



Wafangdian Bearing Company Limited

2017 Midyear Report

2017-34

August 18, 2017

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.

Besides the following directors, all the other directors attended the Board meeting and discussed the report.

Name	Post	Reasons	Assignee name
Zhang Xinghai	director	Busy work	Sun Maolin
Wan Shouyi	Independent director	Busy work	Liu Yuping
Tang Yurong	director	Busy work	Fang Bo

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

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

The description of the future development in this report does not constitute a commitment for investors. Investors are requested to pay attention to the risks involved in your investment.

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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, the current year	Defined as	January 1,2017–June 30,2017
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		
Registered address	No. 1 Beigongji Street, Wafangdian City, Liaoning Province, China.		
P.C	116300		
office address	No. 1 Beigongji Street, Wafangdian City, Liaoning Province, China.		
office P.C	116300		
Website	http://www.zwz-200706.com		
E-mail	zwz2308@126.com		

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 company

In the report period the Registered address ,P.C, office address,office P.C of the company is no change.Details can be seen in 2016annual report.

ii. Place for information disclosure

In the report period the place for information disclosure is no change. is no change.Details can be seen in 2016 annual report.

IV Financial Highlights

Are there any retrospective adjustments or restatement of financial information of previous year due to change of accounting

policies or correcting of accounting errors?

Yes No

In RMB Yuan			
	current period	previous period	+/- (%) comparing with the previous period
Turnover(RMB)	1,135,500,575.33	1,125,455,031.98	0.89%
Net profit attributable to shareholders of the listed company(Yuan)	2,633,635.55	-44,024,185.93	-105.98%
Net profit attributable to the shareholders of the listed company and after deducting of non-recurring gain/loss(RMB)	-1,562,254.31	-55,263,473.29	-97.17%
Net Cash flow generated by business operation (RMB)	-76,606,258.56	-8,389,665.15	813.10%
Basic earnings per share(Yuan/share)	0.007	-0.11	-106.36%
Diluted earnings per share(Yuan/share)	0.007	-0.11	-106.36%
Net return on equity(%)	0.19%	-3.32%	3.51%
	End of 2017.06.30	End of 2016.12.31	Changed over last year (%)
Total Assets (RMB)	3,504,897,240.39	3,553,947,227.09	-1.38%
Owner's Equity Attributed to Shareholders of Listed Company(RMB)	1,381,971,561.10	1,379,337,925.55	0.19%

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

No difference

VI. Non-recurring gain/loss items and amounts

In RMB Yuan		
Items	Amount	Remarks
Gain/loss of non-current assets (includes the neutralized part of the asset impairment provision drawn already)	10,771.00	
Gains and losses included in the current period of government subsidies, excluding those government grants which are closely related to normal business and in line with national policy, or in accordance with fixed standards or quantities	2,423,777.94	
Debt restructuring gains and losses	1,356,259.02	
Other non-business income and expenditures other than the above	752,323.50	
Influenced amount of income tax	347,241.60	
Total	4,195,889.86	--

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

Chapter III Business Summary

I Principal Businesses in the Reporting Period

The scope of operation is: manufacture and sales of bearings, bearing components mechanical equipment, bearing

maintenance and technology service, automobile parts and fittings and other related products, lease of mechanical equipment and buildings, and inspection of bearings and other related mechanical equipment and measure instruments. Company has strong manufacturing capability and quality assurance capabilities, 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

As the country's largest bearing technology and product r&d and manufacturing base, company has accumulated more than seventy years practice experience in the field of bearings and related areas, set up perfect bearing technology innovation system, maintain close cooperation with domestic scientific research institutes, colleges and universities. As the main drafter of bearing industry a number of standard, company control the latest technology development trend in the industry. In technology research and development, product manufacturing, marketing , customer services and other aspects have established a significant advantage.

Company improve responsiveness to the market and customer personalized demand, in line with customer's personalized design and needs of manufacturing processes balancing cost, delivery time and customer,

The company has complete product service system and 24-hour dynamic service ability product operating site. And was praised with a good image of the "ten value-added services" by the majority customers. Company has strong manufacturing capability and quality assurance capabilities, extensive services in railway, automobile, metallurgy, mining, and other industries and fields.

Company has established strategic cooperative relations with key customers in domestic equipment applications, carry out the depth of marketing through involvement in customer value engineer, set firmly up the company's brand and influence in the domestic bearing market, the company has won the certification qualification of important target markets in the international market , the international popularity established preliminary.

Chapter IV Discussion and Analysis of the Management

I. Overview

At the end of June 30, company's total assets is 3.50490 billion Yuan, which decrease 1.38% compared with the beginning of this year; Net assets attributing to shareholders of listed company 1.38197 billion Yuan, increased by 0.19% compared with the beginning of this year; Operating income is 1.13550 billion Yuan, increase by 0.89% compared with the same period last year; Net profit of attributing to shareholders of the parent company is 2.63 million Yuan, in the last year was the lost is 44.02 million Yuan.

II Analysis on Principal Businesses

1. General

Refer to "I. General" of "Discussion and Analysis of the Management"

2. Revenue and Costs

(1) Revenue

Item	Report period	Last report period	Changed by %YoY	In RMB Yuan
				Change reason
Business Income	1,135,500,575.33	1,125,455,031.98	0.89%	
Business Cost	1,004,195,641.99	1,043,602,026.69	-3.78%	
Sales Expenses	76,020,179.92	84,742,685.88	-10.29%	
Management Expenses	31,245,721.82	36,646,177.56	-14.74%	
Financial Expenses	16,016,268.75	12,390,741.72	29.26%	

Tax Expenses				
Spending on research and development of the business income ratio	46,000,000.00	45,000,000.00	2.22%	
Net Cash Flows from Operating Activities	-76,606,258.56	-8,389,665.15	813.10%	
Net Cash Flows from Investing Activities	-1,449,577.77	-25,642,335.69	-94.35%	
Net Cash Flows from Financing Activities	34,930,007.77	68,025,342.68	-48.65%	
Net Increase in Cash and Cash Equivalents	-43,617,574.73	35,385,469.18	-223.26%	

The profit structure or source change greatly

Applicable Inapplicable

Main business composition

In RMB Yuan

	Operating income	Operating cost	BOI	+/- (%) of operating income	+/- (%) of operating cost	+/- (%) of BOI
By Industries						
Export	149,614,913.99	128,611,696.79	14.04%	-19.30%	-25.15%	6.71%
Civil						
Including: Traffic Bearing	266,745,992.99	254,479,525.24	4.60%	-14.79%	-17.67%	3.34%
Special Bearing	224,180,996.10	199,523,534.06	11.00%	-4.55%	-4.73%	0.16%
Common Bearing	277,694,289.63	214,493,584.51	22.76%	5.17%	-4.08%	7.45%
Industrial income	67,931,900.72	65,453,889.94	3.65%	169.69%	112.21%	26.10%
On Products						
Bearing	918,236,192.71	797,108,340.60	13.19%	-7.93%	-12.78%	4.83%
Industry operation	67,931,900.72	65,453,889.94	3.65%	169.69%	112.21%	26.10%
Region						
Civil	836,553,179.44	733,950,533.75	12.26%	-0.07%	-5.05%	4.60%
Foreign	149,614,913.99	128,611,696.79	14.04%	-19.30%	-25.15%	6.71%

III . Analysis on Non-Principal Businesses

None

IV. Situation of assets and liabilities

1. Major change in asset item

	End of 2017.06.30		End of 2016.06.30		Percentage of change (%)	Statement on major change
	Amount	Percent in total asset	Amount	Percent in total asset		
Monetary capital	111,589,576.25	3.18%	137,341,499.74	3.90%	-0.72%	
Account receivable	1,311,182,169.81	37.41%	1,023,728,246.54	29.10%	8.31%	
Inventories	767,894,842.95	21.91%	1,023,253,563.94	29.10%	-7.19%	
Fixed assets	740,842,980.06	21.14%	616,407,430.76	17.50%	3.64%	
Construction in process	205,126,816.36	5.85%	328,735,373.03	9.30%	-3.45%	
Short term loan	654,900,000.00	18.69%	468,000,000.00	13.30%	5.39%	
Long term loan			230,000,000.00	6.50%	-6.50%	

V. Investment

1. Significant non-equity investment in process in the reporting period

Unit:RMB

Item	Investment way	Fix asset investment or not	The item's industry	Investment amount in the report period	Accumulated investment	Capital source	Progress	Anticipated income	Total income at the end of 2016	Reasons of the difference between plan and actual	Disclose Date	Disclose index
Reform on industrial bearings	other	Yes	Bearing manufacture	40,690,000.00	40,690,000.00	Self-raised	85.00%	200,000,000.00	120,000,000.00	Have not been fully operate		
合计	--	--	--							--	--	--

VI. Sales of Significant Assets and Equity

1. Sales of Significant Assets

None

2. Sales of Significant Equity

Inapplicable

VII. Analysis on Principal Subsidiaries and Mutual Shareholding Companies

Company name	Company type	Principal business	Leading products and services	Total assets, in CNY	Net assets (CNY)	Turnover in CNY	Operating profit (in CNY)	Net profit (in CNY)
Liaoyang Bearing company	Subsidiary	Product and Sale Bearing and machine-electrical equipment	19,350,000.00	113,439,406.96	-49,380,045.04	64,355,936.03	-1,975,004.16	-1,706,153.02
Dalian Electrical Equipment	Subsidiary	Product and Sale Bearing	10,000,000.00	122,371,439.10	23,225,792.08	82,118,010.65	1,097,464.09	1,097,464.09
Wzhou precision spherical roller bearing(Wafangdian) Co.,Ltd.	Subsidiary	Product and Sales Spherical Roller Bearing	194,000,000.00	267,884,676.89	221,571,330.72	61,215,256.92	-7,964,471.64	-7,896,314.97

VIII. Structurized Entities Controlled by the Company

Inapplicable

IX. Estimates for operating results for January to September 2017

Inapplicable

XThe company faces risks and response measures

With the world "manufacturing center" to the transfer of China, China's bearing industry, the competitive environment is more hot. World-class bearing enterprises have built manufacturing plants in China, the world's eight multinational bearing group in China, a number of factories, monopoly of most of the domestic high-end market, these advantages with high-quality products, advanced service concept, the use of local enterprises Of the large-scale expansion of sales channels, China's bearing industry continued to squeeze the living space and profit margins.

The current cost of raw material accessories rose sharply, to bring great pressure on the bearing business, rising costs, profit margins narrow the contradiction is still outstanding. From the corporate side, the Chinese economy is now in the transition stage, the advantages of traditional manufacturing is gradually reduced, bearing steel and other raw materials and water, electricity, land and other means of production costs, labor costs are rising. From the client to see, customers are the cost of the transfer to

the upstream enterprises, bearing earnings narrowing and other issues have become increasingly prominent. Since the first half of 2017, China's economy has maintained a slow stabilization, steady and good momentum, the structural growth of the economy highlights the bright spot, new industries and high-tech industries continued to grow, the overall market demand to maintain steady growth. Especially with the deepening reform of the country, "all the way" strategy to promote a large number of key projects such as the opening of the construction, China's equipment manufacturing industry ushered in a new development opportunities, the Chinese bearing industry also ushered in a rare domestic alternative market.

The company in the economic environment is gradually realized from the original production-oriented to the demand-oriented change, "the structure in the reform optimization, kinetic energy in the conversion to enhance the quality of the upgrade in the transition" has become the company in the new normal development of new features and Bright spot. Companies closely around the "profit growth and cash flow profits," the operating principle of customer demand as the center, improve product quality and service quality, production and management to achieve steady development, the quality of operation to stabilize the better. The company to adjust the structure, improve the quality, to adapt to market and customer needs; to promote lean management, to management to efficiency; implementation of "cost reduction" measures to achieve profit growth; strengthen capital control, cash flow profits.

