												
4. other												
(3) profit distribution												
1. Withdraw surplus reserves												
2. Distribution to owners (or shareholders)												
3. other												
(4) internal carry-forward of owners' equity												
1. Conversion of capital reserves to additional capital (or capital stock)												
2. Surplus reserves to additional capital (or equity)												

3. Surplus reserves cover losses												
4. Set up the change of benefit plan and carry forward retained earnings												
5. Other comprehensive income carried forward retained earnings												
6. other												
(5) special reserves												
1. This extract												
2. In current use												
(6) others												
iv. Ending balance of the cu	402,600,000.00				485,678,443.26				136,770,391.01	415,989,992.53		1,441,038,826.80

Last term amount

Unit: RMB yuan

Item	Amount in previous period											
	Capital stock	Other equity instruments			Capital public reserves	less: treasure stock	other comprehensive income	appropriate reserve	Surplus public reserves	General provision for risk	Undistributed profits	Owner's equity
		Preferred shares	Perpetual Capital Securities	Other								
Ending balance of last year	402,600,000.00				485,678,443.26				134,278,527.26	390,315,446.36		1,412,872,416.88
Plus: accounting policy changes												
Early error correction												
other												
The beginning balance of the current year	402,600,000.00				485,678,443.26				134,278,527.26	390,315,446.36		1,412,872,416.88
lii. Amount of increase or decrease or change in the									2,491,863.75	6,322,773.72		8,814,637.47



current period (marked with "-" for reduction)													
(1) total comprehensive income											24,918,637.47		24,918,637.47
(2) capital input and reduction by the owner													
1. Common stock invested by the owner													
2. Other equity holders put in capital													
3. Share payment the amount recorded as owners equity													
4. other													
(3) profit distribution									2,491,863.75	-18,595,863.75			-16,104,000.00
1. Withdraw surplus reserves									2,491,863.75	-2,491,863.75			
2. Distribution to owners (or shareholders)										-16,104,000.00			-16,104,000.00
3. other													
(4) internal carry-forward of owners' equity													
1. Conversion of capital reserves to additional capital (or capital stock)													
2. Surplus reserves to additional capital (or equity)													



3. Surplus reserves cover losses												
4. Set up the change of benefit plan and carry forward retained earnings												
5. Other comprehensive income carried forward retained earnings												
6. other												
(5) special reserves												
1. This extract												
2. In current use												
(6) others												
Iv. Ending balance of the cu	402,600,000.00				485,678,443.26				136,770,391.01	396,638,220.08		1,421,687,054.35

III. General Information

Wafangdian Bearing Company Limited (the “Company”, the “Group” is referred to “Company” together with its subsidiaries) 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.

Financial Statement Consolidation Scope

The Group’s financial statements consolidation includes Liaoyang Bearing, Dalian Wazhou Precision Motor Car Bearing Company and Spherical Bearing three companies. There is no change for consolidation scope by comparing to last year.

Please refer to “VII. Change of consolidation scope” and “VIII. Equity within other entity” in the Note to the financial statements.

IV. Financial Statements Preparation Basis

(1) Basis of preparation

The Company’s financial statements are prepared on the basis of going concern assumption,

according to the actual occurred transactions and events and in accordance with ‘Accounting Standards for Business Enterprises’ and relevant regulations, and also based on the note IV “Significant Accounting Policies, Accounting Estimates”.

(2) Going concern

The group has evaluated the going-concern capability for the 12 months from the end of the reporting period, and has found no significant doubts about the going-concern capability. Therefore, the financial statements are prepared on the assumption of going concern.

V. Significant Accounting Policies and Accounting Estimates

Specific accounting policy and estimates reminder: the group established the accounting policy and estimate, such as operation cycle, bad debt recognition and measurement, dispatched inventory measurement and classification of fixed assets and FA’s depreciation, intangible asset’s amortization, revenue recognition and measurement based on the actual characters of business operation.

1. Declaration for compliance with accounting standards for business enterprises

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 starting 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. Accounting for business combination under same control and not under same control

As an acquirer, the assets and liabilities that The Group obtained in a business combination under the same control should be measured on the basis of their carrying amount in the consolidated financial statements 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 asset, liability and contingent liability obtained from the acquirer shall be measured at the fair value on the acquisition date. 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 acquire, and sum of all direct expenses(if the combination is achieved in stages, the combination cost shall be the sum of individual transaction). The difference when combination cost exceeds proportionate share of the fair value of identifiable net assets of

acquiree should be recognized as goodwill. If the combination cost is less than proportionate share of the fair value of identifiable net assets of acquiree, firstly, fair value of identifiable asset, liability or contingent liability shall be reviewed, and so the fair value of non-monetary assets or equity instruments issued in the combination consideration, after review, still the combination cost is less than proportionate share of the fair value of identifiable net assets of acquiree, the difference should be recognized as non-operating income.

6. Method of preparation of consolidated financial statements

All subsidiaries controlled by the Group and structured entities are within the consolidation scope.

If subsidiaries adopt different accounting policy or have different accounting period from the parent company, appropriated adjustments shall be made in accordance with the Group policy in preparation of the consolidated financial statements.

All significant intragroup transactions, outstanding balances and unrealized profit shall be eliminated in full when preparing the consolidated financial statements. Portion of the subsidiary's equity not belonging to the parent, profit, loss for the current period, portion of other comprehensive income and total comprehensive belonging to minority interest, shall be presented separately in the consolidated financial statements under "minority interest of equity", "minority interest of profit and loss", "other comprehensive income attributed to minority interest" and "total comprehensive income attributed to minority interest" title.

If a subsidiary is acquired under common control, its operation results and cash flow shall be consolidated since the beginning of the consolidation period. When preparing the comparative consolidated financial statements, adjustments shall be made to relevant items of comparative figures as regarded that reporting entity established through consolidation has been always there since the point when the ultimate controlling party starts to have the control.

If a business consolidation under common control is finally achieved in stages, consolidation accounting method shall be disclosed additionally for the period in which the control is obtained. For example, if a business consolidation under common control is finally achieved in stages, when preparing the consolidated financial statements, adjustments shall be made for the current consolidation status as if consolidation has always been there since the point when the ultimate controlling party starts to control. In preparation of comparative figures, asset and liability of the acquiree shall be consolidated into the Group's comparative financial statements, but to the extent no earlier than the point when the Group and acquiree are both under ultimate control and relevant items under equity in comparative financial statements shall be adjusted for net asset increased in combination. To avoid the duplicated computation of net asset of acquiree, for long-term equity investment held by the Group before the consolidation, relevant profit and loss, other comprehensive income and movement in other net asset, recognized for the period between the combination date and later date when original shareholding is obtained and when the Group and the acquiree are under common control of same ultimate controlling party, shall be respectively used for writing down the opening balance of retained earnings of comparative financial statements and profit and loss for the current period.

If a subsidiary is acquired not under common control, its operation results and cash flow shall be consolidated since the beginning of the consolidation period. In preparation of the consolidated financial statements, adjustments shall be made to subsidiary's financial

statements based on the fair value of its all identifiable assets, liability or contingent liability on the acquisition date.

If a business consolidation under non-common control is finally achieved in stages, consolidation accounting method shall be disclosed additionally for the period in which the control is obtained. For example, if a business consolidation not under common control is finally achieved in stages, when preparing the consolidated financial statements, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss as investment income for the current period. Other comprehensive income, under equity method accounting rising from the interest held in acquiree in relation to the period before the acquisition, and changes in the value of its other equity other than net profit or loss, other comprehensive income and profit appropriation shall be transferred to investment gain or loss for the period in which the acquisition incurs, excluding the other comprehensive income from the movement on the remeasurement of net asset or liability of defined benefit plan.

When the Group partially disposes of the long –term equity investment in subsidiary without losing the control over it, in the consolidated financial statements, the difference, between disposals price and respective disposed value of share of net assets in the subsidiary since the acquisition date or combination date, shall be adjusted for capital surplus or share premium, no enough capital surplus, then adjusted for retained earnings.

When the Group partially disposes of the long –term equity investment in subsidiary and lose the control over it, in preparation of consolidated financial statements, remaining share of interest in the subsidiary shall be remeasured on the date of losing control. Sum of the share disposal consideration and fair value of remaining portion of shareholding minus the share of the net assets in the subsidiary held based on the previous shareholding percentage since the acquisition date or combination date, the balance of above is recognized as investment gain/loss for the period and goodwill shall be written off accordingly. Other comprehensive income relevant to share investment in subsidiary shall be transferred to investment gain /loss for the period on the date of losing control.

When the Group partially disposes of the long –term equity investment in subsidiary and lose the control over it by stages, if all disposing transactions are bundled, each individual transaction shall be seen as a transaction of disposal of a subsidiary by losing control. The difference between the disposal price and the share of the net assets in the subsidiary held before the date of losing control, shall be recognize as other comprehensive income until the date of losing control where it is transferred into investment gain/ loss for the current period.

7. Joint arrangement classification and joint operation accounting

The Group’s joint arrangement includes joint operation and joint venture. For joint operation, the Group as a joint operator shall recognize its own assets and its share of any assets held jointly, its liabilities and its share of any liabilities incurred jointly, its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly. When an entity enters into a transaction with a joint operation in which it is a joint operator, such as a sale or contribution of assets, it is conducting the transaction with the other parties to the joint operation and, as such, the joint operator shall recognize gains and losses resulting from such a transaction only to the extent of the other parties’ interests in the

joint operation.

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.

(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 other comprehensive income title. 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

A financial asset or liability is recognized when the group becomes a party to a financial instrument contract.

1. Financial assets

(1) classification, confirmation basis and measurement method of financial assets According to the business model of financial assets under management and the contractual cash flow characteristics of financial assets, the group divides financial assets into the following three categories:

1. Financial assets measured at amortized cost.
2. Financial assets measured at fair value and whose changes are included in other comprehensive income.
3. Financial assets measured at fair value and whose changes are recorded into current profits and losses.

Where the financial assets meet the following conditions at the same time, the company shall classify them as financial assets measured at amortized cost:

The business model of the enterprise to manage the financial assets is to receive contract cash flow as the goal.

The contractual terms of the financial asset provide that the cash flow generated on a particular date is only the payment of the principal and the interest based on the outstanding

principal amount.

