

Wafangdian Bearing Company Limited

Auditor's Report and Financial Statements

For the Year Ended 31 December 2023

**ENGLISH TRANSLATION OF
AUDITOR'S REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022**

**IF THERE IS ANY CONFLICT
BETWEEN THE CHINESE VERSION
AND ITS ENGLISH TRANSLATION,
THE CHINESE VERSION WILL
PREVAIL**

Wafangdian Bearing Company Limited
Auditor's Report and Financial Statements

(From 1 January 2023 to 31 December 2023)

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Auditor's Report

Xin Kuai Shi Bao Zi [2024] No. ZE10289

To the Shareholders of Wafangdian Bearing Company Limited:

Opinion

We have audited the accompanying financial statements of Wafangdian Bearing Company Limited (“Wafangdian Bearing Company”), which comprise the consolidated and company's balance sheets as at 31 December 2023, the consolidated and company's income statements, the consolidated and company's statements of cash flows, and the consolidated and company's statements of changes in owners' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position as at 31 December 2023 and the consolidated and company's financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing (“CSAs”). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Wafangdian Bearing Company in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants (“CICPA Code”), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters in our audit:

1. [Revenue recognition]
2. [Recoverability of accounts receivable]

Key Audit Matters	How these matters were addressed in the audit process
1. [Revenue recognition] For details of the accounting policy for revenue recognition and analysis of revenue, please refer to the accounting policy described in Note (22) of the Notes to Consolidated Financial Statements "III. Significant Accounting Policies and	The audit procedures we performed on revenue recognition consisted primarily of: 1. Understanding, evaluating and testing the effectiveness of the design and implementation of management's key internal controls related to revenue recognition;

Key Audit Matters	How these matters were addressed in the audit process
<p>Accounting Estimates" and Note (36) of the Notes to Consolidated Financial Statements.</p> <p>Revenue from sales of various types of bearings in the consolidated statements of operations of Wafangdian Bearing Company for fiscal 2023 amounted to CNY 2,093,582,371.38.</p> <p>Since revenues and profits from bearing sales have a significant impact on the Company's results, the recognition of revenues depends on the ability to properly assess whether the product sales satisfy the agreement on the conditions for the transfer of control in the sales contract. The complexity of the commercial agreements, however, requires separate judgment. For this reason, we identified revenue as a key audit matter.</p>	<p>2. Performing analytical review procedures to analyze the reasonableness of changes in revenue and gross profit margin;</p> <p>3. Select a sample to examine sales contracts, identify contractual provisions related to the transfer of control of goods, and evaluate whether the revenue recognition point of Wafangdian Bearing Company Corporation meets the requirements of the Enterprise Accounting Standards;</p> <p>4. Selecting samples of revenue transactions recorded during the year, verifying whether the book revenue, sales invoices and customer confirmation sheets are consistent, and evaluating whether the relevant revenue recognition is in accordance with the revenue recognition accounting policy of Wafangdian Bearing Company;</p> <p>5. Implementing correspondence to customers. The correspondence procedure includes correspondence on the balance of accounts receivable at the end of the customer's period as well as sales during the reporting period;</p> <p>6. For shipment records around the balance sheet date, select samples and check the supporting documents such as shipment records and customer acknowledgement slips to evaluate whether revenues are included in the appropriate period.</p>
<p>2. [Recoverability of accounts receivable]</p> <p>For details of the accounting policies and analysis of accounts receivable, please refer to the accounting policies described in Note (ix) to the consolidated financial statements under "III. Significant Accounting Policies and Estimates" and Note (iv) to the consolidated financial statements under "V. Notes to Consolidated Financial Statements".</p> <p>The balance of accounts receivable in the consolidated financial statements as of December 31, 2023 was CNY 1,217,457,042.95 and the allowance for bad debts was CNY 131,019,034.27, net of CNY 1,086,438,008.68. The balance of contractual assets was CNY 5,858,045.86, provision for</p>	<p>The audit procedures we performed on the collectability of accounts receivable consisted primarily of:</p> <p>1. understanding, evaluating and testing the effectiveness of management's design and implementation of internal controls related to the aging analysis of accounts receivable and the determination of the allowance for bad debts on accounts receivable;</p> <p>2. reviewing management's consideration and objective evidence related to the impairment testing of accounts receivable and focusing on whether management has adequately identified items that have been impaired;</p>

Key Audit Matters	How these matters were addressed in the audit process
<p>impairment of contract assets was CNY 292,902.29, net of contractual assets was CNY 5,565,143.57.</p> <p>We identified the collectability of accounts receivable as a key audit matter because estimating the collectability of accounts receivable and testing for impairment involves significant accounting estimates and judgments by management, and the impact on the financial statements if the accounts receivable is not collected on time or are uncollectible is more significant.</p>	<p>3. for accounts receivable for which management has provided for bad debts according to a combination of credit risk characteristics, evaluating whether the percentage of provision for bad debts determined by management is reasonable;</p> <p>4. Implemented the correspondence procedure and reconciled the results of the correspondence with the amounts recorded by management;</p> <p>5. Evaluating the reasonableness of the provision for bad debts reserves by management in conjunction with the post-period payback examination.</p>

Other Information

Management of Wafangdian Bearing Company (“Management”) is responsible for the other information. The other information comprises all of the information included in the 2023 annual report of Wafangdian Bearing Company, other than the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Wafangdian Bearing Company's ability to continue as a going concern, disclosing, if applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Wafangdian Bearing Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Wafangdian Bearing Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understand of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Wafangdian Bearing Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our



conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Wafangdian Bearing Company to cease to continue as a going concern.

(5) Evaluate the overall presentation (including the disclosures), structure and contents of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Wafangdian Bearing Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**BDO CHINA Shu Lun Pan
Certified Public Accountants LLP**

**Certified Public Accountant of China:
(Engagement Partner)**

Certified Public Accountant of China:

Shanghai, China

April 26, 2024

Wafangdian Bearing Company Limited
Consolidated Balance Sheets
(CNY)