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
2017 First Extraordinary Shareholder's Meeting	Extraordinary Shareholder's Meeting	80.31%	2017.03.16	2017.03.17	http://www.cninfo.com.cn
2016 Annual Shareholder's Meeting	Annual Shareholder's Meeting	80.31%	2017.05.18	2017.05.19	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

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

Inapplicable

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

Inapplicable

IV Engagement/Disengagement of CPAs

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

Inapplicable

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

Inapplicable

VII. Matters concerning Bankruptcy Reorganization

Inapplicable

VIII. Significant Lawsuits and Arbitrations

Inapplicable

IX. Penalty and Rectification

Inapplicable

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

Inapplicable

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

Inapplicable

XII. Important Related Transactions

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

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	225	0.24%	300	No	Cash Payment or The Knot			
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	100	0.09%	450	No	Cash Payment or The Knot			
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	10	0.01%	10	No	Cash Payment or The Knot			
Wazhou precision Steel Ball Company	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Provide Service	Heat treatment	Justice and Equity	Market price	76	0.07%	180	No	Cash Payment or The Knot			
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	7,794	8.48%	15,000	No	Cash Payment or The Knot			

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	8,838	7.78%	6,000	是	Cash Payment or The Knot			
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	35	0.03%	130	No	Cash Payment or The Knot			
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	23	0.02%	80	No	Cash Payment or The Knot			
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	681	0.71%	900	No	Cash Payment or The Knot			
Dalian Wazhou Manufacturing Equipment Co., Ltd	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Goods Procurement	Product	Justice and Equity	Market price	271	0.29%	1,000	No	Cash Payment or The Knot			
Dalian Wazhou Manufacturing Equipment Co., Ltd	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of goods	Materials	Justice and Equity	Market price	42	0.01%	120	No	Cash Payment or The Knot			
Dalian Wazhou Manufacturing Equipment Co., Ltd	Other Companies controlled by the same controlling	Merchandise Procurement	Machine Machine	Justice and Equity	Market price	72	0.08%	0	Yes	Cash Payment or The Knot			

	share holders and the ultimate controlling party	nt											
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	3,565	3.88%	9,000	No	Cash Payment or The Knot			
Wazhou Group precision Transmission Bearing Co., Ltd	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of goods	Components	Justice and Equity	Market price	1,543	1.36%	4,500	No	Cash Payment or The Knot			
Wazhou Group precision Transmission 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	173	0.15%		Yes	Cash Payment or The Knot			
Wazhou Group Precision special 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	4	0.00%	9	No	Cash Payment or The Knot			
Wazhou Group Precision special Bearing Company Limited	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of Materials	Materials	Justice and Equity	Market price	26	0.02%	50	No	Cash Payment or The Knot			
Wazhou Group Precision special 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	0.00%	3	No	Cash Payment or The Knot			

Wazhou Group Precision special 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	26	0.02%	55	No	Cash Payment or The Knot			
Wazhou Group Precision special Bearing Company Limited	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Provide Service	Heat treatment	Justice and Equity	Market price	30	0.03%	65	No	Cash Payment or The Knot			
Equipment technical engineering	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Machine Procurement	Machine	Justice and Equity	Market price	655	0.71%	500	Yes	Cash Payment or The Knot			
Wafangdian Tongda Bearing Manufacturing Co., Ltd	Other Related party	Merchandise Procurement	Product	Justice and Equity	Market price	3,597	3.91%	7,000	No	Cash Payment or The Knot			
Wafangdian Tongda Bearing Manufacturing Co., Ltd	Other Related party	Sales of Materials	Materials	Justice and Equity	Market price	23	0.02%	0	Yes	Cash Payment or The Knot			
Da Lian Wazhou Fengyuan Machine Co.,Ltd	Other Related party	Merchandise Procurement	Components	Justice and Equity	Market price	4,075	4.31%	11,000	No	Cash Payment or The Knot			
Da Lian Wazhou Fengyuan Machine Co.,Ltd	Other Related party	House rent	House rent	Justice and Equity	Market price	5	0.00%	10	No	Cash Payment or The Knot			
Da Lian Wazhou Jin Zhou Machine Co.,Ltd	Other Related party	Merchandise Procurement	Components	Justice and Equity	Market price	3,288	3.57%	0	Yes	Cash Payment or The Knot			
Da Lian Wazhou Jin Zhou Machine	Other Related party	House rent	House rent	Justice and Equity	Market price	40	0.04%	77	No	Cash Payment or			

Co.,Ltd										The Knot			
Da Lian Wazhou Jin Zhou Machine Co.,Ltd	Other Related party	Provide Service	Heat treatment	Justice and Equity	Market price	9	0.01%	30	No	Cash Payment or The Knot			
Wazhou group (USA) bearing co., LTD	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of goods	Product	Justice and Equity	Market price	3,346	2.95%	12,500	No	Cash Payment or The Knot			
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	6,403	6.97%	20,000	No	Cash Payment or The Knot			
Wazhou group high-end automobile bearing co., LTD	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of goods	Product	Justice and Equity	Market price	8,402	7.40%	6,500	Yes	Cash Payment or The Knot			
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	135	0.12%	700	No	Cash Payment or The Knot			
Wazhou group high-end automobile bearing co., LTD	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of goods	Components	Justice and Equity	Market price	4,429	3.89%	3,500	Yes	Cash Payment or The Knot			
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	0.23%	260	No	Cash Payment or The Knot			
Wazhou group high-end automobile bearing co., LTD	Other Companies controlled by the same controlling share holders and the	Machine rent	Machine rent	Justice and Equity	Cost	438	0.39%	0	Yes	Cash Payment or The Knot			

	ultimate controlling party												
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	4,782	5.20%	9,500	No	Cash Payment or The Knot			
Wazhou Group Precision Roller limited company	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of goods	Components	Justice and Equity	Market price	358	0.32%	0	Yes	Cash Payment or The Knot			
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	26	0.02%	55	No	Cash Payment or The Knot			
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	0.43%	950	No	Cash Payment or The Knot			
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%	20	No	Cash Payment or The Knot			
Wazhou Group Precision Roller limited company	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Provide Service	Heat treatment	Justice and Equity	Market price	858	0.76%	1,000	No	Cash Payment or The Knot			
Wazhou Group	Other Companies	Sales of	Merchandise	Justice and	Market	2,115	1.86%	1,500	Yes	Cash			

Precision Roller limited company	controlled by the same controlling share holders and the ultimate controlling party	Merchandise		Equity	price						Payment or The Knot			
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	2,793	3.04%	5,000	No		Cash Payment or The Knot			
Wazhou Group Precision Retainer Limited Company	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of Merchandise	Merchandise	Justice and Equity	Market price	158	0.14%	850	No		Cash Payment or The Knot			
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	107	0.09%	210	No		Cash Payment or The Knot			
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%	30	No		Cash Payment or The Knot			
Wazhou Group Precision Retainer Limited Company	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of goods	Components	Justice and Equity	Market price	23	0.02%	0	Yes		Cash Payment or The Knot			
Wazhou Group Precision Retainer Limited Company	Other Companies controlled by the same controlling share holders and	House rent	House rent	Justice and Equity	Market price	38	0.03%	72	No		Cash Payment or The Knot			

	the ultimate controlling party												
Wazhou Group Wind power Bearing Ltd	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Merchandise Procurement	Product	Justice and Equity	Market price	6,790	7.39%	15,000	No	Cash Payment or The Knot			
Wazhou Group Wind power Bearing Ltd	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of goods	Product	Justice and Equity	Market price	1,495	1.32%	4,500	No	Cash Payment or The Knot			
Wazhou Group Wind power Bearing Ltd	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of Merchandise	Merchandise	Justice and Equity	Market price	18	0.02%	500	No	Cash Payment or The Knot			
Kugel- und Rollenlagerwerk Leipzig GmbH	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Merchandise Procurement	Goods	Justice and Equity	Market price	0	0.00%	500	No	Cash Payment or The Knot			
Kugel- und Rollenlagerwerk Leipzig GmbH	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of goods	Product	Justice and Equity	Market price	155	0.14%	50	Yes	Cash Payment or The Knot			
Wafangdian bearing Power Limited Company	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Power Procurement	warter	Justice and Equity	Cost	8	0.01%	13	No	Cash Payment or The Knot			
Wafangdian bearing	Other Companies	Power	electricity	Justice and	Cost	870	0.95%	1,200	No	Cash			

Power Limited Company	controlled by the same controlling share holders and the ultimate controlling party	Procurement		Equity							Payment or The Knot			
Wafangdian bearing Power Limited Company	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Power Procurement	heating	Justice and Equity	Government price	161	0.18%	260	No		Cash Payment or The Knot			
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	151	0.16%	0	Yes		Cash Payment or The Knot			
Wazhou Group (auto)	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Land machine	Land machine	Justice and Equity	Cost	0	0.00%	880	No		Cash Payment or The Knot			
Wazhou Group	The controlling share holders and the ultimate controlling party	Lease of Houses	Lease of Houses	Justice and Equity	Market price	512	0.56%	1,000	No		Cash Payment or The Knot			
Wazhou Group	The controlling share holders and the ultimate controlling party	Lease of land	Lease of land	Justice and Equity	Cost	55	0.06%	520	No		Cash Payment or The Knot			
Wazhou Group	The controlling share holders and the ultimate controlling party	Lease of Houses	Lease of machine	Justice and Equity	Cost	124	0.14%	65	Yes		Cash Payment or The Knot			
Wazhou Group	The controlling share holders and the ultimate controlling party	Sales of Merchandise	Merchandise	Justice and Equity	Market price	11	0.01%	0	Yes		Cash Payment or The Knot			

Wazhou Group	The controlling share holders and the ultimate controlling party	Land house	house rent	Justice and Equity	Market price	0	0.00%	350	No	Cash Payment or The Knot			
Wazhou Group	The controlling share holders and the ultimate controlling party	Provide Service	Security and Fire Service	Justice and Equity	Agreement	107	0.12%	240	No	Cash Payment or The Knot			
Wazhou Group	The controlling share holders and the ultimate controlling party	Provide Service	Announcement Service	Justice and Equity	Agreement	0	0.00%	70	No	Cash Payment or The Knot			
Wazhou Group	The controlling share holders and the ultimate controlling party	Provide Service	Technology Development Service	Justice and Equity	Agreement	0	0.00%	850	No	Cash Payment or The Knot			
Wazhou Group	The controlling share holders and the ultimate controlling party	Provide Service	Trademark	Justice and Equity	Agreement	93	0.10%	800	No	Cash Payment or The Knot			
Wazhou Group	The controlling share holders and the ultimate controlling party	Sales of goods	Components	Justice and Equity	Market price	0	0.00%	3,400	No	Cash Payment or The Knot			
					--	80,960	--	149,314	--	--		--	--
Details of the rejection of the goods already sold in big amount				non									
In case the total amount of the regular related transaction incurred in the reporting period has been predicted based on categories, state the actual implementation of the in the reporting period (if any)				non									
Cause of the big 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

Inapplicable

3. Related transactions concerning joint investment in foreign countries

Inapplicable

4. Current Associated Rights of Credit and Liabilities

Applicable

Whether there are non - operating related debt and debt transactionsInapplicable

Inapplicable

5. Other Major Related Transactions

Inapplicable

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

Inapplicable

XIV. Important Contracts and Implementation

1. Custody, Contacting and Leases

(1) Custody

Inapplicable

(2) Contracting

Inapplicable

(3) Leases

.Related lease: this part of the contents of the twelve, related party transactions and related party transactions 5 (3) related to the lease"

2. Significant Guarantees

Inapplicable

3. Other Major Contracts

Inapplicable

XV. Social Responsibility

In mid-May this year, we received a notice from the Dalian Municipal Government documents, designated Dalian City, poverty alleviation units by the city of Shuangshan Bay Shuangshan Village adjusted to tile city camel mountain village Longhe village.

According to the spirit of the document and the specific requirements of the municipal government, in order to better implement the spirit of the work of helping the central, provincial and municipal governments to help the poor, Wazhou Group held a special meeting to study the deployment of poverty alleviation measures, Poverty alleviation, medical aid, poverty alleviation, trade poverty alleviation, etc., and regularly visit the poverty alleviation units, to understand the mastery of the poverty alleviation program, the use of the existing advantages and conditions of the implementation of employment poverty alleviation, vocational skills training poverty alleviation, The situation of the object of poverty alleviation, find out the base, to develop the corresponding poverty alleviation measures, then we and the help units were contacted, in late June, the help unit and we had a contact communication, the initial agreement reached.

XVI. Notes to Other Signficiant Events

Inapplicable

XVII. Significant Events of the Company's Subsidiaries

Inapplicable

Chapter VI. Changes in Capital Stock and Shareholders

I. Changes in Capital Stock

	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%						402,600,000	100%

Reason of Changes of Shares

Applicable Inapplicable

The basic situation of stock change.