If the financial assets meet the following conditions at the same time, the company shall classify them as financial assets measured at fair value and whose changes are included into other comprehensive income: the business model of the enterprise to manage the financial assets aims at both collecting contract cash flow and selling the financial assets.

The contractual terms of the financial asset provide that the cash flow generated on a particular date is only the payment of the principal and the interest based on the outstanding principal amount.

In addition to the above two financial assets, the company classifies them as financial assets measured at fair value and whose changes are recorded into current profits and losses.

The financial assets initially recognized by the company shall be measured according to their fair value. According to the "Provisions of Accounting Standards for Business Enterprises No. 39 - Fair Value Measurement", determine the fair value of financial assets at the initial recognition.

(2) Confirmation basis and measurement method of financial asset transfer

The recognition of a financial asset shall be terminated if it meets any of the following conditions:

- ① Termination of the contractual right to receive the cash flow of the financial asset;
- ② the financial assets have been transferred, and the transfer to meet the "Accounting Standards for Business Enterprises No. 23 - Financial Assets Transfer" on the termination of the recognition of financial assets.

For the purchase or sale of financial assets by conventional means, the company acknowledges the assets to be received and liabilities to be assumed on the trading day, or terminates the recognition of the sold assets on the trading day, and at the same time recognizes the disposal gains or losses and the receivables to be collected from the buyer.

(3) The test method and accounting treatment method of impairment of financial assets

The company shall, in accordance with the provisions of the financial instruments standard and on the basis of expected credit losses, conduct impairment accounting treatment of the company's financial assets and recognize the provisions for losses.

Expected credit losses refer to the weighted average of credit losses of financial instruments weighted by the risk of default.

Credit loss refers to the difference between all contract cash flows receivable according to the contract and all expected cash flows received by the company discounted at the original real interest rate, that is, the present value of all cash shortage.

2. Financial liabilities

(1) classification, confirmation basis and measurement method of financial liabilities

Except for the following items, the company classifies financial liabilities as financial liabilities measured at amortized cost:

A、Financial liabilities measured at fair value and whose changes are included in current profits and losses include trading financial liabilities (including derivatives belonging to financial liabilities) and financial liabilities designated as measured at fair value and whose changes are included in current profits and losses.

B、The transfer of financial assets does not meet the conditions for the termination of recognition or continues to involve in the financial liabilities formed by the transferred financial assets. Such financial liabilities shall be measured in accordance with the relevant "Provisions of Accounting Standards for Business Enterprises No. 23 - Financial Asset

Transfer”.

The company's initial financial liabilities shall be measured at fair value. According to the “Provisions of Accounting Standards for Business Enterprises No. 39 - Fair Value Measurement”, determine the financial liability at the initial recognition of the fair value.

(3) conditions for the termination of recognition of financial liabilities

Termination of recognition of a financial liability (or part thereof) when all present obligations of the financial liability have been discharged. If an agreement is signed between the company and its creditors to replace the existing financial liabilities by assuming the new financial liabilities, and the contract terms of the new financial liabilities are substantially different from those of the existing financial liabilities, the existing financial liabilities shall be terminated and the new financial liabilities shall be recognized at the same time. If the company substantially modifies all or part of the contract terms of the existing financial liabilities, it shall terminate the recognition of the existing financial liabilities or part thereof and at the same time recognize the financial liabilities after the modified terms as a new financial liability. The difference between the book value of the part recognized after termination and the consideration paid shall be recorded in (3) the method to determine the fair value of financial assets and financial liabilities

The financial assets and liabilities measured by fair value of the group have financial assets or liabilities in active market, and the fair value is determined by the quotation of active market. The fair value of the financial assets initially acquired or derived or the financial liabilities assumed shall be determined on the basis of the market transaction price; The fair value of financial assets or liabilities without active market is determined by valuation technique. At the time of valuation, the company adopts valuation techniques applicable to the current situation and supported by sufficient available data and other information, selects input values consistent with the asset or liability characteristics considered by market participants in the transaction of related assets or liabilities, and gives priority to the use of relevant observable input values as far as possible. Use non-observable input values when relevant observable input values cannot be obtained or are not pract

11. Receivables

The Group shall review the carrying amount of receivables fully at the balance sheet date. The Group shall calculate the full provision for bad debts for the following receivables: debtor has been log-out, bankruptcy, minus net asset, significant poor cash flow and significant nature disaster leads to discontinue production and the debtors could not pay for the debts within the foreseeable time . Other solid evidences indicates that the receivables could not be paid or be of a slim chance.

The allowance method is applied to the potential loss of bad debt. The Group should make the impairment test separately or in combination and accrue the bad debt provisions which shall be recorded into current profit or loss at the end of the period. If there is defined evidence for the receivables not to or not likely to be received, which shall be recognized as the loss of bad debt and write off the accrued bad debts provisions after going through the approval procedure of the Group.

(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	The bad debt provisions shall be accrued based on

with individually significant amounts	the difference between current value of future cash flow and the carrying amounts.
---------------------------------------	--

(2) Accounts receivable accrued bad debt provision by credit risk portfolio

The basis of portfolio(aging analysis, other method)	
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

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

Related parties	No bad debt provision is needed, unless the related party is unable to pay back
Risk-free	No bad debt provision is needed

(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.

The inventories are processed on perpetual inventory system, and are measured at their budgeted cost on acquisition. The raw materials are accounted daily on their budgeted costs. The differences between the budget and actual costs is recorded into the costs of materials purchased and cost of materials dispatched according to proportion of inventory in stock and dispatched, and adjust the budgeted costs of raw material into actual costs. The working-in-progress and finished goods are accounted on their budgeted costs; the differences between the budgeted costs 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 budgeted costs into actual costs. Inventory usage and dispatch is measured at average cost as actual cost. Low value consumables and packaging materials is recognized in the income statement by one-off method.

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 are the investment in subsidiary, in associated company and in joint venture.

Joint control is the contractual agreement sharing of control over an economic activity by all participants or participants' combination and decisions or policies relating to the operating activity of the entity require the unanimous consent of the parties sharing the control.

Significant influence exists when the entity directly or indirectly owned 20% or more but less than 50% shares with voting rights in the investee company. If holding less than 20% voting

rights, the entity shall also take other facts or circumstances into accounts when judging any significant influences. Factors and circumstances include: representation on the board of directors or equivalent governing body of the investee, participation in financial or operating activities policy-making processes, material transactions between the investor and the investee, interchange of managerial personnel or provision of essential technical information.

When control exists over an investee, the investee is a subsidiary of an entity. The initial investment cost for long-term equity investment acquired through business combination under common control, is the carrying amount presented in the consolidated financial statements of the share of net assets at the combination date in the acquired company. If the carrying amount of net assets at the combination date in the acquired company is negative, investment shall be recognized at zero.

If the equity of investee under common control is acquired by stages and business combination incurs in the end, an entity shall disclose the accounting method for long-term equity investment in the parent financial statement as a supplemental. For example, if the equity of investee under common control is acquired by stages and business combination incurs in the end, and it's a bundled transaction, the entity shall regard all transactions as a one for accounting. If it's not a bundled transaction, the carrying amount presented in the consolidated financial statements of the share of net assets at the combination date in the acquired company since acquisition is determined as for the initial cost of long-term equity investment. The difference between the cost initially recognized and carrying amount of long-term equity investment prior to the business combination plus the newly paid consideration for further share acquired, and capital reserve shall be adjusted accordingly. If no enough capital reserve is available for adjustment, retain earnings shall be adjusted.

If long-term equity investment is acquired through business combination not under common control, initial investment cost shall be the combination cost.

If the equity of investee not under common control is acquired by stages and business combination incurs in the end, an entity shall disclose the accounting method for long-term equity investment in the parent financial statement as a supplemental. If the equity investment of investee not under common control is acquired by stages and business combination incurs in the end, and it's a bundled transaction, the entity shall regard all transactions as a one for accounting. If it's not a bundled transaction, the carrying amount of the equity investment held previously plus newly increased investment cost are taken as the initial investment cost under cost model. If equity investment is held under equity method before the acquisition date, other comprehensive income under equity method previously shall not be adjusted accordingly. When disposing of the investment, the entity shall adopt the same basis as the investee directly disposing of related assets or liability for accounting treatment. Equity held prior to acquisition date as available for sale financial assets under fair value model, accumulated change on fair value previously recorded in other comprehensive shall be transferred into investment gain/loss for the period.

Apart from the long-term equity investments acquired through business combination mentioned above, the cost of investment for the long-term equity investments acquired by cash payment is the amount of cash paid. For long-term equity investment acquired by issuing equity instruments, the cost of investment is the fair value of the equity instrument issued. For long-term equity investment injected to the entity by the investor, the investment cost is the consideration as specified in the relevant contract or agreement.

The Group adopts cost method to account for investment in subsidiary and equity method for investment in joint venture and affiliate.

Long-term equity investment subsequently measured under cost model shall increase the carrying amount of investment by adjusting the fair value of additional investment and relevant transaction expenses. Cash dividend or profit declared by investee shall be recognized as investment gain/loss for the period based on the proportion share in the investee.

Long-term equity investment subsequently measured under equity method shall be adjusted for its carrying amount according to the share of equity increase or decrease in the investee. The entity shall recognize its share of the investee's net profits or losses based on the fair value of the investee's individual identifiable assets at the acquisition date, after making appropriate adjustments thereto in conformity with the accounting policies and accounting period, and offsetting the unrealized profit or loss from internal transactions entered into between the entity and its associates and joint ventures according to the shareholding attributable to the entity and accounted for as investment income and loss based on such basis.

On disposal of a long-term equity investment, the difference between the carrying value and the consideration actually received is recognised as investment income for the period. For long-term investments accounted for under equity method, the movements of shareholder's equity, other than the net profit or loss, of the investee company, previously recorded in the shareholder's equity of the Company are recycled to investment income for the period on disposal.

Where the entity has no longer joint control or significant influence in the investee company as a result of partially disposal of the investment, the remaining investment will be changed to be accounted for as available for sale financial assets, and the difference between the fair value of remaining investment at the date of losing joint control or significant influence and its carrying amount shall be recognized in the profit or loss for the year. Other comprehensive income recognized from previous equity investment under equity model shall be accounted for on the same basis as the investee directly disposing of related assets or liability when stopping using under equity model.