ITEMS	No	2023- 12-31	2022- 12-31
Current Assets:			
Monetary funds	V. 1	210,814,228.05	330,746,706.88
Settlement fund			
Outgoing call loan			
Tradable financial asset	V. 2	214,178.33	243,454.50
Derivative Financial instrument			
Notes receivable	V.3	450,721,512.23	469,784,593.61
Accounts receivable	V.4	1,086,438,008.68	1,136,295,329.59
Financing receivable	V.5	55,546,474.87	30,996,930.63
Prepayments	V.6	16,939,892.67	52,901,066.01
Insurance receivables			
Reinsurance Receivable			
Provision of reinsurance contract reserve receivable			
Other receivables	V.7	9,403,175.09	10,555,282.33
including: interest receivable			
dividend receivable			
Financial instrument purchased under agreement to resell			
Inventories	V.8	651,494,088.99	646,619,143.91
Contractual asset	V.9	5,565,143.57	601,375.84
Held for sale assets			
Non-current assets due within 1-year			
Other current assets	V. 10	47,560,917.19	15,681,599.83
Total Current Assets		2,534,697,619.67	2,694,425,483.13
Non-Current Assets:			
Loan and payment on other's behalf disbursed			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investment			
Other equity instrument investment	V. 11	11,910,077.43	11,926,856.64
Other non-current Financial instrument			
Investments properties	V. 12	68,614,653.76	67,211,806.69
Fixed assets	V. 13	448,651,044.66	391,769,315.64
Construction in process	V. 14	37,354,969.68	81,891,139.54
Production biological assets			
Oil-gas assets			
Use-right assets			
Intangible assets	VI. 15	74,319,876.46	77,438,618.71
Development cost			
Goodwill			
Long-term unamortized expenses	V. 16	4,842,981.32	114,379.51
Deferred tax asset	V. 17		
Other non-current assets			
Total Non-current Assets		645,693,603.31	630,352,116.73
Total Assets		3,180,391,222.98	3,324,777,599.86

legal representative :

head of the accounting work:

the person in charge of the accounting office :

Consolidated Balance Sheet (continued)

December 31, 2023

Name of Enterprise : Wafangdian Bearing Co., Ltd

Amount Unit: CNY

ITEMS	No	2023- 12-31	2022- 12-31
Current Liabilities:			
Short- term borrowings	V. 19	598,000,000.00	699,000,000.00
Loans from central bank			
Loans from other banks			
Tradable financial liability			
Derivative financial liabilities			
Notes payable	V. 20	460,840,218.52	462,446,562.00
Accounts payable	V. 21	1,269,200,269.48	1,300,975,034.72
Received in advance			
Contractual liability	V. 22	30,546,735.85	30,449,983.07
Financial instrument sold under agreements to repurchase			
Deposits received and hold for others			
Entrusted trading of securities			
Entrusted underwriting of securities			
Employee pay payables	V. 23	47,130,138.90	46,797,303.83
Taxes and duties payable	V. 24	20,327,848.00	26,467,193.95
Other payables	V. 25	185,396,158.28	180,459,153.26
including: interest payable			-
dividend payable			
Fees and commissions payable			
Amount due to reinsurance			
Held for sale liabilities			
Non-current liabilities due within 1 - year			
Other current liabilities	V. 26	4,574,730.79	4,294,078.63
Total Current Liabilities		2,616,016,099.82	2,750,889,309.46
Non-current Liabilities:			
Insurance contract provision			
Long-term borrowings	V. 27	99,450,000.00	
Bonds Payable			
including: preference share			
perpetual debt			
Leasing liability			
Long-term payables	V. 28	344,974.84	344,974.84
Long-term employee payables			
Provision	V. 29	49,598,202.66	54,288,933.94
Deferred income	V. 30	43,100,180.40	48,324,479.14
Deferred Tax liabilities	V. 17	575,697.11	626,909.02
Other non-current liabilities			
Total Non-current Liabilities		193,069,055.01	103,585,296.94
Total Liabilities		2,809,085,154.83	2,854,474,606.40
Owners Equity(or Shareholders Equity) :			
Paid-in capital (Share capital)	V. 31	402,600,000.00	402,600,000.00
Other equity instrument			
Including: preference share			
perpetual capital securities			
Capital reserve	V. 32	485,691,050.47	485,691,050.47
Less: Treasury stock			
Other comprehensive income			
Chartered reserve	V. 33	2,414,877.63	1,933,209.86
Surplus reserves	V. 34	136,770,391.01	136,770,391.01
△ Provision for general risk			
Undistributed profit	V. 35	-656,170,250.96	-556,691,657.88
Equity attributable to equity holders of the Company		371,306,068.15	470,302,993.46
* Minority interest			
Total Equity		371,306,068.15	470,302,993.46
Total Liabilities and Equity		3,180,391,222.98	3,324,777,599.86

The accompanying notes to the financial statements are an integral part of the financial statements.

legal representative :

head of the accounting work :

the person in charge of the accounting office :

Balance Sheet of Parent Company

December 31, 2023

Name of Enterprise: Wafangdian Bearing Co., Ltd

Amount Unit: CNY

ITEMS	No	2023-12-31	2022-12-31
Current Assets:			
Monetary funds		202,953,597.29	318,183,659.51
Tradable financial asset		214,178.33	243,454.50
Derivative Financial instrument			
Notes receivable		448,340,987.89	364,368,224.60
Accounts receivable	XV. 1	1,083,227,562.84	1,091,791,757.46
Financing receivable		55,246,474.87	29,782,015.63
Prepayments		16,088,770.08	50,382,150.52
Other receivables	XV. 2	302,051,507.57	326,487,410.20
including: interest receivable			
dividend receivable		11,843,105.36	11,843,105.36
Inventories		409,679,963.66	372,399,880.38
Contractual assets		5,565,143.57	601,375.84
Held for sale assets			
Non-current assets due within 1-year			
Other current assets		47,560,917.19	15,681,599.83
Total Current Assets		2,570,929,103.29	2,569,921,528.47
Non-Current Assets:			
Debt investment			
Available-for-sale Financial instrument			
Other debt investment			
Long-term receivables			
Long-term equity investment	XV. 3	226,488,897.67	225,693,897.67
Other equity instrument investment		11,910,077.43	11,926,856.64
Other non-current Financial instrument			
Investments properties		62,796,748.61	61,104,869.06
Fixed assets		284,111,056.47	246,219,058.48
Construction in process		37,233,550.11	50,350,325.78
Production biological assets			
Oil-gas assets			
Use-right assets			
Intangible assets		59,940,265.41	62,341,050.02
Development cost			
Goodwill			
Long-term unamortized expenses		4,842,981.32	114,379.51
Deferred tax asset			
Other non-current assets			
Total Non-current Assets		687,323,577.02	657,750,437.16
Total Assets		3,258,252,680.31	3,227,671,965.63

legal representative :

head of the accounting work :

the person in charge of the accounting office :

Balance Sheet of Parent Company (continued)