Applicable Inapplicable

The transfer of shares of

Applicable Inapplicable

Influence from the shareholding movements upon such financial indicators as earnings per share, net asset per share of the latest year and the latest accounting period

Applicable Inapplicable

Other information as the Company considers necessary to be disclosed or demanded by the securities regulatory authority for disclosing:

Applicable Inapplicable

II. Issuing and Listing

III. Shareholders and Actual Controlling Shareholder

1. Number of Shareholders and Shares

Unit: Share

Total number of shareholder at the end of report period		6,876		Total number of shareholder at the end of report period with preferred stock		0		
Shareholders with 5% or above Shares								
Name	Nature	Ratio (%)	Total shares held	Increase or Decrease in hereportperiod	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	Foreign	19.70%	79,300,000					



SKF	shareholder							
BOCI SECURITIES LIMITED	Foreign shareholder	1.26%	5,056,953					
Huang Junyue	Domestic shareholder	1.16%	4,680,000					
Hu Xiaofeng	Domestic shareholder	0.47%	1,879,277					
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign shareholder	0.36%	1,454,840					
Jin Yunhua	Domestic shareholder	0.33%	1,311,256					
MAN,KWAI WING 文贵荣	Foreign private shareholder	0.18%	713,101					
Zhou Jie	Domestic shareholder	0.17%	684,200					
Ma Yuancheng	Domestic shareholder	0.15%	596,966					
Explanation for the Affiliated Relations or United Action of the Top Ten Shareholders	AKTIEBOLAGET SK is the strategic investor							
Notes to relationship or "action in concert" among the top ten shareholders.	There was no relationship and consistent activities between the first big shareholder and other shareholders or the top ten common stock holders;							
Top Ten Tradable Shareholders								
Name	Current shares held at end of year	Category of Shares						
		Categories	Amount					
Wafangdian Bearing Group Corporation	79,300,000	B	79,300,000					
AKTIEBOLAGET SKF	5,056,953	B	5,056,953					
BOCI SECURITIES LIMITED	4,680,000	B	4,680,000					
Huang Junyue	1,879,277	B	1,879,277					
Hu Xiaofeng	1,454,840	B	1,454,840					
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	1,311,256	B	1,311,256					
Jin Yunhua	713,101	B	713,101					
MAN,KWAI WING 文贵荣	684,200	B	684,200					
Zhou Jie	596,966	B	596,966					
Zhou Junlin	545,600	B	545,600					
Explanation for the Affiliated Relations or United Action of the Top Ten Shareholders and the Top Ten Tradable Shareholders	There was no relationship and consistent activities between the first big shareholder and other shareholders or the top ten common stock holders; The relationship among other shareholders, top ten circulation shareholders, top ten circulation shareholders and other shareholders was not clear.							

IV Change of Controlling Shareholder Actual Controller in the Report Period

Applicable Inapplicable

Chapter VII. Relevant information about preferred stock**Chapter VIII. Directors, Supervisors, Senior Management and Staff****I. Shares holding change in Directors, Supervisors, Senior Management**

Inapplicable

II. Changes of Directors, Supervisors and Senior Management

Name	Position	Type	Date	Reason
Li Shi	Director	resignment	2017.02.9	Work change
Sun Maolin	GM	resignment	2017.02.22	Work change
Wang Longjie	Vice-GM	resignment	2017.02.22	Work change
Zhang Li	Independent Director	resignment	2017.03.14	death
Wan Shouyi	Independent Director	resignment	2017.07.14	Work change
Zhao Yang	GM	engage	2017.02.24	
Zhao Yang	Director	elected	2017.05.18	
Zhang Shiyin	Vice-GM	engage	2017.02.24	
Liang Shuang	Independent Director	elected	2017.05.18	

Chapter VIII. Financial Report

I. Audit Report

The financial report is unaudited

II. Financial Statement

1. Consolidated Balance Sheet.

Unit: RMB Yuan

Item	Closing Balance	Opening Balance
Current assets :		
Monetary fund	111,589,576.25	184,416,042.97
Financial assets held-for-trading		
Bills receivable	173,351,328.97	109,181,156.69
Account receivable	1,311,182,169.81	1,249,891,874.39
Account paid in advance	14,425,787.01	16,084,843.68
Interest receivable		
Dividend receivable		
Other receivables	32,519,169.14	19,705,788.69
Inventory	767,894,842.95	842,429,282.92
Non-current assets due within 1 year		
Other current assets	4,821,813.37	7,202,729.14
Total current assets	2,415,784,687.50	2,428,911,718.48
Non-current assets		
Financial assets available-for-sale	2,000,000.00	2,000,000.00
Investments held-to-maturity		
Long-term receivable		
Long-term equity investment		
Investment property		
Fixed assets	740,842,980.06	785,568,617.02
Construction in progress	205,126,816.36	194,439,963.77
Construction materials		
Fixed assets disposal		
Biological assets		
Gas and petrol assets		
Intangible assets	128,746,930.36	130,876,465.81
Development expenditure		
Goodwill		
Long-term prepaid expense	766,725.77	521,361.67

Deferred tax assets	11,629,100.34	11,629,100.34
Other non-current assets		
Total non-current assets	1,089,112,552.89	1,125,035,508.61
Total assets	3,504,897,240.39	3,553,947,227.09
Current liabilities		
Short-term loan	654,900,000.00	549,900,000.00
Note payable	308,199,565.90	425,514,610.26
Accounts payable	902,777,944.59	833,899,714.83
Accounts received in advance	28,535,884.77	26,959,477.14
Commission charge payable		
Accrued payroll	17,028,885.61	17,256,851.42
Tax payable	9,492,811.73	19,141,230.94
Interest payable	420,000.00	927,000.00
Dividends payable		
Other payables	104,627,629.71	111,790,682.03
Non-current liabilities due within 1 year	50,000,000.00	90,000,000.00
Other current liabilities	4,335,522.50	4,704,022.50
Total current liabilities	2,080,318,244.81	2,080,093,589.12
Non-current liabilities		
Long-term loan		50,000,000.00
Debenture payable		
Long-term payables	1,597,305.72	1,597,305.72
Special payables	296,698.98	296,698.98
Contingent liabilities		
Deferred income	39,774,133.82	41,682,411.76
Deferred tax liabilities	939,295.96	939,295.96
Other non-current liabilities		
Total non-current liabilities	42,607,434.48	94,515,712.42
Total liabilities	2,122,925,679.29	2,174,609,301.54
Owner's equity (shareholders' equity)		
Capital stock	402,600,000.00	402,600,000.00
Capital public reserves	485,691,050.47	485,691,050.47
Less: treasury share		
Surplus reserve	131,442,909.11	131,442,909.11
Undistributed profit	362,237,601.52	359,603,965.97
Difference of foreign currency translation		
Equity attributable to parent company	1,381,971,561.10	1,379,337,925.55
Minority interest		
Total owner's equity	1,381,971,561.10	1,379,337,925.55
Total owner's equity and liabilities	3,504,897,240.39	3,553,947,227.09

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

2. Balance Sheet of Parent Company

Unit: RMB Yuan

Item	Opening Balance	Closing Balance
Current assets :		
Monetary fund	101,873,721.71	160,858,258.16
Financial assets held-for-trading		
Bills receivable	170,319,399.31	105,343,542.29
Account receivable	1,311,298,475.95	1,271,216,667.68
Account paid in advance	10,553,901.13	14,150,176.66
Interest receivable		
Dividend receivable		
Other receivables	31,063,059.67	18,675,828.91
Inventory	700,975,783.64	781,029,612.11

Non-current assets due within 1 year		
Other current assets	2,979,790.39	4,853,373.30
Total current assets	2,329,064,131.80	2,356,127,459.11
Non-current assets		
Financial assets available-for-sale	2,000,000.00	2,000,000.00
Investments held-to-maturity		
Long-term receivable		
Long-term equity investment	211,583,897.67	211,583,897.67
Investment property		
Fixed assets	505,015,437.79	540,414,895.87
Construction in progress	204,811,647.96	194,408,579.15
Construction materials		
Fixed assets disposal		
Biological assets		
Gas and petrol assets		
Intangible assets	109,602,344.25	111,375,548.98
Development expenditure		
Goodwill		
Long-term prepaid expense	487,446.49	521,361.67
Deferred tax assets	10,355,933.09	10,355,933.09
Other non-current assets		
Total non-current assets	1,043,856,707.25	1,070,660,216.43
Total assets	3,372,920,839.05	3,426,787,675.54
Current liabilities		
Short-term loan	654,900,000.00	549,900,000.00
Note payable	308,199,565.90	425,514,610.26
Accounts payable	813,126,054.34	754,015,698.35
Accounts received in advance	27,955,583.03	26,840,178.68
Commission charge payable		
Accrued payroll	10,104,778.40	10,295,412.34
Tax payable	6,301,600.02	15,496,981.29
Interest payable	420,000.00	927,000.00
Dividends payable		
Other payables	65,222,753.16	72,962,085.99
Non-current liabilities due within 1 year	50,000,000.00	90,000,000.00
Other current liabilities	4,237,974.50	4,606,474.50
Total current liabilities	1,940,468,309.35	1,950,558,441.41
Non-current liabilities		
Long-term loan		50,000,000.00
Debenture payable		
Long-term payables		
Special payables	296,698.98	296,698.98
Contingent liabilities		
Deferred income	35,482,021.82	37,390,299.76
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities	35,778,720.80	87,686,998.74
Total liabilities	1,976,247,030.15	2,038,245,440.15
Owner's equity (shareholders' equity)		
Capital stock	402,600,000.00	402,600,000.00
Capital public reserves	485,678,443.26	485,678,443.26
Less: treasury share		
Surplus reserve	131,442,909.11	131,442,909.11
Undistributed profit	376,952,456.53	368,820,883.02
Total owner's equity	1,396,673,808.90	1,388,542,235.39
Total owner's equity and liabilities	3,372,920,839.05	3,426,787,675.54

3. Consolidated Income Sheet.

Unit: RMB Yuan

Item	Account for the current period	Account for the prior period
1.Total operating income	1,135,500,575.33	1,125,455,031.98
Including: Operating revenue	1,135,500,575.33	1,125,455,031.98
Interest income		
Handling charge and commission income		
2.Total operating cost	1,137,410,071.24	1,182,078,050.33
Including: Operating cost	1,004,195,641.99	1,043,602,026.69
Interest expenses		
Handling charge and commission income		
Tax & surcharges for main operations	9,832,448.15	4,695,351.44
Selling expenses	76,020,179.92	84,742,685.88
Administrative expense	31,245,721.82	36,646,177.56
Financial expense	16,016,268.75	12,390,741.72
Loss of impairment of assets	99,810.61	1,067.04
Add: Gains of change of fair value of assets(loss with "-")		
Investment income(loss with "-")		
Including: Income form investment on associated enterprise and jointly enterprise		
3.Operating profit (loss with "-")	-1,909,495.91	-56,623,018.35
Add: Non-operating revenue	4,772,523.99	14,004,273.12
Including:income on disposal of non-current assets	44,573.04	4,649,046.02
Less: Non-operating cost	229,392.53	1,405,440.70
Including: loss on disposal of non-current assets	33,802.04	78,416.68
4.Total profit(loss with "-")	2,633,635.55	-44,024,185.93
Less: Income tax expenses		
5. Net profit(Loss with "-")	2,633,635.55	-44,024,185.93
Net profit attributable to shareholders of parent company	2,633,635.55	-44,024,185.93
Minority interests		
6. Other comprehensive returns		
7. Total comprehensive returns	2,633,635.55	-44,024,185.93
Total comprehensive returns available for parent company	2,633,635.55	-44,024,185.93
Total comprehensive returns available for minority shareholders		
6.Earnings per share		
(1) Basic earnings per share	0.007	-0.11
(2) Diluted earnings per share	0.007	-0.11

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

4. Income Sheet of Parent Company.

Unit: RMB Yuan

Item	Account for the current period	Account for the prior period
1.Total operating income	1,121,747,641.74	1,139,151,566.77
Less:Operating cost	999,817,155.16	1,066,012,164.06
Tax & surcharges for main operations	8,636,001.96	4,099,633.44
Selling expenses	74,810,685.74	83,766,587.44
Administrative expense	18,388,929.30	23,712,562.59
Financial expense	16,060,266.15	12,403,674.03
Loss of impairment of assets	99,810.61	1,067.04
Add: Gains of change of fair value of assets(loss with "-")		
Investment income(loss with "-")		
Including: Income form investment on associated enterprise and jointly enterprise		
2.Operating profit (loss with "-")	3,934,792.82	-50,844,121.83

Add: Non-operating revenue	4,407,063.16	12,178,115.07
Less: Non-operating cost	210,282.47	1,372,244.60
Including: loss on disposal of non-current assets		
3.Total profit(loss with"-")	8,131,573.51	-40,038,251.36
Less: Income tax expenses		
4. Net profit(Loss with"-")	8,131,573.51	-40,038,251.36
Net profit attributable to shareholders of parent company	8,131,573.51	-40,038,251.36
Minority interests		
5. Other comprehensive returns		
6. Total comprehensive returns	8,131,573.51	-40,038,251.36
7.Earnings per share		
(1) Basic earnings per share	0.02	-0.10
(2) Diluted earnings per share	0.02	-0.10