Where the entity has no longer control over the investee company as a result of partially disposal of the investment, the remaining investment will be changed to be accounted for using equity method providing remaining joint control or significant influence over the

investee company. The difference between carrying amount of disposed investment and consideration received actually shall be recognised in the profit and loss for the period as investment gain or loss, and investment shall be adjusted accordingly as if it was accounted for under equity model since acquisition. Where the entity has on longer joint control or significant influence in the investee as a result of disposal, the investment shall be changed to be accounted for as available for sale financial assets, and difference between the carrying amount and disposal consideration shall be recognized in profit and loss for the period, and the difference between the fair value of remaining investment at the date of losing control and its carrying amount shall be recognized in the profit or loss for the year as investment gain or loss.

If the entity loses its control through partially disposal of investment by stages and it's not a bundled transaction, the entity shall account for all transactions separately. If it's a bundled transaction, the entity shall regard all transactions as one disposal of subsidiary by losing control, but the difference between disposal consideration and carrying amount of the equity investment disposed prior to losing control, which arises from each individual transaction shall be recognized as other comprehensive income until being transferred into profit and loss for the period by the time of losing control.

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%
Property and buildings			
Including: Buildings	15	3	6.47%
Housing for production	30	3	3.23%
Housing for non-production	35	3	2.77%

15. Fixed assets

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.

All fixed assets shall be depreciated unless the fixed assets had been fully depreciated and are still being used and land is separately measured. Straight-line depreciation method is adopted by the Group. Estimated net residual value rate, useful life, depreciation rate as follows:

No	Category	Useful life (years)	Estimated net residual value rate (%)	Annual depreciation rate
1	Housing and Buildings			
	Including: Buildings	15	3	6.47%
	Housing for production	30	3	3.23%
	Housing for non-production	35	3	2.77%
2	Machinery equipment	10-15	3	6.47%~9.70%
3	Transportation equipment	6	3	16.17%
4	Electronic equipment			
	Including: Computer	4	3	24.25%
	General testing instruments	7	3	13.86%
	Specialized electronic equipment	8	3	12.13%
	Automated controlling equipment	8	3	12.13%
	Automated controlling meters	8	3	12.13%
5	Others equipment			
	Including: Industrial kiln	7	3	13.86%
	Tools & other production tools	9	3	10.78%
	Transmission equipment	15	3	6.47%
	Non-operational equipment and tools	18	3	5.39%

The Group should review the estimated useful life, estimated net residual value and depreciation method at the end of each year. If any change has occurred, it shall be regarded as a change in the accounting estimates.

16. Construction in progress

The criteria and time spot of constructions in progress's being transferred to fixed assets: Constructions in progress are carried down to fixed assets on their actual costs when completing and achieving estimated usable status. The fixed assets that have been completed and reached estimated usable status but have not yet been through completion and settlement procedures are charged to an account according to their estimate values; adjustment will be conducted upon confirmation of their actual values. The Group should withdraw depreciation in the next month after completion.

17. Borrowing costs

The borrowing cost includes the interest expenses of the borrowing, amortization of underflow or overflow from borrowings, additional expenses and the foreign exchange profit and loss because of foreign currency borrowings. The borrowing costs incurred which can be directly attribute to the fixed assets, investments properties, inventories requesting over 1 year purchasing or manufacturing so to come into the expected condition of use or available for sale shall start to be capitalized when expenditure for the assets is being occurred, borrowing cost has occurred, necessary construction for bringing the assets into expected condition for use is in progress. The borrowing costs shall stop to be capitalized when the assets come into the expected condition of use or available for sale. The borrowing costs subsequently incurred should be recorded into profit and loss when occurred. The borrowing costs should temporarily stop being capitalized when there is an unusual stoppage of over consecutive 3 months during the purchase or produce of the capitalized assets, until the purchase or produce of the asset restart.

The borrowing costs of special borrowings, deducting the interest revenue of unused borrowings kept in the bank or the investment income from transient investment should be capitalized. The capitalized amount of common borrowings should be calculated as follows: average assets expenditure of the accumulated assets expenditure excess the special borrowing, multiplied by the capital rate. The capital rate is the weighted average rate of the common borrowings.

18. 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.

Land use right shall be amortized evenly within the amortization period since the remised date. ERP system software and other intangible assets are amortized over the shortest of their estimated useful life, contractual beneficial period and useful life specified in the law. Amortization charge is included in the cost of assets or expenses, as appropriate, for the period according to the usage of the assets. At the end of the year, for definite life of intangible assets, their estimated useful life and amortization method shall be assessed. Any change shall be treated as change on accounting estimate.

19. Impairment of non-financial assets

The Group checks the long-term equity investment, fixed asset, construction-in-progress,

intangible asset and others on each balance sheet date. When impairment indicators occur, the Group shall perform impairments test. For goodwill and indefinite life of intangible assets, impairment test shall be performed irrelevant to any impairment indicators, if any at the end of every year.

Estimate of recoverable amount is the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The group estimates the recoverable amount based on single asset and estimates the recoverable amount based on the asset group if the single asset estimation is impossible. Asset group is recognized if the cash inflow from the group is independent from other asset or asset group.

After impairment test, if the book value exceeds the recoverable amount of the asset or asset group, the book value shall be adjusted to recoverable amount and 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.

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 (not including 1 year). The expenses should be amortized evenly over the beneficial period. If the deferred expense cannot 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 unilaterally 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 recognize 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

When the company has transactions such as commitment to externals, discounting the trade acceptance, unsettled litigation or arbitration which meets the following criterion, provision should be recognized: It is the Company's present obligation; carrying out the obligation will probably cause the Company's economic benefit outflow; the obligation can be reliably measured.

Provision is originally measured on the best estimate of outflow for paying off the present obligations, and to consider the risk, uncertainty, time value of monetary relevant to contingent items. If the time value of monetary is significant, the best estimate will be determined by discounted cash outflow in the future. At each balance sheet date, the book value of provision is reviewed and adjustment will be made on the book value if there is any change, in order to reflect the current best estimate.

23. Share-based payment

An equity-settled share-based payment in exchange for the employee's services is measured at the fair value at the date when the equity instruments are granted to the employee. Such fair value during the vesting period of service or before the prescribed exercisable conditions are achieved is recognized as relevant cost or expense on a straight-line during the vesting period based on the best estimated quantity of exercisable equity instruments, accordingly increase capital reserve.

A cash-settled share-based payment is measured at the fair value at the date at which the

Group incurred liabilities that are determined based on the price of the shares or other equity instruments. If it is immediately vested, the fair value of the liabilities at the date of grant is recognised as relevant cost or expense, and corresponding liabilities. If it is exercisable only when the vesting period of service is expired or the prescribed conditions are achieved, the fair value of liabilities undertaken by the Group are re-measured at each balance sheet date based on the best estimate of exercisable situation.

The fair value of the liabilities is re-measured at each balance sheet date. Any changes are recognised in the profit or loss for the year.

If the granted equity instruments are cancelled within the vesting period, the equity instrument shall be treated as accelerated vesting and the balance linked to the remaining vesting period shall be recognized in the profit or loss account, accordingly be recognized in the capital reserve. If employees or other parties can choose but fail to satisfy non-vesting conditions during the vesting period, the Company sees this as cancellation of granted equity instruments.

24. 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) Selling goods revenue: company has transferred all the significant risks and rewards of the ownership of the goods to the buyers, and retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. The relative sale proceeds have been reliably measured, respective economic benefit probably inflow to the company, and the incurred or incurring cost can be reliably measured, and then the revenue can be recognized.

2) The service revenue should be recognized when the total revenue and outcome of the services can be estimated reliably, and the economic benefits associated with the transaction are likely to flow to the company, the stage of completion of the service can be estimated reliably. At the balance sheet date, revenue is recognised using the percentage of completion method when the outcome of the services rendered are estimated reliably. The percentage of completion method is determined as the proportion of completed work measured/ services rendered to date over the total contracted services/ (the proportion of costs incurred to date over the total estimated cost). When the outcome of the services cannot be estimated reliably, costs incurred may be probably recovered, revenue is recognized only to the extent of costs incurred that are expected to be recoverable, and costs shall be recognized as an expense in the period in which they are incurred. When the outcome of the services cannot be estimated reliably and costs incurred are not probable of being recovered, then these cost incurred are recognized as an expense immediately, no revenue shall be recognized.

3) Revenue from transfer of asset use rights is recognised when the economic benefits in connection with the transaction are probably flow to the Group and the amount of revenue can be reliably measured.

.25. Government grants

A government grant is a monetary asset or non-monetary asset granted by government without consideration. It shall be recognized when the company complies with the conditions attaching to the grant and when the company is able to receive the grant. Assets-related government grant is the government fund obtained by the company for the purpose of long-term assets purchase and construction or establishment in the other forms. Income-related grants are the grant given by the government apart from the assets-related grants. If no grant objective indicated clearly in the government documents, the company shall judge it according to the principle mentioned above.

Where a government grant is in the form of a transfer of monetary asset, it is measured at the amount received. Where a government grant is made on the basis of fixed amount or conclusive evidence indicates relevant conditions for financial support are met and expect to probably receive the fund, it is measured at the amount receivable. Where a government grant is in the form of a transfer of non-monetary asset, it is measured at fair value. If fair value cannot be determined reliably, it is measured at a nominal amount of RMB1 Yuan.

Government grant are classified as assets-related government grants and income-related grants.

Assets-related government grants are recognized as deferred income and assets are evenly amortized to profit or loss over the useful life of the related asset.

Any assets are sold, transferred, disposed off or impaired earlier than their useful life expired date, the remaining balance of deferred income which hasn't been allocated shall be carried forward to the income statement when the assets are disposed off.

Income-related government grants that is a compensation for related expenses or losses to be incurred in subsequent periods are recognized as deferred income and credited to the relevant period when the related expense are incurred. Government grants relating to compensation for related expenses or losses already incurred are charged directly to the profit or loss for the period. Government grants related to daily business, shall be recognized as other income in accordance with business nature, otherwise, shall be recognized as non-operating expenses.

If the group obtains the discount interest of policy preferential loans, it shall follow the accounting standards according to the following principles, in the case of either the financial allocation of discount interest funds to the lending bank or the financial allocation of discount interest funds directly to the group.

(1) If interest discount funds is given to the lending bank, and bank provides loans at a

preferential interest rate to the group, the group's borrowing cost is measured at the actual amount received, according to the loan principal and the preferential interest rate, work out borrowing expense (or the fair value of the loan is taken as borrowing costs and work out the borrowing expense at effective interest rate. Any difference between the amount received and FV is recognized as deferred income. Deferred income is amortised by using effective interest rate method within the loan term period and offset borrowing expense).