December 31, 2023

Name of Enterprise: Wafangdian Bearing Co., Ltd

Amount Unit: CNY

ITEMS	No	2023-12-31	2022-12-31
Current Liabilities:			
Short-term borrowings		598,000,000.00	699,000,000.00
Tradable financial liability			
Derivative financial liabilities			
Notes payable		460,840,218.52	462,446,562.00
Accounts payable		1,173,929,299.34	1,086,746,790.62
Received in advance			
Contractual liability		30,499,770.66	30,055,311.74
Employee pay payables		39,558,601.86	39,688,497.98
Taxes and duties payable		14,791,557.01	17,639,022.52
Other payables		168,205,349.94	162,798,263.19
including: interest payable			
dividend payable			
Held for sale liabilities			
Non-current liabilities due within 1-year			
Other current liabilities		4,568,625.32	4,244,919.76
Total Current Liabilities		2,490,393,422.65	2,502,619,367.81
Non-current Liabilities:			
Long-term borrowings		99,450,000.00	
Bonds Payable			
including: preference share			
perpetual debt			
Leasing liability			
Long-term payables		244,974.84	244,974.84
Long-term employee payables			
Provision for liabilities		49,566,496.84	54,260,539.91
Deferred income		15,525,886.47	19,864,106.94
Deferred Tax liabilities			
Other non-current liabilities			
Total Non-current Liabilities		164,787,358.15	74,369,621.69
Total Liabilities		2,655,180,780.80	2,576,988,989.50
Owners Equity(or Shareholders Equity):			
Paid-in capital (Share capital)		402,600,000.00	402,600,000.00
Other equity instrument			
Including: preference share			
perpetual capital securities			
Capital reserve		485,678,443.26	485,678,443.26
Less: Treasury stock			
Other comprehensive income			
Chartered reserve			441,390.04
Surplus reserves		136,770,391.01	136,770,391.01
Undistributed profit		-421,976,934.76	-374,807,248.18
Total Equity		603,071,899.51	650,682,976.13
Total Liabilities and Equity		3,258,252,680.31	3,227,671,965.63

The accompanying notes to the financial statements are an integral part of the financial statements.

legal representative:

head of the accounting work:

the person in charge of the accounting office :

Consolidated Income Statement

For the year of 2023

Name of Enterprise : Wafangdian Bearing Co., Ltd

Amount Unit: CNY

Item	No	Current year	Last year
□ 、 Total operating revenue		2,193,273,682.20	2,348,330,561.57
Including: Operating revenue	V.36	2,193,273,682.20	2,348,330,561.57
Interest income			
Earned premiums			
Fees and commission income			
□ 、 Total cost of operation		2,316,003,617.97	2,450,935,364.34
Including: Cost of operation	V.36	1,820,709,965.29	1,897,907,415.41
Interest expenses			
Fees and commission expenses			
Payments to surrenders of insurance contracts			
Net amount of insurance claims expenses			
Net charges of provision for insurance contracts			
Dividends policy expenses			
Reinsurance expenses			
Taxes and surcharges	V.37	13,938,931.92	12,737,534.70
Selling and distribution expenses	V.38	159,770,917.31	162,537,964.38
Administrative expenses	V.39	127,607,078.59	115,099,647.00
R&D	V.40	157,836,380.65	231,245,330.98
Financial expenses	V.41	36,140,344.21	31,407,471.87
Including: Interest expenses		40,071,255.06	36,216,652.32
Interest income		1,532,778.11	1,197,047.65
add: other income	V.42	33,490,766.62	7,068,347.57
investment income (Loss listed with "-")	V.43	12,935,641.78	6,892,627.00
Including: income from investments in associates and joint ventures			
Gain arising from derecognition of financial asset measured at amortized cost			
Exchange gain (Loss listed with "-")			
Gain on hedging of net exposure (Loss listed with "-")			
Gain on FV change (Loss listed with "-")	V.44	-29,276.17	-78,583.43
Loss on impairment of credit(Loss listed with "-")	V.45	-8,190,595.50	14,149,185.05
Loss on impairment of assets(Loss listed with "-")	V.46	-16,570,748.46	-70,762,726.02
Gain on asset disposal(Loss listed with "-")	V.47	1,406,119.64	2,110,473.61
□ 、 Operating profit (Loss listed with "-")		-99,688,027.86	-143,225,478.99
Add: Non-operating income	V.48	603,316.44	3,927,967.83
Less: Non-operating expenses	V.49	445,093.57	656,315.14
□ 、 Total profit (Loss listed with "-")		-99,529,804.99	-139,953,826.30
Less: Income tax expenses	V.50	-51,211.91	-56,327.43
□ 、 Net profit (Net loss listed with "-")		-99,478,593.08	-139,897,498.87
(I) Classification by continuity			
1 、 Net profit from continuing operation		-99,478,593.08	-139,897,498.87
2 、 Net profit from discontinuing operation			
(II) Classification by ownership			
1 、 Net profit attributable to equity holders(shareholders) of the Company		-99,478,593.08	-139,897,498.87
2 、 Minority interest			
□ 、 Other comprehensive income net off tax			-
Net other comprehensive income net off tax attributable to equity holders(shareholders) of the parent company			-
(□)Items that may not be reclassified subsequently to the income			-
1.Change in net asset/liability from remeasurement on defined benefit plan			
2.Under equity method, proportionate share of other comprehensive income in invested company			
3.FV change of other equity instrument investment			
4.FV change of own credit risk			
5.Others			
(□)Items that may be reclassified subsequently to the income statement			-
1 . Under equity method, proportionate share of other comprehensive income invested company			
2. FV change of other debt investment			
3.Financial instrument reclassified into other comprehensive income			
4.Credit impairment provision of other debt investment			
5.Cash flow hedges effective portion			
6.Foreign currency translation difference			
7.Others			
Net other comprehensive income net of tax attributable to Minority interest			
□ 、 Total comprehensive income		-99,478,593.08	-139,897,498.87
Total comprehensive income attributable to parent Company		-99,478,593.08	-139,897,498.87
Total comprehensive income attributable to minority interest			
□ 、 Earnings per share			
(□)Basic earnings per share		-0.2471	-0.3475
(□)Diluted earnings per share		-0.2471	-0.3475

legal representative :

head of the accounting work:

the person in charge of the accounting office :