5. Consolidated Cash Flow Statement.

Unit: RMB yuan

Item	Account for the current period	Account for the prior period
1.Cash from operating activities		
Cash received from sale of goods or Provideing of services	512,413,730.92	553,562,725.50
Refund of taxes and fares		
Other cash received relating to operating activities	1,373,744.39	3,957,803.39
Sub-total of cash inflows	513,787,475.31	557,520,528.89
Cash paid for goods and services	371,323,998.46	326,921,872.04
Cash paid to or on behalf of the employees	119,257,067.02	156,421,038.32
Tax payments	47,104,172.58	26,059,090.72
Other cash paid relating to operating activities	52,708,495.81	56,508,192.96
Sub-total of cash outflows	590,393,733.87	565,910,194.04
Net cash flows from operating activities	-76,606,258.56	-8,389,665.15
2.Cash flows from investing activities		
Cash received from return of investment		
Cash received from investment incomes		240,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	4,885,900.00	10,000,000.00
Proceeds from sale of subsidiaries and other operating units		
Other cash received relating to investing activities		
Sub-total of cash inflows	4,885,900.00	10,240,000.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets	6,335,477.77	35,882,335.69
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	6,335,477.77	35,882,335.69
Net cash flows from investment activities	-1,449,577.77	-25,642,335.69
3.Cash flows from financing activities		
Cash received from absorbing investment		
Including: Cash received from increase in minority interest		
Proceeds from borrowings	223,000,000.00	375,000,000.00
Other proceeds relating to financing activities	321,721,729.99	147,525,694.44
Sub-total of cash inflows	544,721,729.99	522,525,694.44
Repayment of borrowings	208,000,000.00	287,000,000.00
Distribution of dividends or profits & interest expenses	15,240,108.89	17,500,351.76
Including: dividends or profit paid to minority interest		
Cash paid for other financing activities	286,551,613.33	150,000,000.00

Sub-total of cash outflows	509,791,722.22	454,500,351.76
Net cash flows from financing activities	34,930,007.77	68,025,342.68
4. Effects of foreign exchange rate changes on cash	-491,746.17	1,392,127.34
5. Net increases in cash and cash equivalents	-43,617,574.73	35,385,469.18
Add: cash and cash equivalent, at the beginning of year	142,233,376.52	78,556,030.56
6. Cash and cash equivalent at the end of the year	98,615,801.79	113,941,499.74

6. Cash Flow Statement Of Parent Company.

Unit: RMB yuan

Item	Account for the current period	Account for the prior period
1. Cash from operating activities		
Cash received from sale of goods or Providing of services	505,013,167.86	541,591,437.79
Refund of taxes and fares		
Other cash received relating to operating activities	1,036,362.56	3,381,289.60
Sub-total of cash inflows	506,049,530.42	544,972,727.39
Cash paid for goods and services	386,834,924.59	356,059,070.83
Cash paid to or on behalf of the employees	93,936,635.19	128,163,845.74
Tax payments	39,398,824.49	20,179,431.19
Other cash paid relating to operating activities	48,664,314.64	52,713,413.47
Sub-total of cash outflows	568,834,698.91	557,115,761.23
Net cash flows from operating activities	-62,785,168.49	-12,143,033.84
2. Cash flows from investing activities		
Cash received from return of investment		
Cash received from investment incomes		240,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	4,876,900.00	10,000,000.00
Proceeds from sale of subsidiaries and other operating units		
Other cash received relating to investing activities		
Sub-total of cash inflows	4,876,900.00	10,240,000.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets	6,308,049.77	35,523,972.38
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	6,308,049.77	35,523,972.38
Net cash flows from investment activities	-1,431,149.77	-25,283,972.38
3. Cash flows from financing activities		
Cash received from absorbing investment		
Including: Cash received from increase in minority interest		
Proceeds from borrowings	223,000,000.00	375,000,000.00
Other proceeds relating to financing activities	321,721,729.99	147,525,694.44
Sub-total of cash inflows	544,721,729.99	522,525,694.44
Repayment of borrowings	208,000,000.00	287,000,000.00
Distribution of dividends or profits & interest expenses	15,237,696.69	17,499,132.16
Including: dividends or profit paid to minority interest		
Cash paid for other financing activities	286,551,613.33	150,000,000.00
Sub-total of cash outflows	509,789,310.02	454,499,132.16
Net cash flows from financing activities	34,932,419.97	68,026,562.28
4. Effects of foreign exchange rate changes on cash	-491,746.17	1,392,127.34
5. Net increases in cash and cash equivalents	-29,775,644.46	31,991,683.40
Add: cash and cash equivalent, at the beginning of year	118,675,591.71	70,822,241.27
6. Cash and cash equivalent at the end of the year	88,899,947.25	102,813,924.67

7. Consolidated Sheet Of Changes In Shareholder’s Equity

Unit: RMB Yuan

Item	Amount in current period								
	Owner’s equity attributable to parent company							Minority shareholders’ equity	Owner’s equity
	Capital stock	Capital public reserves	less: treasury stock	Surplus public reserves	General provision for risk	Undistributed profits	Others		
1. Balance at the end of last year	402,600,000.00	485,691,050.47		131,442,909.11		359,603,965.97		1,379,337,925.55	
Add: changes in accounting policies									
Changes in previous errors									
Others									
2. Balance at the beginning of this year	402,600,000.00	485,691,050.47		131,442,909.11		359,603,965.97		1,379,337,925.55	
3. The changes in this year (decrease with“-”)						2,633,635.55		2,633,635.55	
(1) Total of comprehensive income						2,633,635.55		2,633,635.55	
(2) Capital contribution and reduction									
1) Ordinary share									
2) Capital contributed by other equity instrument holders									
3) Share-based payments charged to equity									
4) Others									
(4) Profits distribution									
1) Provision for surplus public reserves									
2) provision for general risks									
3) distribution for owner(shareholders)									
4) others									
(5) interior transference of owner’s equity									
1) capital (capital									



stock)transferred by the capital public reserves								
2)capital (capital stock)transferred by the surplus public reserves								
3)loss offset by the surplus public reserves								
4)others								
4. Balance at the end of the current period	402,600,000.00	485,691,050.47		131,442,909.11		362,237,601.52		1,381,971,561.10

Unit: RMB yuan

Item	Amount in previous period								
	Owner's equity attributable to parent company							Minority shareholders' equity	Owner's equity
	Capital stock	Capital public reserves	less: treasure stock	Surplus public reserves	General provision for risk	Undistributed profits	Others		
1. Balance at the end of last year	402,600,000.00	485,691,050.47		131,442,909.11		328,731,015.75		1,348,464,975.33	
Add: changes in accounting policies									
Changes in previous errors									
Others									
2. Balance at the beginning of this year	402,600,000.00	485,691,050.47		131,442,909.11		328,731,015.75		1,348,464,975.33	
3. The changes in this year (decrease with "-")						30,872,950.22		30,872,950.22	
(1) Total of comprehensive income						30,872,950.22		30,872,950.22	
(2) Capital contribution and reduction									
1) Ordinary share									
2) Capital contributed by other equity instrument holders									
3) Share-based payments charged to equity									
4) Others									
(4) Profits distribution									

1)Provision for surplus public reserves								
2)provision for general risks								
3)distribution for owner(shareholders)								
4)others								
(5) interior transference of owner's equity								
1)capital (capital stock)transferred by the capital public reserves								
2)capital (capital stock)transferred by the surplus public reserves								
3)loss offset by the surplus public reserves								
4)others								
4. Balance at the end of the current period	402,600,000.00	485,691,050.47		131,442,909.11		359,603,965.97		1,379,337,925.55

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

Unit: RMB yuan

Item	Amount in current period					
	Capital stock	Capital public reserves	less: treasure stock	Surplus public reserves	Undistributed profits	Owner's equity
1.Balance at the end of last year	402,600,000.00	485,678,443.26		131,442,909.11	368,820,883.02	1,388,542,235.39
Add: changes in accounting policies						
Changes in previous errors						
Others						
2.Balance at the beginning of this year	402,600,000.00	485,678,443.26		131,442,909.11	368,820,883.02	1,388,542,235.39
3. The changes in this year (decrease with "-")					8,131,573.51	8,131,573.51
(1) Total of comprehensive income					8,131,573.51	8,131,573.51
(2) Capital contribution and reduction						



1) Ordinary share						
2) Capital contributed by other equity instrument holders						
3) Share-based payments charged to equity						
4) Others						
(4) Profits distribution						
1)Provision for surplus public reserves						
2)provision for general risks						
3)distribution for owner(shareholders)						
4)others						
(5) interior transference of owner's equity						
1)capital (capital stock)transferred by the capital public reserves						
2)capital (capital stock)transferred by the surplus public reserves						
3)loss offset by the surplus public reserves						
4)others						
4. Balance at the end of the current period	402,600,000.00	485,678,443.26		131,442,909.11	376,952,456.53	1,396,673,808.90

Unit: RMB yuan

Item	Amount in previous period					
	Capital stock	Capital public reserves	less: treasure stock	Surplus public reserves	Undistributed profits	Owner's equity
1.Balance at the end of last year	402,600,000.00	485,678,443.26		131,442,909.11	340,122,796.99	1,359,844,149.36
Add: changes in accounting policies						
Changes in previous errors						
Others						
2.Balance at the beginning of this year	402,600,000.00	485,678,443.26		131,442,909.11	340,122,796.99	1,359,844,149.36



3. The changes in this year (decrease with“-”)					28,698,086.03	28,698,086.03
(1) Total of comprehensive income					28,698,086.03	28,698,086.03
(2) Capital contribution and reduction						
1) Ordinary share						
2) Capital contributed by other equity instrument holders						
3) Share-based payments charged to equity						
4) Others						
(4) Profits distribution						
1)Provision for surplus public reserves						
2)provision for general risks						
3)distribution for owner(shareholders)						
4)others						
(5) interior transference of owner's equity						
1)capital (capital stock)transferred by the capital public reserves						
2)capital (capital stock)transferred by the surplus public reserves						
3)loss offset by the surplus public reserves						
4)others						
4. Balance at the end of the current period	402,600,000.00	485,678,443.26		131,442,909.11	368,820,883.02	1,388,542,235.39

III. General information

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

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

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

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

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

IV. Basis for the preparation of financial statements

1 Basis for the preparation of financial statements

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

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

1 Complying with Accounting Standard for Business Enterprise

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

2 Accounting period

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

3. Operating cycle

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

4 Funictonal currency

The Group adopts RMB as functional currency.

5 Recording basis and pricing principle

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

6 Business combination

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

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

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

7 Method of preparation of consolidated financial statements

(1) Recognition principle of scope of consolidation

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

(2) Accounting method of consolidated financial statements

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

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

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

8 Cash and cash equivalent

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

9 Translation of foreign currency

(1) Foreign currency transaction

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

(2) Translation of foreign currency financial statements

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

10 Financial assets and financial liabilities

(1) Financial assets

1) Classification

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

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

c) Held-to-maturity financial assets

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

with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

d) Available-for-sale financial assets

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

2) Recognition and measurement

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

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

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

3) Impairment of financial assets

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

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

If objective evidence shows that impairment for available-for-sale financial assets will occur, the cumulative loss arising from the decline in fair value that had been recognized directly in equity is removed from equity and recognized as impairment loss. For an available for sale debt instrument, if there is objective evidence that the value of the financial

asset recovered and the recovery can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and the amount of reversal is recognized in income statement. For an available for sale equity instrument, if there is objective evidence that the value recovered and the recovery can be objectively related to an event occurring after the impairment loss recognized, the previously recognized impairment loss is reversed and directly recognized in equity.

4) Derecognizing of financial assets

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

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

(2) Financial liabilities

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

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

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

(3) Fair value measurement of financial assets and liabilities

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

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

11 Accord receivables

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

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

(2) Accounts receivable accrued bad debt provision by portfolio

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

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

Accounting aging	Accrual percentage of the receivables (%)	Accrual percentage of other receivables (%)
Within 1 year	1	1
1-2 years	5	5
2-3 years	20	20
Over 3 years	50	50

Related parties	Accrue the bad debt provision by individual identification method
Risk-free	Accrue the bad debt provision by individual identification method

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

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

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

12 Inventories

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

Pricing of inventories received and sent out: The inventories are processed on perpetual inventory system, purchased and stored based on their standard cost. The raw materials are priced daily on their standard costs. The differences between the standard and actual costs is recorded into the costs of materials and for sending out according to proportion of storage and

sending out of materials, and adjust the planned costs of raw material into actual costs. The working-in-progress finished goods are priced on their standard costs; the differences between the standard and actual costs are recorded into the costs of working-in-progress and finished goods according to the receiving and sending out proportion, and finally adjust the planned costs into actual costs.

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

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

13. Long-term equity investment

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

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

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

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

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

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

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

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

14 Fixed asset

(1) Recognition criteria

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

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

(2) Depreciation method

Category	Useful life(years)	Estimated net residual value rate (%)	Annual depreciation rate
Housing and Buildings			
Including: Buildings	15	3	6.47
Housing for productive	30	3	3.23
Housing for non-productive	35	3	2.77
Machinery equipments	10-15	3	6.47~9.70
Transportation equipments	6	3	16.17
Electronic equipments			
Including: Computer	4	3	24.25
General testing instruments	7	3	13.86
Specialized electronic equipments	8	3	12.13
Automated controlling equipments	8	3	12.13
Automated controlling meters	8	3	12.13
Others equipments			
Including: Industrial kiln	7	3	13.86
Tools & other production tools	9	3	10.78
Transmission equipments	15	3	6.47
Non-operational equipments and tools	18	3	5.39

15 Construction in progress

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

16 Borrowing costs

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

Duration of capitalization of borrowing cost: When expenditures and borrowing cost are being incurred, and activities that are necessary to put the asset available for use or sale are in progress, the capitalization of borrowing costs as part of the cost of a qualifying asset should commence. Capitalization of borrowing costs should be suspended during extended periods in which active development is interrupted and interruption period last for over 3 month. The borrowing cost incurred during the

period should be recognized as expenses and recorded into the profit and loss in the current period. When all the activities for bringing the asset to its intended use or sale are completed, the capitalization of borrowing costs ceases, and the borrowing costs should be recognized as an expense in the period incurred.