(2) If interest discount funds are given to the group directly, the preferential interest shall be offset the borrowing expense.

If any government grant already recognized needs to be returned to the government, the accounting shall be differed according to the following circumstances:

- 1) originally recognized as offsetting of related assets' book value, assets book value shall be adjusted
- 2) if any deferred income, book value of deferred income shall be offset, excessive portion shall be accounted into income statement
- 3) Other situation, it shall be accounted into income statement directly

26. Deferred tax assets and deferred tax liabilities

The deferred income tax assets or the deferred income tax liabilities should be recognized according to the differences (temporary difference) between the carrying amount of the assets or liabilities and its tax base. Deferred tax assets shall be respectively recognised for deductible tax losses that can be carried forward in accordance with tax law requirements for deduction of taxable income in subsequent years. No deferred tax liabilities shall be recognized for any temporary difference arising from goodwill initially recognition. No deferred tax assets or liabilities shall be recognized for any difference arising from assets or liabilities initial recognition on non-business combination with no effect on either accounting profit or taxable profit (or deductible tax loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available to offset the deductible temporary difference, deductible loss and tax reduction.

27. Lease

The leases of the Group refer to operating lease.

The rents paid for operating leases shall be recorded into the relevant asset costs or the profits and losses for the current period by using the straight-line method over each period of the lease term. Rents received, if the Group as a leaser shall be recognised as income under

straight line method.

28. Change of Significant Accounting Policy, Accounting Estimate and Prior Period Errors

Effect of change on accounting policy

Content and reason	Approval	Attachment
The ministry of finance issued in March 2017 “The Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments” (Finance and Accounting) [2017] No. 7, the Enterprise Accounting published in May 2017, “the Accounting Standards for Enterprises No. 37 - Presentation of Financial Instruments (Finance and Accounting) [2017] No. 14”, the company since January 1, 2019 implementation rule of new financial instruments, and presentation of financial instruments according to the requirement of the new financial instruments criterion related information, compare the financial statements track not adjusted, The above changes in accounting policy have been approved by the board of directors of the company. The ministry of finance issued the notice on “the Revision and Issuance of 2019 Annual General Enterprise Financial Statement Format (Financial Accounting [2019] No. 6) in 2019. After deliberation by the board of directors, the company shall prepare the semi-annual financial statement of 2019 in accordance with the above notice.	tenth Meeting of 7th Board Session	

On May 9, 2019, the ministry of finance issued the “Notice on the Issuance and Revision of the Accounting Standards for Business Enterprises No. 7 - of Non-monetary Assets Exchange (Finance and Accounting [2019] no. 8)”, On May 16, 2019, it issued the “Notice on the Issuance and Revision of the Accounting Standards for Business Enterprises No. 12 - Debt Restructuring (finance and accounting [2019] no. 9)”, Requires implementation in all business enterprises that implement accounting standards for business enterprises. According to the provisions of No. 8 and No. 9 of the Financial Accounting [2019], “Accounting Standards for Business Enterprises No. 7 - Exchange of Non-monetary Assets” was implemented on June 10, 2019. and “Accounting Standards for Business Enterprises No. 12 - Debt Restructuring” was implemented on June 17, 2019.

On April 30, 2019, the ministry of finance issued “the Notice on Revising and Issuing the Format of 2019 Annual General Financial Statements of Enterprises (finance and accounting [2019] no. 6)”. On the basis of the original document No.15 [2018] of Finance and Accounting, the format of financial statements was partially adjusted. The format of financial statements was changed and implemented in the semi-annual financial report on June 30, 2019.

The group has prepared financial statements according to the requirements of the new financial statement format. If the items of presentation of financial statements are changed, the group has adjusted the comparison data during the comparable period according to the relevant provisions of “Accounting Standards for Enterprises No. 30 - Presentation of Financial Statements”.

The impact on the items and amounts presented in the financial statements for the comparable period is as follows:

Items	Figure prior to December	Effect on amount	Restated figure on January	memo
Notes receivable			122,062,605.16	
Accounts receivable			1,174,053,339.45	
Notes receivable &	1,235,257,555.58	- 1,235,257,555.58		
Notes payable			428,330,689.39	
Accounts payable			608,304,310.45	
Notes payable	1,058,073,857.65	- 1,058,073,857.65		

VI. 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	16%,13%,10%,6%,5%
City construction tax	Value-added tax payables	7%
Education surcharge	Value-added tax payables	3%
Local education surcharge	Value-added tax payables	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: EIT rate for different tax payer

Tax principles	EIT rate
Wazhou Liaoyang Bearing construction Co.,Ltd	15%
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 29 November, 2017. The Certificate No is GR201721200199, and the validity duration is three years. The subsidiary of the Company, Wazhou Liaoyang Bearing construction Co.,Ltd obtained the qualification of high and new technology enterprises at 17 November, 2017. The Certificate No is GR201721000633 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.

VI. Notes to Consolidated Financial Statements

1. Cash and cash in bank

Item	Closing Balance	Opening Balance
Cash on hand	49,309.53	55,974.98
Cash in bank	75,506,475.46	188,375,830.25
Other cash and cash equivalents	119,921,633.20	58,798,055.76
Total	195,477,418.19	247,229,860.99
Including: sum of deposits overseas	-	-

Notes: at year end, other cash and cash equivalents are all security deposits for bank acceptance notes. Because of the liquidity limitation, this will be deducted from the closing balance of cash and cash equivalents.

2. Tradable Financial asset

Item	Closing Balance	Opening Balance
Financial asset of fair value through income statement	309,711.12	
Others		
Total	309,711.12	

3. Notes receivable

Category of notes receivable

Items	Closing Balance	Opening Balance
Bank acceptance notes	89,191,412.14	21,875,785.60
Trade acceptance notes	32,871,193.02	71,748,778.22
Total	122,062,605.16	93,624,563.82

3. 2Accounts receivable

(1) Category of accounts receivable

Items	Closing balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	

Accounts receivable with individual amount and separate bad debt provision	31,759,702.43	2.55%	31,759,702.43	100.00%	
Include: Accounts receivable with significant individual amount and separate bad debt provision	5,092,669.00	0.41%	5,092,669.00	100.00%	
Accounts receivable with insignificant individual amount and separate bad debt provision	26,667,033.43	2.14%	26,667,033.43	100.00%	
Accounts receivable with bad debt provision based on the characters of credit risk portfolio	1,214,460,672.10	97.45%	40,407,332.65	3.33%	1,174,053,339.45
Accounting receivable age recombination	875,031,089.74	70.21%	40,407,332.65	4.62%	834,623,757.09
Related party	339,429,582.36	27.24%			339,429,582.36
Total	1,246,220,374.53	100.00%	72,167,035.08	5.79%	1,174,053,339.45

(Continued)

Items	Opening Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Accounts receivable with individual amount and separate bad debt provision	36,167,495.42	2.97%	35,617,495.42	98.48%	550,000.00
Include: Accounts receivable with significant individual amount and separate bad debt provision	5,092,669.00	0.42%	5,092,669.00	100%	
Accounts receivable with insignificant individual amount and separate bad	31,074,826.42	2.55%	30,524,826.42	98.23%	550,000.00

debt provision					
Accounts receivable with bad debt provision based on the characters of credit risk portfolio	900,290,391.06	73.97	39,932,559.60	4.44%	860,357,831.46
Accounting receivable age recombination	280,725,160.30	23.06			280,725,160.30
Related party	31,074,826.42	2.55	30,524,826.42		550,000.00
Total	1,217,183,046.78	100	75,550,055.02	6.21%	1,141,632,991.76

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

Aging	Closing Balance	
	Accounts receivable	
Within 1 year	579,846,465.27	
Within 1 year	579,846,465.27	
1 to 2 years	226,786,631.89	
2 to 3 years	36,431,532.96	
Over 3 years	31,966,459.62	
3 to 4 years	23,460,547.22	
4 to 5 years	8,505,912.40	
Total	875,031,089.74	

4. Advances to suppliers

(1) Aging of advances to suppliers

Items	Closing Balance		Opening Balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	17,991,734.83	75.16%	16,544,941.90	75.60%
1 to 2 years	3,273,623.55	13.68%	2,983,581.73	13.63%
2 to 3 years	2,671,819.42	11.16%	2,357,332.82	10.77%
Total	23,937,177.80	--	21,885,856.45	--

5. Other receivables

Items	Closing Balance	Opening Balance
Dividend receivable	1,250,000.00	1,250,000.00
Other receivable	29,501,841.81	91,005,736.14

Items	Closing Balance	Opening Balance
Total	30,751,841.81	92,255,736.14

5. 1 Dividend receivable

Company	Closing Balance	Opening Balance
Shanghai ME Mechanical & Electrical Equipment Chain Co., Ltd	1,250,000.00	
Total	1,250,000.00	

5. 2 Other receivable

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

Aging	Closing Balance
	Other receivables
Within 1 year	5,491,073.79
Within 1 year	5,491,073.79
1-2 years	2,164,838.03
2-3 years	730,815.86
Over 3 years	2,030,316.98
3 to 4 years	1,628,082.17
4 to 5 years	402,234.81
Total	10,417,044.66

6. Inventories

(1) Categories of inventories

Item	Closing Balance		
	Book value	Provision for decline	Net book value
Raw materials	81,881,166.53		81,881,166.53
Finished goods	546,632,234.99	19,122,663.13	527,509,571.86
Semi-finished goods	146,267,498.58		146,267,498.58
Low-value consumable	5,215,001.01		5,215,001.01
Total	779,995,901.11	19,122,663.13	760,873,237.98

(Continue)

Item	Opening Balance		
	Book value	Provision for decline	Net book value
Raw materials	84,610,034.58		84,610,034.58
Finished goods	524,035,778.65	19,122,663.13	504,913,115.52
Semi-finished goods	149,030,115.58		149,030,115.58

Item	Opening Balance		
	Book value	Provision for decline	Net book value
Low-value consumable	8,957,789.07		8,957,789.07
Total	766,633,717.88	19,122,663.13	747,511,054.75

(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						
Finished goods	19,122,663.13					19,122,663.13
Total	19,122,663.13					19,122,663.13