Income Statement of Parent Company

For the year of 2023

Name of Enterprise: Wafangdian Bearing Co., Ltd

Amount Unit: CNY

Item	No	Current year	Last year
□ 、 Operating revenue	XV.4	2,220,459,530.92	2,391,189,210.72
Less: Cost of operation	XV.4	1,839,008,209.00	1,938,358,741.32
Taxes and surcharges		10,941,033.02	10,972,553.48
Selling and distribution expenses		150,633,675.33	153,124,248.33
Administrative expenses		101,958,194.37	91,238,538.03
Research & Development		152,103,642.61	225,860,513.24
Financial expenses		36,168,494.80	31,180,257.00
Including: Interest expenses			
Interest income			
Add: Other income		32,292,962.05	5,641,327.34
Investment income (Loss listed with "-")	XV.5	10,260,371.82	4,115,928.61
Including: income from investments in associates and joint ventures			
Gain arising from derecognition of financial asset measured at amortized cost			
Gain on hedging of net exposure (Loss listed with "-")			
Gain on FV change (Loss listed with "-")		-29,276.17	-78,583.43
Loss on impairment of credit(Loss listed with "-")		-8,280,898.36	14,020,645.51
Loss on impairment of assets(Loss listed with "-")		-12,436,058.16	-47,759,299.50
Gain on asset disposal(Loss listed with "-")		964,764.68	2,110,473.61
□ 、 Operating profit (Loss listed with "-")		-47,581,852.35	-81,495,148.54
Add: Non-operating income		577,544.94	3,172,630.58
Less: Non-operating expenses		165,379.17	620,179.18
□ 、 Total profit (Loss listed with "-")		-47,169,686.58	-78,942,697.14
Less: Income tax expenses			
□ 、 Net profit (Net loss listed with "-")		-47,169,686.58	-78,942,697.14
1、 Net profit from continuing operation		-47,169,686.58	-78,942,697.14
2、 Net profit from discontinuing operation			
□ 、 Other comprehensive income net off tax			-
(□)Items that may not be reclassified subsequently to the income statement			-
1.Change in net asset/liability from remeasurment on defined benefit plan			
2.Under equity method, proportionate share of other comprehensive income in invested company that may not be reclassified subsequently to the income statement			
3.FV change of other equity instrument investment			
4.FV change of own credit risk			
5.Others			
(□)Items that may be reclassified subsequently to the income statement			-
1.Under equity method, proportionate share of other comprehensive income invested company that may be reclassified subsequently to the income statement			
2.FV change of other debt investment			
4.Financial instrument reclassified into other comprehensive income			
6.Credit impairment provision of other debt investment			
7.Cash flow hedges effective portion			
8.Foreign currency translation difference			
9.Others			
□ 、 Total comprehensive income		-47,169,686.58	-78,942,697.14
□、 Earnings per share			
(□)Basic earnings per share		-0.1172	-0.1961
(□)Diluted earnings per share		-0.1172	-0.1961

legal representative:

head of the accounting work:

the person in charge of the accounting office :

Consolidated Cash Flow Statement

For the Year of 2023

Name of Enterprise: Wafangdian Bearing Co., Ltd

Amount Unit: CNY

Item	No	Current year	Last year
1.Cash flow from operating activities			
Cash receipts from sale of goods or rendering of services		984,173,942.11	1,209,679,135.22
Refunds of taxes		28,855,027.41	23,491,073.28
Other cash receipts in operating activities	V.52	34,781,896.01	44,357,724.91
Sub-total of cash inflows from operating activities		1,047,810,865.53	1,277,527,933.41
Cash payments for goods and services acquired		368,564,412.78	622,977,120.31
Cash payments to and on behalf of employees		379,563,765.00	380,144,468.90
Tax and duties payments		75,682,959.24	47,043,087.07
Other cash payments for operating activities	V.52	139,677,036.36	143,097,707.23
Sub-total of cash outflows from operating activities		963,488,173.38	1,193,262,383.51
Net cash flows from operating activities		84,322,692.15	84,265,549.90
2.Cash flows from investing activities			
Cash receipts from return of investments			
Cash receipts from investments income		2,003,723.34	23,851.89
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		468,000.00	1,772,810.0
Net cash receipts from disposal of subsidiaries and other businesses			
Other cash receipts in investing activities			
Sub-total of cash inflows from investing activities		2,471,723.34	1,796,661.89
Cash payments for acquired fixed assets, intangible assets and other long-term assets		5,430,485.57	12,861,168.20
Cash payments for investment			
Net increase of pledged loan			
Net cash payments for acquisition of subsidiaries and other businesses			
Other cash payments in investing activities			
Sub-total of cash outflows from investing activities		5,430,485.57	12,861,168.20
Net cash flows from investment activities		-2,958,762.23	-11,064,506.31
3.Cash flows from financing activities			
Cash received from capital injection			
Including: Cash received by subsidiaries from investment absorpotion of minority interest			
Cash receipts from borrowings		848,000,000.00	1,018,000,000.00
Cash received from issue of bonds			
Other cash receipts in financing activities	V.52	514,194,933.95	148,898,875.78
Sub-total of cash inflows from financing activities		1,362,194,933.95	1,166,898,875.78
Cash paid for settlement of borrowings		849,550,000.00	996,000,000.00
Cash paid for dividends, profits appropriation or payments of interest		34,675,404.85	29,831,754.10
Including: Dividens and profits paid to minority interest			
Other cash payments in financing activities	V.52	679,042,593.69	199,211,995.47
Sub-total of cash outflows from financing activities		1,563,267,998.54	1,225,043,749.57
Net cash flows from financing activities		-201,073,064.59	-58,144,873.79
4.Effect of changes in foreign exchange rate on cash and cash equivalents		3,016,403.93	2,453,225.15
5.Net increases in cash and cash equivalents		-116,692,730.74	17,509,394.95
Add: the beginning balance of cash and cash equivalent		227,357,291.37	209,847,896.42
6.The ending balance of cash and cash equivalent		110,664,560.63	227,357,291.37

legal representative:

head of the accounting work:

the person in charge of the accounting office

Cash Flow Statement of Parent Company

For the Year of 2023

Name of Enterprise: Wafangdian Bearing Co., Ltd

Amount Unit: CNY

Item	No	Current year	Last year
1. Cash flow from operating activities			
Cash receipts from sale of goods or rendering of services		966,994,345.88	1,174,553,672.55
Refunds of taxes		28,851,520.11	19,041,056.13
Other cash receipts in operating activities		31,636,985.03	52,254,951.21
Sub- total of cash inflows from operating activities		1,027,482,851.02	1,245,849,679.89
Cash payments for goods and services acquired		467,383,945.58	625,427,237.31
Cash payments to and on behalf of employees		307,534,709.71	300,379,827.56
Tax and duties payments		55,656,359.99	36,122,880.68
Other cash payments for operating activities		107,140,110.20	114,758,167.09
Sub- total of cash outflows from operating activities		937,715,125.48	1,076,688,112.64
Net cash flows from operating activities		89,767,725.54	169,161,567.25
2. Cash flows from investing activities			
Cash receipts from return of investments			
Cash receipts from investments income		2,003,723.34	23,851.89
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		468,000.00	1,772,810.00
Net cash receipts from disposal of subsidiaries and other businesses			
Other cash receipts in investing activities			
Sub- total of cash inflows from investing activities		2,471,723.34	1,796,661.89
Cash payments for acquired fixed assets, intangible assets and other long-term assets		5,378,102.35	7,104,306.36
Cash payments for investment		795,000.00	4,110,000.00
Net cash payments for acquisition of subsidiaries and other businesses			
Other cash payments in investing activities			
Sub- total of cash outflows from investing activities		6,173,102.35	11,214,306.36
Net cash flows from investment activities		-3,701,379.01	-9,417,644.47
3. Cash flows from financing activities			
Cash received from capital injection			
Cash receipts from borrowings		848,000,000.00	1,018,000,000.00
Cash received from issue of bonds			
Other cash receipts in financing activities		514,047,683.95	69,878,631.34
Sub- total of cash inflows from financing activities		1,362,047,683.95	1,087,878,631.34
Cash paid for settlement of borrowings		849,550,000.00	996,000,000.00
Cash paid for dividends, profits appropriation or payments of interest		34,675,404.85	29,831,754.10
Other cash payments in financing activities		678,895,343.69	199,211,995.47
Sub- total of cash outflows from financing activities		1,563,120,748.54	1,225,043,749.57
Net cash flows from financing activities		-201,073,064.59	-137,165,118.23
4. Effect of changes in foreign exchange rate on cash and cash equivalents		3,016,403.93	2,453,225.15
5. Net increases in cash and cash equivalents		-111,990,314.13	25,032,029.70
Add: the beginning balance of cash and cash equivalent		214,794,244.00	189,762,214.30
6. The ending balance of cash and cash equivalent		102,803,929.87	214,794,244.00