17 Intangible assets

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

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

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

18 Impairment of non-financial asset

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

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

19 Long-term deferred expenses

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

20 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.

21 Contingent liabilities

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

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

The estimated debts shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation, and the Group shall take into full consideration of the risks, uncertainty, time value of

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

22 Principle of recognition of revenue

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

(1) Recognition of revenue from selling good:

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

(2) Recognition of revenue from providing labour services:

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

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

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

23 Government grants

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

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

24 Deferred tax assets and deferred tax liabilities

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

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

25 Lease

The leases of the Group refer to operating lease.

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

VI Accounting treatment method of income tax

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

Tax	Tax base	Tax rate
Value-added tax (VAT)	Sales revenue or Purchase	17%, 13%, 11%, 6%, 3%

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

Notes for tax principles with different EIT rate

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

2. Tax preference

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

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

Notes for tax principles with different EIT rate

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

2. Tax preference and approval

The company obtained the qualification of high and new technology enterprises at 29Sep2014. The Certificate number is GF201421200004, and the period of validity is three years. According to the provisions of the tax law the company can be granted the preferential tax policy of enterprise income tax rate of 15% in three years.

VII. Notes to consolidated financial statements

1. Cash and cash in bank

Item	Closing Balance	Opening Balance
Cash on hand	408,173.22	381,031.91
Cash in bank	98,207,628.57	141,852,344.61
Other cash and cash equivalents	12,973,774.46	42,182,666.45
Total	111,589,576.25	184,416,042.97

2 Notes receivable

(1) Category of notes receivable

Items	2016.07.30	2016.12.31
Bank acceptance notes	108,321,667.51	51,320,019.73
Commercial acceptance notes	65,029,661.46	57,861,136.96
Total	173,351,328.97	109,181,156.69

(1) (2) Pledged notes receivable up to June 30, 2017.

Items	Pledged notes receivable up to June 30, 2017.
Commercial acceptance notes	34,989,611.73
Total	34,989,611.73

3 Accounts receivable

(1) Category of accounts receivable

Items	Closing Balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	
Accountsreceivable with individual significant amount and identification separately bad debt provision	12,810,943.69	0.91%	12,810,943.69	100.00%	
Accounts receivable identified bad debt provision based on the characters of credit risk portfolio	1,356,808,101.11	0.96%	45,625,931.30	5.20%	1,311,182,169.81
Accountsreceivable with	42,059,327.99	2.98%	42,059,327.99	100.00%	

individual insignificant amount and identification separately bad debt provision					
Total	1,411,678,372.79	100.00%	100,496,202.98		1,311,182,169.81

(Continued)

Items	Opening balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Accountsreceivable with individual significant amount and identification separately bad debt provision	12,810,943.69	0.95%	12,810,943.69	100.00%	
Accounts receivable identified bad debt provision based on the characters of credit risk portfolio	1,295,567,461.89	95.94%	45,675,587.50	5.50%	1,249,891,874.39
Accountsreceivable with individual insignificant amount and identification separately bad debt provision	42,059,327.99	3.11%	42,059,327.99	100.00%	
Total	1,350,437,733.57	100.00%	100,545,859.18		1,249,891,874.39

1) Accounts receivable with individual significant amount and identification separately bad debt provision at the end of June 30,2017

Company name	Booking balance	Provision for bad debts	Provision rate (%)	Reasons for provision
A	5,092,669.00	5,092,669.00	100.00%	Bankrupt
B	3,910,007.43	3,910,007.43	100.00%	A/R with over 5 years aging, unlikely to be collected
C	3,808,267.26	3,808,267.26	100.00%	A/R with over 5 years aging, unlikely to be collected
Total	12,810,943.69	12,810,943.69		

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

Aging	Closing Balance		
	Accounts receivable	Provision for bad debts	Proportion (%)
Within1 year	748,726,319.93	7,487,263.20	1.00%
1 to 2 years	162,447,753.52	8,122,387.68	5.00%
2 to 3 years	38,989,958.79	7,797,991.76	20.00%
Over 3 years	37,647,187.41	18,823,593.70	50.00%
Total	987,811,219.65	42,231,236.34	

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

(3) Accounts receivable written off in current period

Item	Written-off Amount
Accounts receivable written off	149,466.81

4 Advances to suppliers

(1) Aging of advances to suppliers

Items	2017.06.30		2016.12.31	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	12,979,406.82	89.97%	14,763,851.69	91.79%
1 to 2 years	456,802.20	3.17%	481,467.40	2.99%
2 to 3 years	75,843.19	0.53%	270,039.04	1.68%
Over 3 years	913,734.80	6.33%	569,485.55	3.54%
Total	14,425,787.01	--	16,084,843.68	--

5. Dividends receivable

6 Other receivables

(1) The categories of other receivable

Items	Closing Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Other receivables identified bad debt provision based on the characters of credit risk portfolio	33,539,509.54	0.87%	1,020,340.40	0.05%	32,519,169.14
Accountsreceivable with individual insignificant amount and identification separately bad debt provision	5,020,918.92	13.02%	5,020,918.92		
Total	38,560,428.46	100.00%	6,041,259.32	15.67%	32,519,169.14

(Continued)

Items	Opening Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Other receivables identified bad debt provision based on the characters of credit risk portfolio	20,726,129.09	80.50%	1,020,340.40	7.18%	19,705,788.69
Accountsreceivable with individual insignificant amount and identification separately bad debt provision	5,020,918.92	19.50%	5,020,918.92	100.00%	
Total	25,747,048.01	100.00%	6,041,259.32		19,705,788.69

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

Aging	Closing Balance		
	Other receivables	Provision for bad debts	Proportion (%)
Within 1 year	16,178,036.41	161,780.36	1.00%
1-2 years	487,038.17	24,351.91	5.00%
2-3 years	1,162,693.60	232,538.72	20.00%
Over 3 years	1,203,338.82	601,669.41	50.00%
Total	19,031,107.00	1,020,340.40	

(3) Other receivables categorized by nature

Nature	Closing Balance	Opening Balance
Other receivables	38,560,428.46	25,747,048.01
Total	38,560,428.46	25,747,048.01

7 Inventories

(1) Categories of inventories

Item	2017.06.30			2016.12.31		
	Cost	Provision for decline	Net book value	Cost	Provision for declines	Net book value
Raw materials	70,848,571.23	974,208.73	69,874,362.50	68,526,562.28	974,208.73	67,552,353.55
Finished goods	619,093,321.92	65,411,512.25	553,681,809.67	687,573,834.73	65,411,512.25	622,162,322.48
Working in progress	144,567,789.72	602,496.86	143,965,292.86	148,032,177.74	602,496.86	147,429,680.88
Low value consumables	373,377.92		373,377.92	5,284,926.01		5,284,926.01
Total	834,883,060.79	66,988,217.84	767,894,842.95	909,417,500.76	66,988,217.84	842,429,282.92

(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	974,208.73					974,208.73
Finished goods	65,411,512.25					65,411,512.25
Working in progress	602,496.86					602,496.86
Total	66,988,217.84					66,988,217.84

8 Other current assets

Item	2017.06.30	2016.12.31
VAT to be deducted	2,966,475.81	5,347,391.58
Prepaid income tax	1,855,337.56	1,855,337.56
Total	4,821,813.37	7,202,729.14

9. Available-for-sale financial assets

(1) Available-for-sale financial assets

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

(2) Available-for-sale financial assets measured at cost method

Name	Booking Balance				Provision				Proportion (%)	Cash dividend
	Opening Balance	Increase	Decrease	Closing Balance	Opening Balance	Increase	Decrease	Closing Balance		
Shanghai ME Mechanical & Electrical Equipment Chain Co., Ltd	2,000,000.00		-	2,000,000.00	-	-	-	-	4.76	240,000.00
Total	2,000,000.00		-	2,000,000.00	-	-	-	-	4.76	240,000.00

10 Fixed assets

(1) Fixed assets by categories

Item	Building	Machinery Equipment	Transportation	Electronic Device	Other Equipment	Total
1. Initial Cost						
(1) Opening Balance	424,373,681.31	1,076,289,314.43	17,262,573.06	64,993,231.80	186,259,094.77	1,769,177,895.37
(2) Increase	1,343,482.24	2,042,919.14	7,205.12	206,097.82	501,126.92	4,100,831.24
1) Purchase	671,171.17	1,171,407.13	7,205.12	193,016.06	445,011.25	2,487,810.73
2) Transferred from construction-in-progress	672,311.07	871,512.01		13,081.76	56,115.67	1,613,020.51
3) Acquired from business combination						
(3) Decrease		729,809.65	510,069.77	142,050.88	164,500.00	1,546,430.30
1) Disposal		729,809.65	510,069.77	142,050.88	164,500.00	1,546,430.30
(4) Closing Balance	425,717,163.55	1,077,602,423.92	16,759,708.41	65,057,278.74	186,595,721.69	1,771,732,296.31
2. Accumulated Depreciation						



(1) Opening Balance	213,793,597.48	579,901,988.33	12,980,199.26	49,676,534.36	127,230,685.59	983,583,005.02
(2) Increase	6,771,855.28	35,522,816.34	516,885.17	1,918,507.12	3,874,291.51	48,604,355.42
1)Accrued	6,771,855.28	35,372,791.90	516,885.17	1,918,507.12	3,717,358.18	48,297,397.65
2) Other transfer		150,024.44			156,933.33	306,957.77
(3) Decrease		616,695.32	455,459.31	92,597.89	159,565.00	1,324,317.52
1) Disposal		616,695.32	455,459.31	92,597.89	159,565.00	1,324,317.52
4) Closing Balance	220,565,452.76	614,808,109.35	13,041,625.12	51,502,443.59	130,945,412.10	1,030,863,042.92
3. Impairment Reserve						
(1) Opening Balance		26,273.33				26,273.33
(2) Increase						
(3) Decrease						
1) Disposal						
(4) Closing Balance		26,273.33				26,273.33
4. Book Value						
1. Closing book value	205,151,710.79	462,768,041.24	3,718,083.29	13,554,835.15	55,650,309.59	740,842,980.06
2. Opening book value	210,580,083.83	496,361,052.77	4,282,373.80	15,316,697.44	59,028,409.18	785,568,617.02

11 Construction in progress

(1) Details of Construction-in-progress

Item	Closing Balance			Opening Balance		
	Book Balance	Provision		Book Balance	Provision	
Improvement of seven-finished products	88,025,523.34		88,025,523.34	83,614,247.81		83,614,247.81
Improvement of one-finished products	26,087,483.71		26,087,483.71	26,147,833.86		26,147,833.86
Dalian industry park project	16,060,671.00		16,060,671.00	16,060,671.00		16,060,671.00
Improvement of precision roller branch	13,501,710.76		13,501,710.76	14,497,884.54		14,497,884.54
Improvement of grinding machine	5,282,092.57		5,282,092.57	5,282,416.43		5,282,416.43
Improvement of plant	3,720,604.95		3,720,604.95	3,720,604.95		3,720,604.95
Improvement of Amerauto	3,262,933.24		3,262,933.24	3,568,672.18		3,568,672.18
Improvement of railway	8,179,465.15		8,179,465.15	3,481,684.10		3,481,684.10
Improvement of grinding machine	3,323,118.91		3,323,118.91	3,323,612.16		3,323,612.16
Improvement of	3,073,673.39		3,073,673.39	2,979,656.30		2,979,656.30

second-finished products					
Crane Project	2,862,369.52		2,862,369.52	2,862,369.51	2,862,369.51
Improvement of special large branch	2,317,196.02		2,317,196.02	2,410,593.11	2,410,593.11
Improvement of liaoyang bearing	2,396,947.08		2,396,947.08	2,396,988.69	2,396,988.69
Computer Project	2,081,977.04		2,081,977.04	2,094,565.47	2,094,565.47
Overhaul factory reconstruction	544,769.58		544,769.58	419,948.26	419,948.26
Heat treatment product line	438,464.50		438,464.50	337,933.74	337,933.74
Others	23,967,815.60		23,967,815.60	21,240,281.66	21,240,281.66
Total	205,126,816.36		205,126,816.36	194,439,963.77	194,439,963.77