7. Other current assets

Item	Closing Balance	Opening Balance	Nature
VAT to be deducted	13,583,330.33	14,184,383.36	13,583,330.33
Prepaid income tax			
Total	13,583,330.33	14,184,383.36	13,583,330.33

8. Other equity instruments investment

item	Closing Balance	Opening Balance
A Series company belong Bohai steel company	2,503,766.95	
A Series company belong Dalian Machine Tool Company	7,423,089.69	
Total	9,926,856.64	

9. Investment property

(1) Investment property measured as cost method

Item	Property	Land use right	Total
I. Initial Cost			
1. Opening Balance	173,336,509.34	51,969,186.22	225,305,695.56
2. Increase			
(1) Purchase			
(2) Transferred from FA			
3. Decrease			

Item	Property	Land use right	Total
(1) Disposal			
(2) Transfer to others			
4. Closing Balance	173,336,509.34	51,969,186.22	225,305,695.56
II. Accumulated Depreciation			
1. Opening Balance	80,347,680.30	15,687,516.60	96,035,196.90
2. Increase	2,520,207.13	649,606.92	3,169,814.05
(1) Accrued			
3. Decrease			
(1) Disposal			
(2) Transfer to others			
4. Closing Balance	82,867,887.43	16,337,123.52	99,205,010.95
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	90,468,621.91	35,632,062.70	126,100,684.61
2. Opening book value	92,988,829.04	36,281,669.62	129,270,498.66

10. Fixed assets

Item	Closing Balance	Opening Balance
Fixed assets	619,226,691.35	661,598,663.85
Fixed assets disposal		
Total	619,226,691.35	661,598,663.85

10.1 Fixed assets

(1) Fixed assets detail

Item	Property	Machinery Equipment	Transportation Equipment	Electronic Device	Other Equipment	Total
I. Initial Cost						
1. Opening Balance	253,569,062.26	1,189,016,221.95	17,731,286.72	71,869,145.64	215,984,988.16	1,748,170,704.73
2. Increase	509,090.90	5,638,166.65	84,271.37	105,968.86	17,834.70	6,355,332.48
(1) Purchase	0.00	473,456.32	0.00	90,669.72	17,834.70	581,960.74

Item	Property	Machinery Equipment	Transportation Equipment	Electronic Device	Other Equipment	Total
(2) Transferred from construction-in-progress	509,090.90	5,164,710.33	84,271.37	15,299.14		5,773,371.74
(3) Acquired from business combination						
3. Decrease	0.00	16,950,745.52	983,197.15	88,653.85	20,320.26	18,042,916.78
(1) Disposal	0.00	16,950,745.52	983,197.15	88,653.85	20,320.26	18,042,916.78
(2) Others						
4. Closing Balance	254,078,153.16	1,177,703,643.08	16,832,360.94	71,886,460.65	215,982,502.60	1,736,483,120.43
II. Accumulated Depreciation						
1. Opening Balance	153,987,878.08	710,118,203.26	14,226,326.98	56,347,290.84	151,636,397.40	1,086,316,096.56
2. Increase	4,171,097.99	36,078,535.04	501,769.64	1,734,105.33	3,922,074.97	46,407,582.97
(1) Accrued	4,171,097.99	36,078,535.04	501,769.64	1,734,105.33	3,922,074.97	46,407,582.97
(2) Other transfer						
3. Decrease	0.00	14,641,620.95	955,651.24	79,788.60	19,860.66	15,696,921.45
(1) Disposal	0.00	14,641,620.95	955,651.24	79,788.60	19,860.66	15,696,921.45
(2) Other transfer						
4. Closing Balance	158,158,976.07	731,555,117.35	13,772,445.38	58,001,607.57	155,538,611.71	1,117,026,758.08
III. Impairment Reserve						
1. Opening Balance		255,944.32				255,944.32
2. Increase						
3. Decrease	0.00	26,273.32	0.00	0.00	0.00	26,273.32
(1) Disposal		26,273.32				26,273.32
4. Closing Balance	0.00	229,671.00	0.00	0.00	0.00	229,671.00
IV. Book Value						
1. Closing book value	95,919,177.09	445,918,854.73	3,059,915.56	13,884,853.08	60,443,890.89	619,226,691.35
2. Opening book value	99,581,184.18	478,642,074.37	3,504,959.74	15,521,854.80	64,348,590.76	661,598,663.85

11. Construction-in-progress

Item	Closing Balance	Opening Balance
Construction in progress	44,320,267.34	48,159,927.20

Construction materials		
Total	44,320,267.34	48,159,927.20

(1) Construction in progress details

Item	Closing Balance			Opening Balance		
	Book Balance	Provision	Book Value	Book Balance	Provision	Book Value
Improvement of railway	7,430,099.24		7,430,099.24	10,922,235.97		10,922,235.97
Improvement of seven-finished products	8,043,632.59		8,043,632.59	7,193,865.18		7,193,865.18
Improvement of precision roller branch	7,450,391.39		7,450,391.39	7,028,576.54		7,028,576.54
Improvement of precision bearing plant				3,960,724.13		3,960,724.13
Dalian industry park project	1,923,068.10		1,923,068.10	1,922,211.42		1,922,211.42
Grinding product line	1,807,859.38		1,807,859.38	1,807,569.95		1,807,569.95
Improvement of plant	2,561,155.47		2,561,155.47	2,553,930.59		2,553,930.59
Epson multi-purpose furnace innovation				832,500.00		832,500.00
Installation of Super finishing Machine				802,912.80		802,912.80
Improvement of grinding machine	377,463.68		377,463.68	376,403.13		376,403.13
Crane Project	331,972.90		331,972.90	331,423.18		331,423.18
Computer Project	321,293.28		321,293.28	321,293.28		321,293.28
Improvement of second-finished products	343,465.69		343,465.69	277,094.01		277,094.01
Improvement of Auto				236,621.46		236,621.46
Overhaul factory reconstruction	1,034,552.45		1,034,552.45	225,772.70		225,772.70
Ring-oven heat treatment product line				194,358.80		194,358.80

Item	Closing Balance			Opening Balance		
	Book Balance	Provision	Book Value	Book Balance	Provision	Book Value
Fume purification system						
G17-16-01 Eco-Friendly Project	153,153.15		153,153.15	153,153.15		153,153.15
Improvement of axial clearance automatic detection				145,299.15		145,299.15
G17-16-03 Mew plant	130,630.63		130,630.63	130,630.63		130,630.63
Improvement of special large branch	812,093.32		812,093.32	112,644.05		112,644.05
Sewage Treatment Equipment				94,017.09		94,017.09
Improvement of one-finished products	93,256.09		93,256.09	38,578.50		38,578.50
G17-15-07 bear Vibration detector.	31,384.62		31,384.62	31,384.62		31,384.62
Rockwell apparatus				5,862.07		5,862.07
Heat treatment product line	561.34		561.34			
Cool drying System						
Forklift 3t						
low voltage switch board						
Overhaul Bainite furnace						
Heat treatment product line innovation						
Others	11,474,234.02		11,474,234.02	8,460,864.80		8,460,864.80
Total	44,320,267.34		44,320,267.34	48,159,927.20		48,159,927.20

12. Intangible assets

(1) Intangible assets list

Item	Land use right	ERP software	Total
I. Initial cost			
1). Opening balance	124,220,541.52	6,369,773.27	130,590,314.79
2).Increase			
(1) Purchase			
(2) Internal development			
(3) Acquired by company combination			
3). Decrease			
4). Closing balance	124,220,541.52	6,369,773.27	130,590,314.79
II. Amortization			
1). Opening balance	38,662,127.25	6,261,101.68	44,923,228.93
2).Increase	1,545,146.91	43,206.31	1,588,353.22
(1)Accrual	1,545,146.91	43,206.31	1,588,353.22
3). Decrease			
disposal			
4). Closing balance	40,207,274.16	6,304,307.99	46,511,582.15
III. Provision for impairment			
1). Opening balance			
2).Increase			
accrual			
3). Decrease			
disposal			
4). Closing balance			
IV. Book value			
1.Closing Book value	84,013,267.36	65,465.28	84,078,732.64
2.Opening Book value	85,558,414.27	108,671.59	85,667,085.86

13. Long-term repayments

Item	Opening Balance	Increase	Amortization	Other Decrease	Closing Balance
Decoration fees for estate used as office	764,240.90		98,171.88		666,069.02
New industry area plant coating repari	444,295.56		68,082.48		376,213.08
Total	1,208,536.46		166,254.36		1,042,282.10

14. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets before offsetting

Item	Closing Balance		Opening Balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	74,156,992.13	11,639,248.03	74,156,992.13	11,639,248.03
Total	74,156,992.13	11,639,248.03	74,156,992.13	11,639,248.03

(2) Deferred tax liabilities before offsetting

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	5,579,147.69	836,872.15	5,579,147.69	836,872.15
Total	5,579,147.69	836,872.15	5,579,147.69	836,872.15

(3) Deferred tax assets and Deferred tax liabilities listed with net amount after offset

Item	Deferred tax assets and Deferred tax liabilities offset Closing Balance	Deferred tax assets and Deferred tax liabilities listed with net amount after offset	Deferred tax assets and Deferred tax liabilities offset Opening Balance	Deferred tax assets and Deferred tax liabilities listed with opening amount after offset
Deferred tax assets		11,639,248.03		
Deferred tax liabilities		836,872.15		

15. Short-term loan

Loan category	Closing Balance	Opening Balance
Credit loan	615,000,000.00	620,000,000.00
Total	615,000,000.00	620,000,000.00

16. Notes payable

Notes category	Closing Balance	Opening Balance
Trade acceptance notes	258,290,689.39	31,756,065.16
Bank acceptance notes	170,040,000.00	311,880,000.00
Total	428,330,689.39	343,636,065.16

17. Accounts payable

Accounts payable list

Item	Closing Balance	Opening Balance
Goods payments	560,757,282.26	639,858,663.29
Project payments	41,456,445.82	44,726,806.40
Others	6,090,582.37	29,852,322.80
Total	608,304,310.45	714,437,792.49

18. Received in advance

Item	Closing Balance	Opening Balance
Goods payment	23,641,455.48	21,286,971.52
Total	23,641,455.48	21,286,971.52