legal representative:

head of the accounting work:

the person in charge of the accounting office

Consolidated Statement of Changes in Shareholder's Equity

For the Year of 2023

Name of Enterprise: Wafangdian Bearing Co., Ltd

Amount Unit:RMB

Item	Current year													Minority interests	Total equity
	Equity attributable to the equity holders of the Company														
	Paid-up capital (share capital)	Other equity instrument			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Δ General risk provision	Undistributed profits	Others	Sub-total		
preference share		perpetual bond	others												
1. Balance at end of last year	402,600,000.00	-	-	485,691,050.47	-	-	1,933,209.86	136,770,391.01	-	-556,691,657.88	-	470,302,993.46	-	470,302,993.46	
Add: Changes in accounting policies															
Correction of prior periods errors															
Business combination within the same control															
Others															
2. Balance at beginning of current year	402,600,000.00	-	-	485,691,050.47	-	-	1,933,209.86	136,770,391.01	-	-556,691,657.88	-	470,302,993.46	-	470,302,993.46	
3. Increase/ Decrease for current year (Decrease listed with "-")	-	-	-	-	-	-	481,667.77	-	-	-99,478,593.08	-	-98,996,925.31	-	-98,996,925.31	
(□) Total of comprehensive income										-99,478,593.08		-99,478,593.08		-99,478,593.08	
(□) Capital contribution and reduction															
1. Ordinary share															
2. Capital contributed by other equity instrument holders															
3. Share-based payments charged to equity															
4. Others															
(III) Profit appropriations															
1. Appropriation to surplus reserves															
2. Appropriation to general risks provision															
3. Appropriation to equity holders (or shareholders)															
4. Others															
(IV) Transfer within equity															
1. Transfer of capital reserve to capital (share capital)															
2. Transfer of surplus reserves to capital (share capital)															
3. Surplus reserves making up of losses															
4. Carried over the change in net asset/liability from remeasurment on defined benefit plan															
5. Transfer of other comprehensive to retained earnings															
6. Others															
(V) Special reserves								481,667.77				481,667.77		481,667.77	
1. Provision for special reserve								14,207,667.88				14,207,667.88		14,207,667.88	
2. Utilisation of special reserve								13,726,000.11				13,726,000.11		13,726,000.11	
(VI) Others															
4. Balance at end of current year	402,600,000.00	-	-	485,691,050.47	-	-	2,414,877.63	136,770,391.01	-	-656,170,250.96	-	371,306,068.15	-	371,306,068.15	

legal representative:

head of the accounting work:

the person in charge of the accounting office :

Consolidated Statement of Changes in Shareholder's Equity(continued)

For the Year of 2023

Name of Enterprise : Wafangdian Bearing Co., Ltd

Amount Unit: RMB

Item	Last year														
	Equity attributable to the equity holders of the Company													Minority interests	Total equity
	Paid-up capital (share capital)	Other equity instrument			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Δ General risk provision	Undistributed profits	Others	Sub- total		
preference share	perpetual bond	others													
1. Balance at end of last year	402,600,000.00				485,691,050.47				136,770,391.01		-416,794,159.01		608,267,282.47		608,267,282.47
Add: Changes in accounting policies															
Correction of prior periods errors															
Business combination within the same control															
Others															
2. Balance at beginning of current year	402,600,000.00				485,691,050.47				136,770,391.01		-416,794,159.01		608,267,282.47		608,267,282.47
3. Increase/ Decrease for current year (Decrease listed with "-")								1,933,209.86		-139,897,498.87		-137,964,289.01		-137,964,289.01	
(□) Total of comprehensive income										-139,897,498.87		-139,897,498.87		-139,897,498.87	
(□) Capital contribution and reduction															
1. Ordinary share															
2. Capital contributed by other equity instrument holders															
3. Share-based payments charged to equity															
4. Others															
(III) Profit appropriations															
1. Appropriation to surplus reserves															
2. Appropriation to general risks provision															
3. Appropriation to equity holders (or shareholders)															
4. Others															
(IV) Transfer within equity															
1. Transfer of capital reserve to capital (share capital)															
2. Transfer of surplus reserves to capital (share capital)															
3. Surplus reserves making up of losses															
4. Carried over the change in net asset/ liability from remeasurment on defined benefit plan															
5. Transfer of other comprehensive to retained earnings															
6. Others															
(V) Special reserves								1,933,209.86					1,933,209.86	1,933,209.86	
1. Provision for special reserve								11,704,037.42					11,704,037.42	11,704,037.42	
2. Utilisation of special reserve								9,770,827.56					9,770,827.56	9,770,827.56	
(VI) Others															
4. Balance at end of current year	402,600,000.00				485,691,050.47			1,933,209.86	136,770,391.01		-556,691,657.88		470,302,993.46		470,302,993.46

legal representative :

head of the accounting work :

the person in charge of the accounting office :

Statement of Changes in Shareholder's Equity of Parent Company

For the Year of 2023

Name of Enterprise: Wafangdian Bearing Co., Ltd

Item	Current year											
	Paid-up capital (share capital)	Other equity instrument			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Others	Total equity
		preference share	perpetual bond	others								
1. Balance at end of last year	402,600,000.00				485,678,443.26			441,390.04	136,770,391.01	-374,807,248.18		650,682,976.13
Add: Changes in accounting policies												
Correction of prior periods errors												
Others												
2. Balance at beginning of current year	402,600,000.00				485,678,443.26			441,390.04	136,770,391.01	-374,807,248.18		650,682,976.13
3. Increase/ Decrease for current year (Decrease listed with "-")								-441,390.04		-47,169,686.58		-47,611,076.62
(□) Total of comprehensive income										-47,169,686.58		-47,169,686.58
(□) Capital contribution and reduction												
1. Ordinary share												
2. Capital contributed by other equity instrument holders												
3. Share-based payments charged to equity												
4. Others												
(III) Profit appropriations												
1. Appropriation to surplus reserves												
2. Appropriation to equity holders (or shareholders)												
3. Others												
(IV) Transfer within equity												
1. Transfer of capital reserve to capital (share capital)												
2. Transfer of surplus reserves to capital (share capital)												
3. Surplus reserves making up of losses												
4. Carried over the change in net asset/liability from remeasurment on defined benefit plan												
5. Transfer of other comprehensive to retained earnings												
6. Others												
(V) Special reserves								-441,390.04				-441,390.04
1. Provision for special reserve								9,573,422.66				9,573,422.66
2. Utilisation of special reserve								10,014,812.70				10,014,812.70
(VI) Others												
4. Balance at end of current year	402,600,000.00				485,678,443.26				136,770,391.01	-421,976,934.76		603,071,899.51

legal representative:

head of the accounting work:

the person in charge of the accounting office :