12 Intangible assets

Item	Land use right	software	Total
1. Initial cost			
1). Opening balance	176,189,727.74	6,135,356.44	182,325,084.18
2). Increase		137,329.45	137,329.45
(1) Purchase		137,329.45	137,329.45
(2) Internal development			
(3) Acquired by company combination			
3). Decrease			
4). Closing balance	176,189,727.74	6,272,685.89	182,462,413.63
2. Amortization			
1). Opening balance	45,474,697.69	5,973,920.68	51,448,618.37
2). Increase	2,194,753.82	72,111.08	2,266,864.90
(1) Accrual	2,194,753.82	72,111.08	2,266,864.90
(2) Transfer into			
3). Decrease			
4). Closing balance	47,669,451.51	6,046,031.76	53,715,483.27
3. Provision for impairment			
1). Opening balance			
2). Increase			
3). Decrease			
4). Closing balance			
4. Book value			
1. Closing Book value	128,520,276.23	226,654.13	128,746,930.36

2. Opening Book value	130,715,030.05	161,435.76	130,876,465.81
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13 Long-term deferred and prepaid expenses

Item	2016.12.31	Increase	Amortization	Other decrease	2017.06.30
Right to use premise of Shanghai sales office	521,361.67		33,915.18		487,446.49
Decoration fees		279,279.28			279,279.28
Total	521,361.67	279,279.28	33,915.18		766,725.77

14 Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets without deduction

Item	Closing Balance		Opening Balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	62,191,502.88	9,837,992.33	62,191,502.88	9,837,992.33
Difference due to depreciation of fixed assets	11,940,720.08	1,791,108.01	11,940,720.08	1,791,108.01
Total	74,132,222.96	11,629,100.34	74,132,222.96	11,629,100.34

(2) Deferred tax liabilities without deduction

Item	Closing Balance		Opening Balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Asset evaluation increment in business combination without the same control	6,261,973.05	939,295.96	6,261,973.05	939,295.96
Total	6,261,973.05	939,295.96	6,261,973.05	939,295.96

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

Item	Closing Balance of deferred tax assets and liabilities with deduction	Closing Balance of deferred tax assets/deferred tax liabilities	Opening Balance of deferred tax assets and liabilities with deduction	Opening Balance of deferred tax assets/deferred tax liabilities
Deferred tax assets	939,295.96	11,629,100.34	939,295.96	11,629,100.34
Deferred tax liabilities		939,295.96		939,295.96

15 Short-term loan

(1) Category of short-term loan

Loan category	2017.06.30	2016.12.31
Credit loan	654,900,000.00	549,900,000.00
Total	654,900,000.00	549,900,000.00

16 Notes payable

Items	2017.06.30	2016.12.31
Commercial acceptance notes	19,372,939.43	43,413,268.05
Bank acceptance notes	288,826,626.47	382,101,342.21
Total	308,199,565.90	425,514,610.26

17 Accounts payable

(1) Accounts payable

Item	Closing Balance	Opening Balance
Loan	712,706,449.25	685,303,568.62
Project payments	72,828,526.55	74,147,616.34
Other	117,242,968.79	74,448,529.87
Total	902,777,944.59	833,899,714.83

18 Advances from customers

(1) Received in advance

Item	Closing Balance	Opening Balance
Loan	28,535,884.77	26,959,477.14
Total	28,535,884.77	26,959,477.14

19 Employee benefits payable

(1) Category of employee's payables

Item	Opening Balance	Increase	Decrease	Closing Balance
Short-term employee's payable	7,914,043.53	90,646,047.56	90,869,121.68	7,690,969.41
Welfare with deposit and withdrawal plan	9,342,807.89	17,882,261.52	17,887,153.21	9,337,916.20
Total	17,256,851.42	108,528,309.08	108,756,274.89	17,028,885.61

(2) Short-term employee's payables

Item	Opening	Increase	Decrease	Closing
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	Balance			Balance
Salaries, bonus, allowance, and subsidy	261,033.34	63,335,902.46	63,353,361.21	243,574.59
Welfare	31,194.00	6,939,647.64	6,970,841.64	0.00
Social insurance	581,422.78	10,287,810.13	10,283,799.88	585,433.03
Include: Medical insurance	292,917.57	7,996,814.42	7,993,566.42	296,165.57
Industrial injury insurance	217,718.51	1,215,757.08	1,215,314.65	218,160.94
Maternity insurance	70,786.70	1,075,238.63	1,074,918.81	71,106.52
Housing funds	2,342,939.01	9,162,358.76	9,242,846.52	2,262,451.25
Labour union and training expense	4,697,454.40	920,328.57	1,018,272.43	4,599,510.54
Total	7,914,043.53	90,646,047.56	90,869,121.68	7,690,969.41

(3) Welfare with deposit and withdrawal plan

Item	Opening Balance	Increase	Decrease	Closing Balance
Pension	9,007,073.27	17,366,607.48	17,371,778.23	9,001,902.52
Unemployment insurance	335,734.62	515,654.04	515,374.98	336,013.68
Total	9,342,807.89	17,882,261.52	17,887,153.21	9,337,916.20

6.20 Taxes payable

Item	Closing Balance	Opening Balance
Value-added tax	6,792,987.60	13,306,281.89
Business tax		771,810.83
Individual income tax	806,593.03	198,040.85
Enterprise income tax		
City maintenance and construction tax	549,126.61	1,096,098.67
Real estate tax	294,515.16	295,937.17
Land use tax	204,044.64	204,044.62
Stamp tax	92,270.38	165,535.47
Education surcharge	371,882.38	769,209.66
River toll fee	381,391.93	350,272.42
Others		1,983,999.36
Total	9,492,811.73	19,141,230.94

21 Interest payable

Item	Closing Balance	Opening Balance
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Interest for long-term loan with instalments		170,000.00
Interest for short-term loan	420,000.00	757,000.00
Total	420,000.00	927,000.00

22 Other payables

Other payables categorized by payments nature

Payments nature	Closing Balance	Opening Balance
Bid security deposits	1,675,699.00	2,011,403.97
Risk deposits from branch manager	17,082,958.00	22,552,958.00
Trademark fees	4,127,316.50	3,168,065.36
Others	81,741,656.21	84,058,254.70
Total	104,627,629.71	111,790,682.03

23 Non-current liabilities due within one year

(1) Non-current liabilities due within one year

Item	Closing Balance	Opening Balance
Long-term loan due within one year	50,000,000.00	90,000,000.00
Total	50,000,000.00	90,000,000.00

24 Other current liabilities

Item	Closing Balance	Opening Balance
Government subsidy within 1 year	4,335,522.50	4,704,022.50
Total	4,335,522.50	4,704,022.50

Government subsidy

Project	Opening Balance	Increase	Recorded into non-operation income	Other Change	Closing Balance	Related with asset/equity
Technology subsidy from province	736,999.97	-	368,500.00		368,499.97	asset
Dalian sub-factory remove subsidy	2,704,235.83	-	1,352,117.94	1,352,117.94	2,704,235.83	asset
Intelligent equipment manufacturing development specific subsidy	400,000.00	-	200,000.00	200,000.00	400,000.00	asset
High-end bearing improvement project	472,320.00	-	236,160.00	236,160.00	472,320.00	asset
Liaoyang Bearing Industry subsidy	97,548.00	-			97,548.00	asset
subsidy from heavy axle load wagon	240,000.00		120,000.00	120,000.00	240,000.00	asset
Technical master studio development subsidy	52,918.70	-			52,918.70	asset

Project	Opening Balance	Increase	Recorded into non-operation income	Other Change	Closing Balance	Related with asset/equity
Total	4,704,022.50		2,276,777.94	1,908,277.94	4,335,522.50	

“Other Change”: the expected amortization occurred during the next year will be re-categorized from deferred income to other current liabilities.

25 Long-term loan

(1) Category of long-term loan

Category	2017.06.30	2016.12.31
Assurance loan		50,000,000.00
Credit loan		
Total		50,000,000.00

26 Long-term payables

(1) Long-term payables categorized by payments nature

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

27 Special payables

Items	Opening Balance	Increase	Decrease	Closing Balance	Formation Basis
Special pollution treatment	221,698.98			221,698.98	Granted by Wafangdian Bureau of Finance and Wafangdian Bureau of Environment Protection with approval with “WaCaiZhi Qi No.[2004]217”
Informatization Construction	75,000.00			75,000.00	Dalian Financial Bureau and Municipal Office of Economic and Information Technology Committee with approval with “Da CaiZhi Qi No. [2012]917” and “Da Jing Xin Fa No. [2012]199”
Total	296,698.98			296,698.98	

28 Other non-current liabilities

(1) Category of deferred income

Item	Opening Balance	Increase	Decrease	Closing Balance	Formation Basis
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Government subsidy	41,682,411.76		1,908,277.94	39,774,133.82	
Total	41,682,411.76		1,908,277.94	39,774,133.82	

(2) Government subsidy

Government subsidy item	Opening Balance	Increase	Recorded into non-operation income	Other Change	Closing Balance	Related with asset/equity	Related with asset/equity
Liaozhou Industry development subsidies	4,292,112.00			0.00	4,292,112.00	4,292,112.00	asset
Compensation for Da Lian plants moving	29,746,594.01			1,352,117.94	28,394,476.07	29,746,594.01	asset
Development of intelligent manufacturing equipment subsidies	2,800,000.00			200,000.00	2,600,000.00	2,800,000.00	asset
Improvement of high-end bearing production subsidies	2,361,600.00			236,160.00	2,125,440.00	2,361,600.00	asset
Interest subsidy of grand axle load	1,900,000.00			120,000.00	1,780,000.00	1,900,000.00	asset
Construction of workshop for technology masters subsidy	582,105.75				582,105.75	582,105.75	asset
Total	41,682,411.76			1,908,277.94	39,774,133.82	41,682,411.76	

“Other change”: carried forward the non-operation income occurred in 2016 from the subsidy and re-categorized to other current liabilities.

- (1) A: Deferred income: the RMB 4,877,400.00 of “Industry development subsidies” is distributed by the Liaoyang Economic and Development district Bureau of Finance in 2013. The grant is related to land and amortized over 50 years in accordance with land amortization criteria.
- (2) B: Deferred income: the improvement subsidy is the railway transportation bearing technologic improvement subsidy with total amount of RMB 7,370,000.00 granted by Bureau of Finance Liaoning province in 2008. The subsidy related to asset should be deferred over the useful life of 10 years.
- (3) C: Deferred income: the compensation for plants moving is RMB 59,820,000.00 granted from Dalian government-owned assets investment and operating Co., Ltd in 2011. And the amount of making up for the removal loss of the current period is RMB 11,143,755.05; The rest of 48,676,244.95 are recognized as the removal compensation related with assets, which is amortized 18 years, according to the new fixed assets formed after the Dalian branch removal.
- (4) D: Deferred income: the RMB 4,000,000.00 of development of intelligent manufacturing equipment subsidy is distributed by Dalian City Finance Bureau in 2012. The subsidies are used in the project “Grinding vehicle

integration and processing digitalization". Currently, the equipment has been used for production manufacturing and grant is amortized over 10 years.

- (5) E: Deferred income: the RMB 4,723,200 interest subsidy of "Improvement of bearing base in high-end equipment sector" is distributed by Wafangdian Finance Bureau in 2013 for the year of 2011. The subsidy is specially used to improve the project of improvement of bearing base in high-end equipment sector. The item is amortized within 10 years.
- (6) F: Deferred income: the RMB 2,400,000.00 interest subsidy of "Axle box and bearing technology improvement of grand axle load railway carriages" is granted by Wafangdian Finance Bureau in 2014. The subsidy is now in processing the project "Axle box and bearing technology improvement of grand axle load railway carriages". This project is still in the progress and is expected to be completed for inspection in 2016.
- (7) G: Deferred income: the 700,000.00 RMB of the construction of workshop for technology masters subsidy is granted by Dalian Finance Bureau in 2014 according to "Da Cai She (Zhuan) No. [2013]26", "Da Cai She (Zhuan) No. [2013]37", "Da Cai She (Zhuan) No. [2013]45", "Da Cai She (Zhuan) No. [2014]27", and "Da Cai She (Zhuan) No. [2014]32". No assets are established yet so far, the grant has been booked into non-operating income.