19. Employee's payable

(1) Category of employee's payables

Item	Opening Balance	Increase	Decrease	Closing Balance
Short-term employee's payable	6,144,113.36	63,240,529.84	63,472,876.59	5,911,766.61
Post-employment benefit –defined contribution plan	6,104,214.57	15,102,146.71	15,197,777.29	6,008,583.99
Total	12,248,327.93	78,342,676.55	78,670,653.88	11,920,350.60

(2) Short-term employee's payables

Item	Opening Balance	Increase	Decrease	Closing Balance
Salaries, bonus, allowance, and subsidy	261,521.69	44,865,451.30	44,917,240.38	209,732.61
Welfare				
Social insurance	56,575.56	9,505,741.32	9,479,267.12	83,049.76
Include: Medical insurance	56,575.56	7,300,826.35	7,277,025.81	80,376.10
On-duty injury insurance		1,251,394.07	1,250,664.65	729.42
Maternity insurance		953,520.90	951,576.66	1,944.24

Item	Opening Balance	Increase	Decrease	Closing Balance
Housing funds	2,334,918.08	8,077,290.70	8,104,100.42	2,308,108.36
Labour union and training expense	3,491,098.03	792,046.52	972,268.67	3,310,875.88
Total	6,144,113.36	63,240,529.84	63,472,876.59	5,911,766.61

(3) Defined contribution plan

Item	Opening Balance	Increase	Decrease	Closing Balance
Pension	6,034,160.95	14,674,919.37	14,773,120.09	5,935,960.23
Unemployment insurance	70,053.62	427,227.34	424,657.20	72,623.76
Total	6,104,214.57	15,102,146.71	15,197,777.29	6,008,583.99

20. Tax payable

Item	Closing Balance	Opening Balance
Value-added tax	3,631,890.99	4,995,740.52
Individual income tax	20,303.88	66,493.10
City maintenance and construction tax	283,895.11	704,795.92
Real estate tax	878,799.24	301,009.33
Land use tax	524,829.44	193,448.39
Stamp duty	53,546.83	84,369.16
Education surcharge	201,547.39	523,013.95
Others	720,143.80	373,136.09
Total	6,314,956.68	7,242,006.46

21. Other payables

Items	Closing Balance	Opening Balance
Interest payable	169,110.83	748,135.28
Dividend payable	360,000.00	360,000.00
Other payable	72,015,056.84	130,746,519.11
Total	72,544,167.67	131,854,654.39

(1) Category of interest payable

Item	Closing Balance	Opening Balance
Interest for short-term loan	169,110.83	748,135.28
Total	169,110.83	748,135.28

(2) Dividend payable

Item	Closing Balance	Opening Balance
Ordinary share dividend	360,000.00	
Total	360,000.00	

(3) Other payables categorized by payments nature

Payments nature	Closing Balance	Opening Balance
Bid security deposits	1,398,890.00	1,205,409.62
Risk deposits from branch manager	259,777.75	259,777.75
Trademark fees	18,116,000.00	16,552,853.80
Others	52,240,389.09	112,728,477.94
Total	72,015,056.84	130,746,519.11

22. Other current liabilities

(1) Category of other current liabilities

Item	Closing Balance	Opening Balance
Government subsidy	3,967,022.53	3,967,022.53
Compensation for land removal	953,225.59	953,225.59
Total	4,920,248.12	4,920,248.12

(2) Government subsidy

Project	Opening Balance	Increase	Recorded into non-operation income	Other Change	Closing Balance	Related with asset/equity
Dalian sub-factory remove subsidy	2,704,235.83		1,352,117.94	1,352,117.94	2,704,235.83	Related with asset
High-end bearing improvement project	472,320.00		236,160.00	236,160.00	472,320.00	Related with asset
Intelligent equipment manufacturing development specific subsidy	400,000.00		200,000.00	200,000.00	400,000.00	Related with asset
Overhaul bearing project discounting interest subsidy	240,000.00		120,000.00	120,000.00	240,000.00	Related with asset

Project	Opening Balance	Increase	Recorded into non-operation income	Other Change	Closing Balance	Related with asset/equity
Industry development subsidy	97,548.00			0.00	97,548.00	Related with asset
Technical master studio development subsidy	52,918.70		4115	4115	52,918.70	Related with asset
Total	3,967,022.53		1,912,392.94	1,912,392.94	3,967,022.53	

23.Long-term payables

Type	Closing Balance	Opening Balance
Long-term payables	100,000.00	100,000.00
Special payables	296,698.98	296,698.98
Total	396,698.98	396,698.98

23.1 Long-term payables

Payments nature	Closing Balance	Opening Balance
Equipment payments	100,000.00	100,000.00
Housing subsidy		1,497,305.72
Total	100,000.0	1,597,305.72

23.2 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	

24. Deferred income

(1) Category of deferred income

Item	Opening Balance	Increase	Decrease	Closing Balance	Formation Basis
Government subsidy	33,768,973.77		1,912,392.94	31,856,580.83	Grant from government
Compensation for land removal	27,515,676.97			27,515,676.97	Old factory removal and new factory and land compensation for Liaoyang Bearing construction Co.,Ltd
Total	61,284,650.74		1,912,392.94	59,372,257.80	—

25. Share capital

Shareholders' name/category	Opening Balance	Change for current period					Closing Balance
	Amounts	Issuing new shares	Distributing shares	Transferring capital reserves to share capital	Others	Subtotal	Amounts
Total shares	402,600,000.00	-	-	-	-	-	402,600,000.00
							0

26. Capital reserves

Items	Opening Balance	Increase	Decrease	Closing Balance
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

27. Special reserve

Item	Opening Balance	Increase	Decrease	Closing Balance
Cost of safety production		7,305.25		7,305.25
Total		7,305.25		7,305.25

28. Surplus reserves

Item	Opening Balance	Increase	Decrease	Closing Balance
Statutory surplus reserve	116,179,772.10			116,179,772.10
Discretionary surplus reserve	20,590,618.91			20,590,618.91
Total	136,770,391.01			136,770,391.01

29. Undistributed profits

Item	current year	prior year
Closing balance of prior year	354,961,603.07	362,925,296.98
Add: Adjustments to the opening balance of undistributed profits		
Including: additional retrospective adjustments according to the new accounting standards		
Change on accounting policy		-
Correction of prior period significant errors		-
Change on combination scope under same control		-
Other factors		-
Opening balance of current year	354,961,603.07	362,925,296.98
Add: net profit attributable to shareholders of parent company in the year	7,771,067.43	10,632,169.84
Less: Provision for statutory surplus reserves		2,491,863.75
Provision for any surplus reserves		-
Provision of general risk		-
Dividends payable for common shares		16,104,000.00
Share dividends		-
Closing balance of current year	362,732,670.50	362,925,296.98

29. Operating revenue and cost

Items	current year		prior year	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Revenue from principle operation	838,426,250.97	717,196,188.74	967,045,981.57	840,649,172.13
Revenue from other operation	119,113,149.45	108,652,189.51	107,822,000.11	99,097,399.00
Total	957,539,400.42	825,848,378.25	1,074,867,981.68	939,746,571.13

Items	current year		prior year	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Total	1,937,143,427.59	1,676,581,611.55	1,922,479,056.76	1,641,975,889.28

30. Taxes and surcharges

Items	current year	prior year
City construction tax	2,548,006.03	2,837,747.43
Education surcharge	1,705,240.12	1,871,171.22
Others	3,262,780.28	3,883,184.27
Total		

31. Selling expenses

Items	current year	prior year
Transportation expense	15,703,831.18	15,584,316.08
Employee benefit	16,850,217.63	17,781,672.15
Travel expense	10,629,664.60	9,078,815.87
Conference expense	2,222,008.84	2,329,999.72
Trademark use fee	3,649,956.89	2,101,642.83
International freight	3,496,107.88	5,179,043.74
Others	14,544,137.77	18,684,081.24
Total	67,095,924.79	70,739,571.63

32. Administrative expenses

Items	current year	prior year
Employee benefit	15,682,848.90	18,773,771.75
Intangible assets amortization	2,237,960.13	2,266,737.13
Guide and fire fighting expense	777,523.58	
Depreciation expense	795,090.62	811,587.96
Business entertaining expense	389,547.74	338,336.74
Travel expense	540,853.07	533,425.68
Other expense	8,541,398.04	7,846,452.93
Total	28,965,222.08	30,570,312.19

33. R&D

Items	current year	prior year
R&D in technology	5,958,788.14	3,505,391.30
Total	5,958,788.14	3,505,391.30

34. Financial expenses

Items	current year	prior year
Interest expenses	14,684,202.27	22,726,199.79
Less: Interest income	976,354.49	345,878.37
Add: Exchange loss	1,640,367.63	950,510.58
Add: Others expenditure	624,060.50	721,591.13
Total	15,972,275.91	24,052,423.13

35. Other income

Items	current year	prior year
Job stabilization subsidy		228,550.21
Dalian Bureau of Foreign Trade and Economic Cooperation	90,000.00	
Dalia 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	4,115.00	
Overhaul bearing project discounting interest subsidy	120,000.00	120,000.00
Credit insurance funds to support development		18,600.00
Grant for the project of automatic testing line before bearing ring installation of railway freight cars	798,000.00	
2017 corporate income tax, VAT fee refund	294.92	
First set subsidy	740,000.00	
Shanghai Bearing Booth Fee Subsidy by Wafangdian Municipal Bureau of Science and Technology and Industry Information Technology in 2018	148,700.00	
Wafangdian city Bureau of Commerce for 2016 exhibition subsidy	152,090.00	

36. Income from fair value

Income from fair value	current year	prior year
Financial asset for trading	10,785.96	
Total	10,785.96	

37. Assets impairment losses

38. Gain on assets disposal (loss listed “-“)

Item	current year	prior year
Gain on disposal group classified as held for sale		
Gain on non-current assets disposal	-1,050,156.19	243,495.82
Gain on non-current assets disposal classified as Held for sale		

Gain on fixed assets disposal		
Gain on intangible assets disposal		
Gain on non-current assets disposal not classified as Held for sale	-1,050,156.19	243,495.82
Gain on fixed assets disposal	-1,050,156.19	243,495.82
Gain on intangible assets disposal		
Gain on nonmonetary asset exchange		
Gain on disposal of non-current asset in the debt restructuring		
Total		