Statement of Changes in Shareholder's Equity of Parent Company(continued)

For the Year of 2023

Name of Enterprise: Wafangdian Bearing Co., Ltd

Item	Last year												
	Paid-up capital (share capital)	Other equity instrument			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Others	Total equity	
		preference share	perpetual bond	others									
1. Balance at end of last year	402,600,000.00				485,678,443.26				136,770,391.01	-295,864,551.04	-	729,184,283.23	
Add: Changes in accounting policies													
Correction of prior periods errors													
Others													
2. Balance at beginning of current year	402,600,000.00				485,678,443.26				136,770,391.01	-295,864,551.04	-	729,184,283.23	
3. Increase/ Decrease for current year (Decrease listed with "-")													
(□) Total of comprehensive income										-78,942,697.14	-	-78,942,697.14	
(□) Capital contribution and reduction											-		
1. Ordinary share													
2. Capital contributed by other equity instrument holders													
3. Share-based payments charged to equity													
4. Others													
(III) Profit appropriations											-		
1. Appropriation to surplus reserves													
2. Appropriation to equity holders (or shareholders)											-		
3. Others													
(IV) Transfer within equity											-		
1. Transfer of capital reserve to capital (share capital)													
2. Transfer of surplus reserves to capital (share capital)													
3. Surplus reserves making up of losses													
4. Carried over the change in net asset/liability from remeasurment on defined benefit plan													
5. Transfer of other comprehensive to retained earnings													
6. Others													
(V) Special reserves									441,390.04		-	441,390.04	
1. Provision for special reserve									7,186,265.21		-	7,186,265.21	
2. Utilisation of special reserve									6,744,875.17		-	6,744,875.17	
(VI) Others													
4. Balance at end of current year	402,600,000.00				485,678,443.26				441,390.04	136,770,391.01	-374,807,248.18	-	650,682,976.13

legal representative:

head of the accounting work:

the person in charge of the accounting office :

Wafangdian Bearing Co., Ltd
Notes to financial statements for the year ended as at December 31,
2023
(The currency is in RMB Yuan except otherwise indicated)

I. The basic information of company

Wafangdian Bearing Company Limited (the “Company”, the “Group” is referred to “Company” together with its subsidiaries) is a joint stock limited company established in the People’s Republic of China (the “PRC”) on 16 July, 1996. 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 19 February, 1997.

The Company’s founding meeting and the first meeting of the first board of directors decided that the effective date of the shareholding system reorganization in the accounting of the Company (that is, the date of the establishment of the Company's accounts) was determined as April 1, 1997 on March 19, 1997.

The Company has obtained the business license of the enterprise legal person on March 20, 1997, and the registration number is DaGongShangQiFaZi24239971-2. The business scope includes the manufacture and sale of bearings, mechanical equipment, auto parts and related products.

The Company's B shares were officially listed on the Shenzhen Stock Exchange on March 25, 1997, raising funds of CNY406.58 million. After the issuance, the Company's registered capital was CNY330 million.

In accordance with the Supplementary Notice on Issues Concerning the Equity Distribution of Listed Companies under the Rules Governing the Listing of Stocks of the Shenzhen Stock Exchange (hereinafter referred to as the “Supplementary Notice”) issued by the Shenzhen Stock Exchange on August 30, 2006, based on the audited financial report on September 30, 2006, the Company implemented the conversion of capital reserve into share capital, giving 2.2 shares for every 10 shares, and the total share capital increased from 330 million shares to 402.6 million shares, of which Wazhou Group owned the legal person shares increased from 200 million shares to 244 million shares, accounting for 60.6% of the total share capital; the Swedish SKF Company increased from 65 million shares to 79.3 million shares, accounting for 19.7% of the total share capital; public shares increased from 65 million shares to 79.3 million

shares, accounting for 19.7% of the total share capital. After the implementation of this plan, the Company's shareholding structure meets the requirements of the "Supplementary Notice" of the Shenzhen Stock Exchange.

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 belongs to the bearing manufacturing industry, mainly engaged in the production and sales of various types of bearings. The addresses of the registered office and principal place of business of the Company are No. 1, Phrase 1, North Gongji Street, Wafangdian, Liaoning Province, and the PRC Legal representative is Liu Jun.

Registered according to law, the business scope of the company is as follows: Licensed items: inspection and testing services, import and export of goods, import and export of technologies (for items subject to approval according to law, business activities can only be carried out after approval by relevant departments, and the specific business items shall be subject to the approval result) Bearing manufacturing, bearings, gears and transmission components manufacturing, high speed precision heavy-duty bearing sales, sales bearings, gears and transmission parts, bearing sales, general equipment manufacturing (excluding special equipment manufacturing), high-speed rail equipment, parts manufacturing, machinery and equipment sales, rail transportation equipment, key system and parts sales, sales of lubricating oil, high-speed rail equipment and accessories sales, Wind generators and spare parts sales, machinery parts, spare parts sales, railway locomotive vehicle accessories manufacturing, railway locomotive vehicle accessories sales, auto parts and accessories manufacturing, auto parts wholesale and retail auto parts, metal products repair, sales metal materials, metal products sales, metal surface treatment and heat treatment processing, quenching process, machinery parts and spare parts processing, land use right leasing, housing leasing, non-residential real estate leasing, mechanical equipment leasing, computer and communication equipment leasing, transportation equipment leasing service, office equipment leasing service, storage equipment leasing service, special equipment leasing, labor services (excluding labor dispatch), Technology service, technology development, technology consultation, technology exchange, technology transfer, technology popularization (with the exception of the projects subject to approval according to law, independently carry out business activities according to law with the business license).

These financial statements were approved by the Company's Board of Directors on April 26, 2024.

II. The basis for the preparation of financial statements

(1) Basis of preparation

The financial statements have been prepared in accordance with the "Accounting Standards for Business Enterprises - Basic Standards" and various specific accounting standards, guidelines for the application of accounting standards for business enterprises, interpretations of accounting standards for business enterprises and other related regulations (hereinafter collectively referred to as "Accounting Standards for Business Enterprises") issued by the Ministry of Finance, as well as the relevant provisions of the "General Provisions on Financial Reporting, No. 15 of the Rules Governing the Preparation of Information Disclosures by Companies Issuing Public Securities" of the China Securities Regulatory Commission.