29 Share capital

Shareholders name/category	2016.12.31		Change for current period					2017.06.30	
	Amounts	%	Issuing new shares	Distributing shares	Transferring capital reserves to share capital	Others	Subtotal	Amounts	%
Total shares	402,600,000.00	100.00	—	—	—	—	—	402,600,000.00	100.00

30 Capital reserves

Items	2016.12.31	Increase	Decrease	2017.06.30
Share premium	201,956,446.52			201,956,446.52
Other capital reserves	283,734,603.95			283,734,603.95
Total	485,691,050.47			485,691,050.47

31 Surplus reserves

Items	2016.12.31	Increase	Decrease	2017.06.30
Statutory surplus reserve	110,852,290.20			110,852,290.20
Discretionary surplus reserve	20,590,618.91			20,590,618.91
Total	131,442,909.11			131,442,909.11

32 Undistributed profit

Item	This period	Last period
Closing balance before adjustment	359,603,965.97	328,731,015.75
Opening balance after adjustment	359,603,965.97	
Add: Current net profit attributable to shareholders of parent company	2,633,635.55	30,872,950.22
Closing balance of	362,237,601.52	359,603,965.97

33 Operating revenue & cost

Items	This period		Last period	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Revenue from main operation	986,168,093.43	862,562,230.54	1,022,552,099.60	944,790,304.30
Revenue from other operation	149,332,481.90	141,633,411.45	102,902,932.38	98,811,722.39
Total	1,135,500,575.33	1,004,195,641.99	1,125,455,031.98	1,043,602,026.69

34 Operating taxes and surcharges

Items	This period	Last period
Business tax		
City construction tax	3,428,881.69	2,620,938.60
Education surcharge	2,425,208.91	1,844,718.24
Other	3,978,357.55	11,784.65
Total	9,832,448.15	4,695,351.44

35 Selling expenses

Items	This period	Last period
Transportation expense	31,546,578.17	30,956,962.62
Employee benefit	13,476,776.84	17,531,901.82
Travel expense	9,656,691.45	7,641,428.07
Conference expense	2,465,600.45	4,375,408.70
Trademark use fee	927,157.82	2,000,000.00
Other expense	17,947,375.19	22,236,984.67
Total	76,020,179.92	84,742,685.88

36 Administrative expenses

Items	This period	Last period
Employee benefit	17,708,196.38	16,327,231.64
Tax expense	511,493.60	4,217,328.76
Technology development expense	1,318,389.62	2,713,800.00

Intangible assets amortization	2,266,864.90	2,221,088.40
Guide and firefighting expense		1,647,500.00
Depreciation expense	998,045.03	1,199,666.57
Business entertaining expense	403,673.93	305,960.70
Travel expense	397,589.98	440,495.52
Other expense	7,641,468.38	7,573,105.97
Total	31,245,721.82	36,646,177.56

37 Financial expenses

Items	This period	Last period
Interest expenses	16,282,310.02	17,700,659.58
Less: interest income	384,832.07	131,402.31
Add: Exchange losses	-1,336,112.98	-5,015,729.40
Add: Others expenditure	1,454,903.78	-162,786.15
Total	16,016,268.75	12,390,741.72

38 Assets impairment losses

Items	This period	Last period
Loss of bad debts	99,810.61	1,067.04
Total	99,810.61	1,067.04

39 Non-operating income

(1) Non-operating income list

Item	This period	Last period	Amounts recognized into current non-recurring profit or loss
Gains on disposal of non-current assets	44,573.04	4,649,046.02	44,573.04
Including: gains on disposal of fixed assets	44,573.04	4,649,046.02	44,573.04
Income from debt restructuring	1,356,259.02	2,695,634.43	1,356,259.02
Government grants	2,423,777.94	5,575,349.68	2,423,777.94
Penalty income	832,777.00	1,057,551.00	832,777.00
Others	115,136.99	26,691.99	115,136.99
Total	4,772,523.99	14,004,273.12	4,817,097.03

(2) Government grants list

(3)

Item	Resource	reason	type	affect the profit and loss of the year or not	Special allowance or not	current year	prior year	With asset/equity
Improvement subsidy	Bureau of Finance Liaoning Province No.57 [2007]	subsidy	Subsidies for research and development, technical renovation and transformation	Y	N	368,500.00	368,500.00	asset
Compensation for plants moving	Compensation deal of Dalian state-owned property investment and operating group Co., LTD	subsidy	Subsidies for local government investment policies and other local support policies	Y	N	1,352,117.94	1,352,117.94	asset
Improvement of high-end bearing production subsidies	Wacaijian[119] (notice about distributing 6th interest subsidy fund for the year of 2011 to the company)	subsidy	Subsidies for research and development, technical renovation and transformation	Y	N	236,160.00	236,160.00	asset
Special project subsidy for intelligent manufacture equipment development	Dalian Municipal Finance Bureau[2012] 1163	subsidy	Subsidies granted to the state for the encouragement and support of specific industries and industries (obtained in accordance with national policies and regulations)	Y	N	200,000.00	200,000.00	asset
Overhaul bearing project subsidy on interest payment	Wacaijian No.179 [2014]	subsidy	Subsidies granted to the state for the encouragement and support of specific industries and industries (obtained in accordance with national policies and regulations)	Y	N	120,000.00	1,125,308.18	asset
Finance bureau's first important	DaCaiZhi Qi No. [2016] 66, 677	subsidy	Subsidies granted to the state for the encouragement and support of specific industries and	Y	N		1,580,000.00	income



Item	Resource	reason	type	affect the profit and loss of the year or not	Special allowance or not	current year	prior year	With asset/equity
technical equipment insurance subsidy fund			industries (obtained in accordance with national policies and regulations)					
Fund for technology research and development	[2015]995 号	subsidy	Subsidies for research and development, technical renovation and transformation	Y	N		250,000.00	income
2015 encouragement of foreign trade development special fund	Dalian Municipal Finance Bureau	Award	Subsidies granted to the state for the encouragement and support of specific industries and industries (obtained in accordance with national policies and regulations)	Y	N	147,000.00		income
Skill master studio subsidy	Dalian Municipal Finance Bureau[2013] 26	subsidy	Subsidies granted to the state for the encouragement and support of specific industries and industries (obtained in accordance with national policies and regulations)	Y	N		3,762.56	income
Development foster fund in 2015 by Bureau of Finance of Dalian	Dalian Municipal Finance Bureau	subsidy	Subsidies for local government investment policies and other local support policies	Y	N		459,501.00	income
Total						2,423,777.94	5,575,349.68	

40 Non-operating expenses

Item	This period	Last period	Amounts recognized into current non-recurring profit or loss
Loss on disposal of non-current assets	33,802.04	78,416.68	33,802.04
Including: Loss on disposal of fixed assets	33,802.04	78,416.68	33,802.04
Loss from debt restructuring		723,115.84	0.00
Penalty loss	15,648.86	650.00	15,648.86
Others	179,941.63	603,258.18	179,941.63
Total	229,392.53	1,405,440.70	229,392.53

41 Income tax expenses

(1) Adjustment for profit and income tax expenses

item	amount
Total profit	2,633,635.55

42 Notes to cash flow statement

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

1) Other cash received relating to operating activities

Items	This period	Last period
Other cash received relating to operating activities	1,373,744.39	3,957,803.39
Total	1,373,744.39	3,957,803.39

2) Other cash paid relating to operating activities

Items	This period	Last period
Other cash paid relating to operating activities	52,708,495.81	56,508,192.96
Total	52,708,495.81	56,508,192.96

3) Other cash received relating to financial activities

Items	This period	Last period
Other cash paid relating to financial activities	321,721,729.99	147,525,694.44
Total	321,721,729.99	147,525,694.44

4) Other cash paid relating to financial activities

Items	This period	Last period
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Other cash paid relating to financial activities	286,551,613.33	150,000,000.00
Total	286,551,613.33	150,000,000.00

43 Supplementary information of consolidated cash flow statement

Items	This period	Last period
1. Adjusting net profit into cash flows of operating activities:		
Net profit	2,633,635.55	-44,024,185.93
Add: Provision for impairment of assets	99,810.61	1,067.04
Depreciation of fixed assets	48,297,397.65	64,861,194.84
Amortization of intangible assets	2,266,864.90	2,221,088.40
Amortization of long-term deferred expenses	33,915.18	56,079.18
Losses on disposal of fixed assets, intangible assets, and long-term assets (income listed with "-")	-10,771.00	-4,570,629.34
Financial expense (income listed with "-")	16,016,268.75	12,390,741.72
Investment loss (income listed with "-")	74,534,439.97	-52,021,892.08
Decrease of inventory (increase listed with "-")	-138,273,848.15	-95,261,292.96
Decrease of operating receivables (increase listed with "-")	-82,203,972.02	107,958,163.98
Increase of operating payables (decrease listed with "-")		
other		
Net cash flows arising from operating activities	-76,606,258.56	-8,389,665.15
2. Significant investment and financing activities unrelated to cash income and expenses		
3. Net increase (decrease) of cash and cash equivalent		
Ending balance of cash	98,615,801.79	113,941,499.74
Less: Opening balance of cash	142,233,376.52	78,556,030.56
Net increase of cash and cash equivalent	-43,617,574.73	35,385,469.18

(3) Cash and cash equivalents

Items	This period	Last period
Cash	98,615,801.79	142,233,376.52
Closing balance of cash and cash equivalents	98,615,801.79	142,233,376.52

VIII. Equity of Other Entities

1. Equity of subsidiaries

(1) Organization structure of group company

Name of subsidiary	Location	Registered Location	Nature of operation	Share (%)		Method
				Direct	Indirect	
Wazhou Liaoyang	Wafangdian	Liaoyang Baita District	Manufacturing and	100		acquisitio

Bearing construction Co.,Ltd		Weiguo Rd No.61	selling bearing and machines			n
Dalian Wazhou Precision Motor Car Bearing Company Limited	Wafangdian	Dalian Free Trade Zone SanshiliYongsheng Rd No.12	Manufacturing and selling bearing and machines	100		investment
Wazhou Precision of Spherical Roller Bearings(Wafangdian)Co., Ltd	Wafangdian	WafangdianBeigongji St No.1	Manufacturing and selling bearing and machines	100		acquisition

IX Risk Related to Financial Instrument

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

1. Objectives and policies of each risk management

The objectives of risk management conducted by the group company are to reach the balance between risk and profit return by reducing the negative influence to operating performance to the minimum level as well as maximising the shareholders' and other investors' profits. Based on these objectives, the basic risk management policy is to recognize and analyse all sorts of risk that the group company faced with, to set up the proper risk tolerance bottom line conducting risk management, as well as to monitor these risks in a timely and effective manner, and to ensure these risks under the limit level.

(1) Market risk

1) Currency risk

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

2) Interest risk

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

(2) Credit risk

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

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

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

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

(3) Liquidity risk

As the management of liquidity risk, the Group's policy is to regularly monitor the sufficiency of cash and cash

equivalent, the liquidity requirements to ensure the normal operations, and the fluctuation of cash flow. The bank loan activities are under monitoring by management to make sure to comply with the loan agreement.

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

X. Disclosure of Fair Value

XI Related Parties Relationship and Transactions

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	413,793,100.00	60.61	60.61

(2). Subsidiaries

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

2 Other related parties

Name of related party	Related party relationship
Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Precision Steel Ball Company	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Exact Forge Ltd.,	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group Wind power Bearing Ltd	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group Exact Transmission Bearing Co., Ltd	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group Equipment Technology Project Co., Ltd.	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group Special Precision Bearing Co., Ltd.	Other entity controlled by the same parent company and ultimate controlling party
Liao Ning North Metal Materials supply Co., Ltd	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group (USA) Bearing CO., Ltd.	Other entity controlled by the same parent company and ultimate controlling party

Name of related party	Related party relationship
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 company	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group Precision Retainer Limited Company	Other entity controlled by the same parent company and ultimate controlling party
Kugel- und Rollenlagerwerk Leipzig GmbH	Other entity controlled by the same parent company and ultimate controlling party
Wafangdian bearing Power Limited Company	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group Bearing Engineering technology research center	Other entity controlled by the same parent company and ultimate controlling party
Dalian GONA Wazhou Auto Bearings Co., Ltd	Other related party
Dalian Wazhou Jinzhou Machinery Co., Ltd	Other related party
Wafangdian Tongda Bearing Manufacturing Co., Ltd	Other related party
Dalian WazhouFengyuan Machinery Co., Ltd	Other related party

3 Related party transactions

(1) Purchase of goods

Related party	Content	current year	Authorized amount	Over or not	prior year
Wazhou Group	Purchase of goods	0	0	No	73,888,995.00
Wazhou Exact Forge Ltd.	Purchase of goods	77,936,367.41	150,000,000.00	No	80,928,801.62
Dalian Wazhou Jinzhou Machinery Co., Ltd	Purchase of goods	32,874,239.72	0.00	Yes	41,477,674.50
Dalian Wazhou Fengyuan Machinery Co., Ltd	Purchase of goods	40,745,644.79	110,000,000.00	No	44,082,609.39
Wazhou Group Exact Transmission Bearing Co., Ltd	Purchase of goods	35,651,638.02	90,000,000.00	No	45,035,862.80
Wazhou Group Equipment Technology Project Co., Ltd.	Purchase of goods	6,546,307.65	5,000,000.00	No	12,609,205.58
Wafangdian Tongda Bearing Manufacturing Co., Ltd.	Purchase of goods	35,967,883.00	70,000,000.00	No	25,311,327.78
Wazhou Group Wind power Bearing Ltd	Purchase of goods	67,903,907.05	150,000,000.00	No	29,594,210.30
Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd	Purchase of goods/equipments	10,239,204.30	19,720,000.00	No	7,600,761.94
Wazhou Precision Steel Ball Company	Purchase of goods	2,249,100.62	3,000,000.00	No	2,568,074.54
Dalian GONA Wazhou Auto Bearings Co., Ltd	Purchase of goods	0.00	0.00	No	17,547,926.50
Wazhou Group Precision Roller limited company	Purchase of goods	47,821,095.07	95,000,000.00	No	
Wazhou Group Precision Retainer Limited Company	Purchase of goods	27,936,491.52	50,000,000.00	No	
Wazhou Group high-end auto bearing limited company	Purchase of goods	64,029,180.29	200,000,000.00	No	
Wafangdian bearing Power Limited Company	Purchase of goods	10,391,594.66	14,730,000.00	No	