39. Non-operating income

(1) Non-operating income list

Item	current year	prior year	Amounts recognized into current non-recurring profit or loss
Gain from debt restructuring	2,599,739.87	1,456,952.01	2,599,739.87
Penalty income	1,169,413.06	1,570,251.86	1,169,413.06
Others	-59,805.08	120,000.41	-59,805.08
Total	3,709,347.85	3,147,204.28	3,709,347.85

40. Non-operating expenses

Item	current year	prior year	Amounts recognized into non-recurring profit or loss for the year
Debt restructuring	4,845,133.69	85,383.59	4,845,133.69
Loss on disposal of non-current asset scrapped	1,339.32	75,526.04	1,339.32
Penalty loss	64,289.00	11,410.47	64,289.00
Others	12,410.86	13,651.07	12,410.86
Total	4,923,172.87	185,971.17	4,923,172.87

42. Tax expenses

(1) Tax expenses

Items	current year	prior year
Current 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	7,771,067.43

43. Notes to cash flow statement

(1) Other cash received relating to operating activities

Items	current year	prior year
Other cash received relating to operating activities	63,574,455.78	914,421.41
Total	63,574,455.78	914,421.41

(2) Other cash paid relating to operating activities

Items	current year	prior year
Other cash paid relating to operating activities	152,263,936.91	55,833,437.00
Total	152,263,936.91	55,833,437.00

(3) Others cash received relating to financing activities

Items	current year	prior year
Others cash received relating to financing activities	33,843,584.00	328,905,975.40
Total	33,843,584.00	328,905,975.40

(4) Others cash paid relating to financing activities

Items	current year	prior year
Others cash paid relating to financing activities	185,705,447.90	248,898,190.83
Total	185,705,447.90	248,898,190.83

(1) Supplementary information of consolidated cash flow statement

Items	current year	prior year
1. Adjusting net profit into cash flows of operating activities:	—	—
Net profit	7,771,067.43	3,313,980.12
Add: Provision for impairment of assets		-12,786.85
Depreciation of fixed assets, Amortization of mineral resources, and biological assets	36,570,085.21	50,705,693.88
Amortization of intangible assets	2,237,960.13	2,266,737.13
Amortization of long-term deferred expenses	166,254.36	33,915.18

Losses on disposal of fixed assets, intangible assets, and long-term assets (income listed with“-”)	1,050,156.19	-243,495.82
Losses on write-off of fixed assets (income listed with“-”)	1,339.32	75,526.04
Change of fair value profit or loss	-10,785.96	
Financial expense (income listed with“-”)	15,972,275.91	24,052,423.13
Investment loss (income listed with“-”)		
Decrease of deferred tax assets(increase listed with“-”)		
Increase of deferred tax liabilities(decrease listed with“-”)		
Decrease of inventories (increase listed with“-”)	-13,362,183.23	-18,635,014.88
Decrease of operating receivables (increase listed with“-”)	-1405816.05	-156,396,318.53
Increase of operating payables (decrease listed with“-”)	8,463,527.55	139,045,935.83
Net cash flows arising from operating activities	57,453,880.86	44,206,595.23
2. Significant investment and financing activities unrelated to cash income and expenses		
Liabilities transferred to capital		
Convertible bonds within 1 year		
Financing leased fixed assets		
3. Net increase (decrease) of cash and cash equivalent		
Closing balance of cash	75,555,784.99	74,828,879.85
Less: Opening balance of cash	188,431,805.23	58,043,497.54
Add: Closing balance of cash equivalent		
Less: Opening balance of cash equivalent		
Net increase of cash and cash equivalent	-112,876,020.24	16,785,382.31

(2) Cash and cash equivalents

Items	Closing balance	Opening balance
Cash	75,555,784.99	188,431,805.23
Including: Cash on hand		
Bank deposit used for paying at any moment		
Other monetary fund for paying at any moment		
Cash equivalent		
Including: bonds investment with maturity in 3 months		
Closing balance of cash and cash equivalents	75,555,784.99	188,431,805.23

44. Government grant

(1)Details

Item	amount	Presented as	Recorded into income statement
Dalian Bureau of Foreign Trade and Economic Cooperation	90,000.00	Other income	90,000.00
Dalian branch factory relocation subsidies	1,352,117.94	Other income	1,352,117.94
Transformation project of bearing base in high-end equipment manufacturing industry	236,160.00	Other income	236,160.00
Special subsidies for the development of intelligent manufacturing equipment	200,000.00	Other income	200,000.00
Technical master studio construction subsidy	4,115.00	Other income	4,115.00
Overhaul bearing project discounting interest subsidy	120,000.00	Other income	120,000.00
Grant for the project of automatic testing line before bearing ring installation of railway freight cars	798,000.00	Other income	798,000.00
2017 corporate income tax, VAT fee refund	294.92	Other income	294.92
First set subsidy	740,000.00	Other income	740,000.00
Shanghai Bearing Booth Fee Subsidy by Wafangdian Municipal Bureau of Science and Technology and Industry Information Technology in 2018	148,700.00	Other income	148,700.00
Wafangdian city Bureau of Commerce for 2016 exhibition subsidy	152,090.00	Other income	152,090.00

VII. Change of Consolidation Scope

No change

VIII. Interest in other entity

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	Wafangdian	Wafangdian Beigongji St No.1	Manufacturing and selling	100		acquisition

Name of subsidiary	Location	Registered Location	Nature of operation	Share (%)		Method
				Direct	Indirect	
Roller Bearings(Wafangdian)Co., Ltd			bearing and machines			

IX. Risk Related to Financial Instruments

X. Disclosure of Fair Value

1. There is no asset or liability measured by fair value at the end of report period.

Items	FV at the year end			
	1 st Level FV Measurement	2 nd Level FV Measurement	3 rd Level FV Measurement	Total
I.Continuously measured at FV				
(I) financial asset measured at FV and any change recognized in income statement				
1.tradable financial asset	309,711.12			309,711.12
(1) equity instrument investment				
2.assigned as financial asset measured at FV and any change recognized in income statement				
(II) financial asset available for sale				
Total of continuously measured at FV	309,711.12			309,711.12

1. Market value determination for 1st Level FV Measurement item

The group measured the part of equity instrument investment included in the tradable financial asset at unadjusted closing price in the open market on December 28th,2018.

2. Qualitative and quantitative information on the valuation techniques and important parameters used for 2nd Level FV Measurement

None

3. Qualitative and quantitative information on the valuation techniques and important parameters used for 3rd Level FV Measurement
None
4. Adjustment information and sensitivity analysis of unobservable parameters between the fair value at the beginning of the year and the end of the year for 3rd Level continuously measured at FV Measurement
None
5. Continuously measured at FV, swap between any level
None
6. Valuation techniques change and reason for change
None
7. Asset and liability not measured at FV but disclosed as FV
None

XI. Related Parties Relationship and Transactions

1. Related parties relationship

(1) Parent company and ultimate controller

1) Parent company and ultimate controller

Parent company	Registered address	Business nature	Registered capital	Shareholding percentage (%)	Voting power percentage (%)
Wazhou Group	No. 1 North Gongji Street, Wafangdian City, Dalian	Manufacture and sales of bearing and other equipments	470,257,400.00	60.61	60.61

(2). Subsidiaries

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

(3).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

Name of related party	Related party relationship
	company and ultimate controlling party
Wazhou Exact Forge Ltd.,	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group Precision Turnplate 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
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 National Bearing Engineering Technology Research Centre limited company	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
Wazhou Group Precision turntable bearing limited Company	Other entity controlled by the same parent company and ultimate controlling party
ZWZ Bearing Europe GmbH	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

2. Related party transactions

(1) Purchase of goods, provide, and receive labour services

Related party	Content	Current year	Approval	Over the Approval	prior year
Wazhou Group Precision Roller limited company	Purchase of goods	2,021,045.30	6,000,000.00	No	1,503,484.72
Wazhou Exact Forge Ltd.	Purchase of goods	113,157,298.99	230,000,000.00	No	111,393,715.62
Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd	Purchase of goods	10,660,135.49	25,000,000.00	No	6,734,683.20
Wazhou Group Exact Transmission Bearing Co., Ltd	Service accepted	1,317,361.77	0.00	Yes	47,958,716.67

Wazhou Group Special Precision Bearing Co., Ltd.	Purchase of goods	143,084.82	100,000.00	Yes	50,288.10
Wazhou Group Equipment Technology Project Co., Ltd.	Purchase of goods	854,794.87	5,000,000.00	No	489,477.68
Wafangdian Tongda Bearing Manufacturing Co., Ltd.	Purchase of goods	1,306,237.35	90,000,000.00	No	42,508,436.34
Dalian Wazhou Feng Yuan Machinery Co., Ltd	Purchase of goods Service accepted	1,143,025.91	120,000,000.00	No	46,955,706.73
Dalian Wazhou Jinzhou Machinery Co., Ltd	Purchase of goods	4,879,825.96	20,000,000.00	No	7,864,718.39
Wazhou Group high-end auto bearing limited company	Purchase of goods	33,666,294.66	100,000,000.00	No	35,549,549.22
Wazhou Group Precision Roller limited company	Purchase of goods	61,403,106.31	120,000,000.00	No	69,149,890.34
Wazhou Group Precision Retainer Limited Company	Purchase of goods	22,662,432.46	60,000,000.00	No	28,884,389.11
Wafangdian bearing wind Power Limited Company	Purchase of goods	818,965.52	1,000,000.00	No	9,484,876.58
Kugel- und Rollenlagerwerk Leipzig GmbH	Service accepted	876,073.32	0.00	Yes	
Wafangdian bearing Power Limited Company	purchase of goods Service accepted	9,634,028.56	30,600,000.00	No	10,653,628.93
Wazhou Group National Bearing Engineering Technology Research Centre limited company	Service accepted	5,080,240.44	10,000,000.00	No	1,531,492.08
Wazhou Group	Purchase of goods Service accepted	175,116,055.23	311,000,000.00	No	30,619,927.27

Sales of goods/provide labour services

Related party	Content	current year	prior year
Wazhou Precision Steel Ball Company	Sales of goods provide labour services	783,680.50	498,858.32
Wazhou Exact Forge Ltd.,	Sales of goods	49,976,542.02	46,150,623.18
Dalian Wazhou Manufacturing Equipment Co., Ltd	Sales of goods provide labour services	167,557.33	238,220.13
Wazhou Group Exact Transmission Bearing Co., Ltd	Sales of goods provide labour services	2,260,168.90	20,917,934.72
Wazhou Group Special Precision Bearing Co., Ltd.	Sales of goods provide labour services	734,685.66	614,521.10
Wafangdian Tongda Bearing Manufacturing Co., Ltd.	Sales of goods provide labour services	399,237.48	686,608.84
Dalian Wazhou Jinzhou Machinery Co., Ltd	Sales of goods provide labour services	17,586.61	72,485.83