(2) Going concern

This financial statements are prepared on the assumption of going concern.

III. Significant Accounting Policies and Accounting Estimates

The group established the accounting policy and estimate, such as operation cycle, bad debt recognition and measurement, dispatched inventory measurement and classification of fixed assets and FA's depreciation, intangible asset's amortization, capitalization condition of research and development expenses, revenue recognition and measurement based on the actual characters of business operation.

(1) Declaration for compliance with Accounting Standards for Business Enterprises

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

(2) Accounting period

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

(3) Operating cycle

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

(4) Functional currency

The Group adopts CNY as functional currency.

(5) Accounting for business combination under same control and not under same control

Business combinations under common control: Assets and liabilities acquired by the consolidating party in a business combination (including goodwill resulting from the acquisition of the consolidated party by the ultimate controlling party) are measured at the carrying value of the consolidated party's assets and liabilities in the consolidated financial statements of the ultimate controlling party at the date of the combination. The difference between the book value of the net assets acquired in the merger and the book value of the merger consideration paid (or the total nominal value of shares issued) is adjusted against the equity premium in capital surplus, and if the equity premium in capital surplus is not sufficient for elimination, retained earnings are adjusted.

Business combinations not under common control: The cost of the combination is the fair value of the assets paid, liabilities incurred or assumed and equity securities issued by the purchaser to obtain control of the acquiree at the date of acquisition. The difference between the cost of the combination and the share of the fair value of the acquiree's identifiable net assets acquired in the combination is recognized as goodwill; the difference between the cost of the combination and the share of the fair value of the acquiree's identifiable net assets acquired in the combination is recognized in profit or loss for the period. Each identifiable asset, liability and contingent liability of the acquiree acquired in a merger that meets the recognition criteria is measured at fair value at the date of acquisition.

Directly related costs incurred for a business combination are recognized in profit or loss as incurred; transaction costs for issuing equity securities or debt securities for a business combination are included in the initial recognition amount of the equity securities or debt securities.

(6) Criteria for determining control and Method of preparation of consolidated financial statements

1. Criteria for determining control

The scope of consolidation in the consolidated financial statements is determined on the basis of control, and the scope of consolidation includes the Company and all of its subsidiaries. Control means that the Company has power over the investee, enjoys variable returns through its participation in the investee's related activities, and has the ability to use its power over the investee to influence the amount of its returns.

2. Consolidation procedures

The Company considers the entire enterprise group as one accounting entity and prepares consolidated financial statements in accordance with uniform accounting policies to reflect the financial position, results of operations and cash flows of the enterprise group as a whole. The effects of internal transactions that occur between the Company and its subsidiaries and between subsidiaries are eliminated. If an internal transaction indicates an impairment loss on the related asset, the full amount of such loss is recognized. If the accounting policies and accounting periods adopted by a subsidiary are not consistent with those of the Company, the necessary adjustments are made in accordance with the Company's accounting policies and accounting periods when preparing the consolidated financial statements.

The share of ownership equity, net profit or loss for the period and comprehensive income for the period attributable to minority shareholders of the subsidiaries are presented separately in the consolidated balance sheet under the item of ownership equity, in the consolidated income statement under the item of net profit and in the consolidated statement of total comprehensive income, respectively. The balance resulting from the subsidiary's minority share of current loss exceeding the minority's share of the subsidiary's opening ownership interest is eliminated to reduce shareholders' equity.

(1) Increase number of subsidiaries or operations

During the reporting period, if a subsidiary or business is added as a result of a business combination under the same control, the operating results and cash flows of the subsidiary or business from the beginning of the period in which the subsidiary or business is combined to the end of the reporting period are included in the consolidated financial statements, while the opening balance of the consolidated financial statements and the relevant items in the comparative statements are adjusted as if the consolidated reporting entity had existed since the point when the ultimate controlling party began to control it.

If control over an investee under the same control can be exercised due to additional investment, equity investments held prior to the acquisition of control over the investee are

eliminated from the opening retained earnings or current profit or loss for the comparative statement period, respectively, for the relevant gains or losses, other comprehensive income and other changes in net assets recognized between the later of the date of acquisition of the original equity interest and the date when the consolidated party and the investee are under the same control and the date of consolidation.

During the reporting period, the addition of subsidiaries or operations as a result of a business combination not under common control is included in the consolidated financial statements from the date of acquisition based on the fair value of each identifiable asset, liability and contingent liability determined at the date of acquisition.

If, for example, additional investments enable the exercise of control over an investee not under common control, the equity interest in the investee held prior to the date of acquisition is remeasured at the fair value of that equity interest at the date of acquisition, and the difference between the fair value and its carrying amount is recognized as investment income for the current period. The difference between the fair value and its carrying amount is recognized as investment income for the period. The equity interest in the investee held prior to the date of acquisition is transferred to investment income for the period to which the equity interest is transferred under the equity method.

(2) Disposal of subsidiaries

① General treatment

When control over an investee is lost due to disposal of part of the equity investment or other reasons, the remaining equity investment after disposal is remeasured at its fair value at the date of loss of control. The difference between the sum of the consideration received for the disposal of the equity interest and the fair value of the remaining equity interest, less the sum of the share of the net assets of the original subsidiary calculated on a continuing basis from the date of acquisition or the date of consolidation in proportion to the original shareholding and goodwill, is recognized as investment income in the period in which control is lost. Other comprehensive income and other changes in owners' equity under the equity method of accounting related to the equity investment in the original subsidiary that can be reclassified to profit or loss in the future are transferred to investment income in the current period when control is lost.

② Step-by-step disposal of subsidiaries

Disposal of equity investments in subsidiaries through multiple transactions in steps until the loss of control, the terms and conditions of the disposal of equity investments in subsidiaries and the economic impact of each transaction is consistent with one or more of the following, usually indicating that the multiple transactions are a package deal:

i. The transactions are entered into simultaneously or after taking into account their mutual effects;

. These transactions as a whole to achieve a complete business result;

. The occurrence of one transaction depends on the occurrence of at least one other transaction;

. A transaction is not economical when viewed alone, but is economical when considered together with other transactions.

If each transaction is a package transaction, each transaction is accounted for as a disposal of a subsidiary and loss of control; the difference between the disposal price and the share of the net assets of the subsidiary corresponding to the disposal of the investment before the loss of control is recognized in the consolidated financial statements as other comprehensive income and is transferred to profit or loss in the period is lost when control is lost.

If each transaction is not a package transaction, the accounting treatment is based on partial disposal of the equity investment in the subsidiary without loss of control before the loss of control; upon the loss of control, the accounting treatment is based on the general treatment of disposal of subsidiaries.