Wazhou Engineering center	Group technology research bearing	Purchase of reserve	1,518,389.62	0.00	Yes	
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(2) Sales of goods

Related party	Content	current year	prior year
Wazhou Exact Forge Ltd.,	Sales of goods	88,377,746.34	80,988,022.23
Wazhou Group	Sales of goods	111,453.04	17,882,786.55
Wazhou Group (USA) Bearing CO., Ltd.	Sales of goods	33,462,342.95	47,514,626.52
Wazhou Group Exact Transmission Bearing Co., Ltd	Sales of goods	17,128,024.78	14,527,459.89
Dalian Wazhou Manufacturing Equipment Co., Ltd	Sales of goods	137,745.81	552,337.25
Wazhou Group Precision Wind power Bearing Ltd	Sales of goods	15,125,611.60	307,525.77
Wazhou Group Special Precision Bearing Co., Ltd.	Sales of goods	255,794.10	1,454,091.21
Wazhou Precision Steel Ball Company	Sales of goods	999,505.14	758,255.81
Dalian Wazhou Jinzhou Machinery Co., Ltd	Sales of goods	29,615.00	325,157.89
Wafangdian Tongda Bearing Manufacturing Co., Ltd.	Sales of goods	213,232.25	115,769.90
Wazhou Group Precision Roller limited company	Sales of goods	24,734,923.69	
Wazhou Group Precision Retainer Limited Company	Sales of goods	1,810,068.24	
Wazhou Group high-end auto bearing limited company	Sales of goods	129,506,733.45	3,782,649.18
Kugel- und Rollenlagerwerk Leipzig GmbH	Sales of goods	1,549,815.31	
Wazhou Group Precision Roller limited company	provide labour services	8,585,573.54	
Wazhou Group Special Precision Bearing Co., Ltd.	provide labour services	295,246.43	180,012.65
Dalian Wazhou Jinzhou Machinery Co., Ltd	provide labour services	57,455.85	48,488.29
Wazhou Precision Steel Ball Company	provide labour services	762,464.12	447,879.20
Wazhou Group Exact Transmission Bearing Co., Ltd	provide labour services	29,875.05	444,777.79
Dalian Wazhou Manufacturing Equipment Co., Ltd	provide labour services	281,992.44	
Wazhou Group high-end auto bearing limited company	provide labour services	162,116.67	

Wafangdian Co., Ltd.	Tongda Bearing Manufacturing	provide labour services	16,456.70
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4 Assets rent out

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

5 Related party assets transfer and debt structure reconstruction

6. Balances with related parties

(1) Accounts receivable due from related parties

Item	Related party	Closing Balance		Opening Balance	
		Book Balance	Provision	Book Balance	Provision
Accounts receivable	Wazhou Exact Forge Ltd.,	86,948,569.30		72,591,219.00	
Accounts receivable	Wazhou Group Precision Roller Limited Company	81,463,810.50		58,601,148.69	
Accounts receivable	Wazhou Group (USA) Bearing CO., Ltd.	20,881,871.65		34,524,492.48	
Accounts receivable	Wazhou Group Precision Retainer Limited Company	26,846,163.67		18,984,808.97	
Accounts receivable	Wazhou Group Special Precision Bearing Co., Ltd.	7,300,325.91		7,469,459.12	
Accounts receivable	Wazhou Group Limited Company	5,650,623.27		5,803,622.51	
Accounts receivable	Wazhou Group Exact Transmission Bearing Co., Ltd	8,161,894.07		5,416,555.04	
Accounts receivable	Wazhou Group high-end auto bearing limited company	128,287,182.55		3,363,108.99	
Accounts receivable	Wazhou Special Steel Ball Company	2,472,047.85		1,879,073.48	
Accounts receivable	Kugel- und Rollenlagerwerk Leipzig GmbH	952,567.08		1,267,310.71	
Accounts receivable	Wafangdian Tongda Bearing Manufacturing Co., Ltd.	31,825.61		1,143,547.03	
Accounts receivable	Dalian Wazhou Jinzhou Machinery Co., Ltd			283,037.97	
Accounts receivable	Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd			229,145.54	

Item	Related party	Closing Balance		Opening Balance	
		Book Balance	Provision	Book Balance	Provision
Prepaid	Kugel- und Rollenlagerwerk Leipzig GmbH	5,418,484.83		3,793,488.27	
Prepaid	Wazhou bearing Power limited Company			2,478,663.40	
Prepaid	Liao Ning North Metal supply chain Co., Ltd	264,405.44		264,405.44	
Prepaid	Wazhou Group Special Precision Bearing Co., Ltd.			10,097.75	
Other account receivables	Wazhou Group Limited Company	9,007,028.83		724,150.65	
Other account receivables	Wazhou Group high-end auto bearing limited company			148,634.68	

(2) Accounts payable due from related parties

Item	Related party	Closing Balance	Opening Balance
Accounts payable	Wazhou Group Wind Power Bearing Ltd	79,420,317.80	35,376,981.32
Accounts payable	Wazhou Group Limited Company	5,090,982.76	29,587,066.15
Accounts payable	Wazhou Group Equipment Technology Project Co., Ltd.	24,254,120.38	24,330,456.54
Accounts payable	Wafangdian Tongda Bearing Manufacturing Co., Ltd.	38,076,842.42	21,632,590.88
Accounts payable	Dalian Wazhou Jinzhou Machinery Co., Ltd	5,756,087.80	18,776,204.59
Accounts payable	Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd	15,687,532.20	17,045,051.43
Accounts payable	Wazhou Exact Forge Ltd.,	18,985,396.43	16,308,870.51
Accounts payable	Dalian Wazhou Fengyuan Machinery Co., Ltd	19,413,382.80	15,047,543.52
Accounts payable	Dalian GONA Wazhou Auto Bearings Co., Ltd		12,770,936.20
Accounts payable	Wazhou Group Precision Retainer Limited Company	10,138,236.57	9,351,415.46
Accounts payable	Wazhou Precision Steel Ball Company	3,742,520.45	4,181,697.61
Accounts payable	Wazhou Group Precision Roller Limited Company	4,755,543.08	4,441,561.22

Item	Related party	Closing Balance	Opening Balance
Accounts payable	Wazhou Group Exact Transmission Bearing Co., Ltd	15,603,554.03	
Accounts payable	Wazhou Group (USA) Bearing CO., Ltd.		205,054.84
Accounts payable	Wazhou Group Special Precision Bearing Co., Ltd.		114,525.00
Accounts payable	Wazhou Group high-end auto bearing limited company		5,687.58
Accounts payable	Wazhou bearing power limited company	1,232,028.97	248,937.24
Accounts payable	Wazhou Group Bearing Engineering technology research center	1,112,430.38	
Other payables	Wazhou Group limited company	3,267,645.80	6,512,982.70
Other payables	Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd	431,088.45	431,088.45
Other payables	Wazhou Group Equipment Technology Project Co., Ltd.	952,000.00	952,000.00

7. Contingency

As at June 30, 2017, the Group does not have any other contingencies.

XIII. Share-Based Payment

XIV. Commitment and Contingency

As at June 30, 2016, the Group does not have any other significant commitments.

XV. Events after the Balance Sheet Date

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

XVI. Other Significant Events

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

1 Accounts receivable

(1) Accounts receivable category

Item	Closing Balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	
Accounts receivable with significant individual amount and separate bad debt provision	7,718,274.69	0.55%	7,718,274.69	100.00%	
Accounts receivable with bad debt provision based on the characters of credit risk portfolio	1,356,773,444.45	97.00%	45,474,968.50	5.21%	1,311,298,475.95
Accounts receivable with insignificant individual amount and separate bad debt provision	33,489,185.84	2.40%	33,489,185.84	100.00%	
Total	1,397,980,904.98	100.00%	86,682,429.03	6.20%	1,311,298,475.95

(Continued)

Item	Opening Balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	
Accounts receivable with significant individual amount and separate bad debt provision	7,718,274.69	0.57%	7,718,274.69	100.00%	
Accounts receivable with bad debt provision based on the characters of credit risk portfolio	1,316,741,292.38	96.97%	45,524,624.70	5.34%	1,271,216,667.68
Accounts receivable with insignificant individual amount and separate bad debt provision	33,489,185.84	2.47%	33,489,185.84	100.00%	
Total	1,357,948,752.91	100.00%	86,732,085.23		1,271,216,667.68

1) Individually significant amounts of accounts receivable accrued the bad debt provision separately at the end of June 30, 2017

Debtors name	Closing Balance			Reasons for provision
	Accounts receivable	Provision for bad debts	Proportion (%)	
Company E	3,910,007.43	3,910,007.43	100.00%	A/R with over 5 years aging, unlikely to be collected
Company F	3,808,267.26	3,808,267.26	100.00%	A/R with over 5 years aging, unlikely to be collected
Total	7,718,274.69	7,718,274.69		—

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

Aging	Closing Balance		
	Accounts receivable	Provision for bad	Proportion

		debts	(%)
Within 1 year	719,742,776.83	7,197,427.77	1.00%
1-2 years	169,257,705.09	8,462,885.25	5.00%
2-3 years	52,263,895.31	10,452,779.06	20.00%
3-4 years	31,934,362.91	15,967,181.46	50.00%
Total	973,198,740.14	42,080,273.54	

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

(3) Accounts receivable written off in current period

2 Other receivables

2. Other receivables

(1) The category of other receivables

Items	Closing Balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	
Other receivables with significant individual amount and separate bad debt provision					
Other receivables with bad debt provision based on the characters of credit risk portfolio	31,891,519.38	87.5%	828,459.71	4.63%	31,063,059.67
Other receivables with insignificant individual amount and separate bad debt provision	4,556,358.92	12.50%	4,556,358.92	100.00%	
Total	36,447,878.30	100.00%	5,384,818.63		31,063,059.67

(Continued)

Items	Opening Balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	
Other receivables with significant individual amount and separate bad debt provision	-	-	-	-	-
Other receivables with bad debt provision based on the characters of credit risk portfolio	19,504,288.62	81.06%	828,459.71	6.18%	18,675,828.91
Other receivables with insignificant individual amount and separate bad debt	4,556,358.92	18.94%	4,556,358.92	100.00%	

Items	Opening Balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	
provision					
Total	24,060,647.54	100.00%	5,384,818.63		18,675,828.91

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

Aging	Closing Balance		
	Other receivables	Provision for bad debts	Proportion (%)
Within 1 year	15,896,594.17	158,965.94	1.00%
1-2 years	380,160.00	19,008.00	5.00%
2-3 years	535,416.66	107,083.33	20.00%
3-4 years	1,086,804.87	543,402.44	50.00%
Total	17,898,975.70	828,459.71	

(2) Other receivables categorized by nature

Nature	Closing Balance	Opening Balance
Other receivables	36,447,878.30	24,060,647.54
Total	36,447,878.30	24,060,647.54

3 Long-term equity investments

(1) Category of long-term equity investments

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

(2) Investments into subsidiaries

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

Total	211,583,897.67			211,583,897.67	
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4 Operating revenue and cost

Item	This period		Last period	
	Revenue	Cost	Revenue	Cost
Revenue from main operation	972,513,250.78	857,675,134.61	1,045,680,912.95	974,858,913.33
Revenue from other operation	149,234,390.96	142,142,020.55	93,470,653.82	91,153,250.73
Total	1,121,747,641.74	999,817,155.16	1,139,151,566.77	1,066,012,164.06

XVII Supplementary Information to the Financial Statements

1. Non-operating profit or loss

Items	Amount	Notes
Gain or loss from disposal of non-current assets	10,771.00	
Government grants recorded into profit or loss during current period	2,423,777.94	
Profit or loss from debts restructuring	1,356,259.02	
Others non-operating revenue and expense besides the above items	752,323.50	
Effect from income tax	347,241.60	
Total	4,195,889.86	

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	0.19%	0.007	0.007
Net profit after deducting non-recurring gains and losses attributable to shareholders of parent company	-0.11%	-0.0039	-0.0039

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

Chapter X. List of reference documents

1. The 2017 mid-year Accounting statements which is with the signatures and seals of the legal representative, finance controller and the director of accounting department of the Company.
2. Original documents and notices of the Company disclosed in newspapers designated by the Security Supervisory Committee of China in report period.