Wazhou Group (USA) Bearing CO., Ltd	Sales of goods provide services labour	25,118,050.66	25,230,262.57
. Wazhou Group high-end auto bearing limited company	Sales of goods provide services labour	10,051,330.55	44,193,609.34
Wazhou Group Precision Roller limited company	Sales of goods provide services labour	32,330,867.78	30,716,692.89
Wazhou Group Precision Retainer Limited Company	Sales of goods provide services labour	98,013.09	51,663.87
Wafangdian bearing wind Power Limited Company	Sales of goods	5,535,344.51	6,887,104.50
Kugel- und Rollenlagerwerk Leipzig GmbH	Sales of goods	3,203,025.20	3,351,510.13
Wazhou Group	Sales of goods	19,295,325.11	15,499.77

3. Balances with related parties

Accounts receivable due from related parties

Item	Related party	Closing Balance		Opening Balance	
		Book Balance	Provision	Book Balance	Provision
Accounts receivable	Wazhou Group high-end auto bearing limited company	86,559,319.36		87,601,132.04	
Accounts receivable	Wazhou Group Precision Roller Limited Company	78,236,519.04		72,177,772.27	
Accounts receivable	Wazhou Exact Forge Ltd.,	86,704,929.73		38,273,870.86	
Accounts receivable	Wafangdian bearing wind Power Limited Company	41,941,442.08		32,125,382.52	
Accounts receivable	Wazhou Group Precision Retainer Limited Company	15,011,962.53		20,041,392.01	
Accounts receivable	Wazhou Group (USA) Bearing CO., Ltd.	14,431,934.83		16,435,858.12	
Accounts receivable	Wazhou Group Limited Company	6,847,913.26		4,786,043.58	

Item	Related party	Closing Balance		Opening Balance	
		Book Balance	Provision	Book Balance	Provision
Accounts receivable	Wazhou Group Special Precision Bearing Co., Ltd.	3,334,843.91		3,861,909.04	
Accounts receivable	Wazhou Special Steel Ball Company	484,835.03		2,603,123.42	
Accounts receivable	Dalian Wazhou Jinzhou Machinery Co., Ltd	944,042.83		1,257,377.62	
Accounts receivable	Wazhou Group Exact Transmission Bearing Co., Ltd	2,982,653.34		828,573.88	
Accounts receivable	Kugel- und Rollenlagerwerk Leipzig GmbH			543,394.31	
Accounts receivable	Wafangdian Tongda Bearing Manufacturing Co., Ltd.	236,906.74		102,449.31	
Accounts receivable	ZWZ Bearing Europe GmbH	213,297.57		86,881.32	
Accounts receivable	Kugel- und Rollenlagerwerk Leipzig GmbH	1,340,282.78			
Prepaid	Kugel- und Rollenlagerwerk Leipzig GmbH	4,759,459.41		3,027,719.30	
Prepaid	Wazhou bearing Power limited Company			1,257,851.50	
Prepaid	Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd			850,000.00	
Other receivable	Wazhou Group Lanzhou sales office	778,950.65	778,950.65	778,950.65	

Accounts payable due from related parties

Item	Related party	Closing Balance	Opening Balance
Accounts payable	Wazhou Group	128,521,751.38	144,902,525.95
Accounts payable	Wazhou Exact Forge Ltd.,	83,451,918.09	87,613,324.79

Item	Related party	Closing Balance	Opening Balance
Accounts payable	Wazhou Group	128,521,751.38	144,902,525.95
Accounts payable	Wafangdian Tongda Bearing Manufacturing Co., Ltd.	1,444,501.58	41,300,178.91
Accounts payable	Wazhou Group Exact Transmission Bearing Co., Ltd		18,557,702.42
Accounts payable	Wazhou Group Equipment Technology Project Co., Ltd.	11,796,385.91	14,135,406.77
Accounts payable	Dalian Wazhou Fengyuan Machinery Co., Ltd	6,181,670.79	13,017,152.89
Accounts payable	Wazhou Precision Steel Ball Company	4,634,234.80	6,933,550.63
Accounts payable	Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd	9,073,692.99	6,279,078.46
Accounts payable	Wazhou Group Precision Retainer Limited Company	1,766,029.41	4,981,390.50
Accounts payable	Dalian Wazhou Jinzhou Machinery Co., Ltd	3,905,827.43	4,545,696.39
Accounts payable	Wazhou Group Precision Roller Limited Company	2,305,120.83	3,744,410.46
Accounts payable	National Bearing Engineering Technology Research Centre of Wazhou Group	2,368,837.69	3,736,023.76
Accounts payable	Kugel- und Rollenlagerwerk Leipzig GmbH	1,691,010.69	3,031,293.47
Accounts payable	Wazhou Group high-end auto bearing limited company	6,791,352.73	2,373,049.93
Accounts payable	Wazhou Group Special Precision Bearing Co., Ltd.		799,055.87
Accounts payable	Wazhou bearing power limited company	723,829.09	326,838.97
Accounts payable	Wazhou bearing wind power limited company		11,000.00
Other payables	Wazhou Group	5,199,099.64	26,070,866.05
Other payables	Wazhou Group Equipment Technology Project Co., Ltd.	952,000.00	952,000.00
Other payables	Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd	431,088.45	431,088.45
Other payables	Wazhou bearing power limited company	166,928.15	157,745.89

XII. Contingency

There is no contingency occurred in the report period.

XIII. Commitment

Until 31 December, 2018, the Group does not have any other significant commitments.

XIV. Events after the Balance Sheet Date

Until the financial report date, there is no significant post balance sheet event for disclosure.

XV. Other Significant Events

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

1. Accounts receivable

(1) Category of accounts receivable

Items	Closing balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	
Accounts receivable with individual amount and separate bad debt provision	18,011,580.95	1.45%	18,011,580.95	100.00%	
Accounts receivable with significant individual amount and separate bad debt provision					
Accounts receivable with not insignificant individual amount but separate bad debt provision	18,011,580.95	1.45%	18,011,580.95	100.00%	
Accounts receivable with bad debt provision based on the characters of credit risk portfolio	1,221,987,632.03	98.55%	40,230,621.76	3.29%	1,181,757,010.27
Accounting receivable age recombination	867,811,162.98	69.98%	40,230,621.76	4.64%	827,580,541.22
Related party	354,176,469.05	28.56%			354,176,469.05
Total	1,239,999,212.98	100.00%	58,242,202.71	4.70%	1,181,757,010.27

(Continued)

Items	Opening Balance			
-------	-----------------	--	--	--

	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Accounts receivable with individual amount and separate bad debt provision	22,419,373.94	1.76%	21,869,373.94	97.55%	550,000.00
Accounts receivable with significant individual amount and separate bad debt provision					
Accounts receivable with not insignificant individual amount but separate bad debt provision	22,419,373.94	1.76%	21,869,373.94	97.55%	550,000.00
Accounts receivable with bad debt provision based on the characters of credit risk portfolio	1,248,963,522.37	98.24%	39,755,848.71	3.18%	1,209,207,673.66
Accounting receivable age recombination	898,008,774.93	70.63%	39,755,848.71	4.43%	858,252,926.22
Related party	350,954,747.44	27.60%			350,954,747.44
Total	1,271,382,896.31	100%	61,625,222.65	4.85%	1,209,757,673.66

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

Aging	Closing Balance
	Accounts receivable
Within 1 year	573,797,076.59
Within 1 year	573,797,076.59
1-2 years	225,795,077.84
2-3 years	36,355,357.24
Over 3 years	31,863,651.31
3-4 years	23,373,275.18
4-5 years	8,490,376.13
Total	867,811,162.98

2. Other receivables

Items	Closing Balance	Opening Balance
Interest receivable		
Dividend receivable	1,250,000.00	1,250,000.00
Other receivable	12,532,029.47	13,713,827.46
Total	13,782,029.47	14,963,827.46

(1)Dividend receivable

Company	Closing Balance	Opening Balance
Shanghai ME Mechanical & Electrical Equipment Chain Co., Ltd	1,250,000.00	1,250,000.00
Total	1,250,000.00	1,250,000.00

(2)Other receivables

1Other receivables accrued the bad debt provisions under accounting aging analysis method

Aging	Closing Balance
	Other receivables
Within 1 year	5,232,436.49
1-2 years	5,232,436.49
2-3 years	2,159,055.19
Over 3 years	727,924.44
3-4 years	1,497,827.80
4-5 years	1,198,262.24
Over 5 years	299,565.56
Total	9,617,243.92

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
Investment into associates	-	-	-	-	-	
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 in 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	current year		prior year	
	Revenue	Cost	Revenue	Cost
Revenue from main operation	848,657,867.47	728,562,454.71	952,060,623.14	832,879,338.83
Revenue from other operation	118,440,594.06	108,701,798.46	103,899,325.53	96,290,684.90
Total	967,098,461.53	837,264,253.17	1,055,959,948.67	929,170,023.73

XVII. Supplementary Information to the Financial Statements

1. Non-operating profit or loss

Items	current year	Notes
Gain or loss from disposal of non-current assets	-1,051,495.51	
Government grants recorded into profit or loss during current period	3,841,477.86	
Profit or loss from debts restructuring	-2,245,393.82	
Reversal of provision for impairment of receivable separately tested		
Others non-operating revenue and expense besides the above items	1,032,908.12	
Total	1,577,496.65	

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	0.56%	0.019	0.019
Net profit after deducting non-recurring gains and losses attributable to shareholders of parent company	0.45%	0.015	0.015

3. Differences in accounting information under IAS and domestic accounting standard

1. Differences in net profit and net asset under domestic and international accounting standards

Inapplicable

2. Differences in net profit and net asset under domestic and overseas accounting standards

Inapplicable

Chapter XII. List of reference documents

1. Accounting statements with the signatures and seals of the legal representative, financial controller and the director of the accounting department of the company;
2. The documents and notices of the company disclosed in newspapers designated by the Security Supervisory Committee of China in the report period.

Above documents were kept in the Investment and Securities Department of the company