(3) Purchase of minority interests in subsidiaries

The difference between the newly acquired long-term equity investment due to the purchase of minority interest and the share of net assets of the subsidiary calculated in proportion to the newly acquired shareholding on an ongoing basis from the date of acquisition or the date of consolidation is adjusted to the equity premium in capital surplus in the consolidated balance sheet; if the equity premium in capital surplus is not sufficient for elimination, it is adjusted to retained earnings.

(4) Partial disposal of equity investments in subsidiaries without loss of control

The difference between the disposal price and the share of net assets of the subsidiary calculated on a continuing basis from the date of acquisition or the date of consolidation corresponding to the disposal of the long-term equity investment is adjusted to the equity premium in capital surplus in the consolidated balance sheet, and if the equity premium in capital surplus is not sufficient to offset it, retained earnings are adjusted.

(7) 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.

(8) Translation of foreign currency

1. Foreign currency transaction

Foreign currency transactions are translated at the spot exchange rate issued by People's Bank of China ("PBOC") when the transaction incurs. Monetary assets and liabilities in foreign currencies are translated into RMB at the exchange rate prevailing at the balance sheet day. Exchange differences arising from the settlement of monetary items are charged as in profit or loss for the period. Exchange differences of specific borrowings related to the acquisition or construction of a fixed asset should be capitalized as occurred, before the relevant fixed asset being acquired or constructed is ready for its intended uses.

2. Translation of foreign currency financial statements

Assets and liabilities in the balance sheet are translated using the spot rate of exchange at the balance sheet date; items in owners' equity, except for "undistributed earnings", are translated using the spot rate of exchange at the time of occurrence. Income and expense items in the income statement are translated using the spot exchange rate at the date of the transaction.

Upon disposal of a foreign operation, the difference in translation of the foreign currency financial statements relating to the foreign operation is transferred from owners' equity to profit or loss in the period of disposal.

(9) Financial instrument

The Company recognizes a financial asset, a financial liability or an equity instrument when it becomes a party to a financial instrument contract.

1. Classification of financial instruments

Based on the Company's business model for managing financial assets and the contractual cash flow characteristics of financial assets, financial assets are classified at initial recognition as financial assets carried at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss.

The Company classifies financial assets at amortized cost that are not designated as financial assets at fair value through profit or loss if they both meet the following criteria:

- (a) The business model is to collect the contractual cash flows;
- The contractual cash flows are only payments of principal and interest based on the outstanding principal amount.

The Company classifies financial assets as financial assets at fair value through other comprehensive income (debt instruments) that are not designated as at fair value through profit or loss if they also meet the following criteria:

- Operating model with the objective of both collecting the contractual cash flows and selling the financial asset;
- The contractual cash flows are only payments on the principal and interest based on the outstanding principal amount.

For investments in non-trading equity instruments, the Company may irrevocably designate them at initial recognition as financial assets at fair value through other comprehensive income (equity instruments). This designation is made on an individual investment basis and the related investment meets the definition of an equity instrument from the perspective of the issuer.

Except for the above-mentioned financial assets measured at amortized cost and financial assets at fair value through other comprehensive income, the Company classifies all remaining financial assets as financial assets at fair value through profit or loss. On initial recognition, the Company may irrevocably designate financial assets that would otherwise be classified as financial assets at amortized cost or at fair value through other comprehensive income as financial assets at fair value through profit or loss if it can eliminate or significantly reduce the accounting mismatch.

Financial liabilities are classified at initial recognition as financial liabilities at fair value through profit or loss and financial liabilities at amortized cost.

A financial liability may be designated as a financial liability at fair value through profit or loss at initial measurement if one of the following conditions is met:

- (1) The designation eliminates or significantly reduces an accounting mismatch.
- 2) The management and performance evaluation of a portfolio of financial liabilities or a portfolio of financial assets and financial liabilities is performed on a fair value basis in accordance with the enterprise's risk management or investment strategy as set out in formal written documentation and reported to key management personnel on this basis within the enterprise.
- (3) The financial liability contains embedded derivatives that are subject to separate splitting.

2. Recognition basis and measurement method of financial instruments

(1) Financial assets measured at amortized cost

Financial assets measured at amortized cost, including notes receivable, accounts receivable, other receivables, long-term receivables and debt investments, are initially measured at fair value, with related transaction costs included in the initial recognition amount; accounts receivable that do not contain significant financing components and those that the Company has decided not to consider financing components that do not exceed one year are initially measured at contractual transaction prices.

Interest calculated using the effective interest rate method during the holding period is recognized in profit or loss.

On recovery or disposal, the difference between the acquisition price and the carrying amount of the financial asset is recognized in profit or loss for the current period.

(2) Financial assets at fair value through other comprehensive income (debt instruments)

Financial assets (debt instruments) at fair value through other comprehensive income include receivables financing and other debt investments, which are initially measured at fair value, with related transaction costs recognized in the initial recognition amount. The financial assets are subsequently measured at fair value, and changes in fair value are

recognized in other comprehensive income, except for interest, impairment loss or gain and exchange gain or loss calculated using the effective interest rate method.

Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is transferred from other comprehensive income and recognized in profit or loss for the current period.

(3) Financial assets at fair value through other comprehensive income (equity instruments)

Financial assets (equity instruments) at fair value through other comprehensive income, including investments in other equity instruments, are initially measured at fair value, with related transaction costs recognized in the initial recognition amount. The financial assets are subsequently measured at fair value, with changes in fair value recognized in other comprehensive income. Dividends received are recognized in current profit or loss.

Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is transferred from other comprehensive income and recognized in retained earnings.

(4) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, derivative financial assets and other non-current financial assets, which are initially measured at fair value, with related transaction costs recognized in profit or loss. The financial assets are subsequently measured at fair value, with changes in fair value recognized in profit or loss for the period.

(5) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and derivative financial liabilities, which are initially measured at fair value, with related transaction costs recognized in profit or loss. The financial liabilities are subsequently measured at fair value, with changes in fair value recognized in profit or loss for the period.

Upon derecognition, the difference between the carrying amount and the consideration paid is recognized in profit or loss for the current period.

(6) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings, bonds payable and long-term payables, which are initially measured at fair value, with related transaction costs included in the initial recognition amount.

Interest calculated using the effective interest rate method during the holding period is recognized in profit or loss.

Upon derecognition, the difference between the consideration paid and the carrying amount of the financial liability is recognized in profit or loss for the current period.

3. Basis of recognition and measurement of financial asset derecognition and financial asset transfers

The Company derecognizes a financial asset when one of the following conditions is met:

- The contractual rights to receive cash flows from the financial asset are terminated;
- The financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset have been transferred to the transferring party;
- A financial asset has been transferred and control over the financial asset is not retained, although the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

When the Company modifies or renegotiates a contract with a counterparty and the modification constitutes a material change, the original financial asset is derecognized and a new financial asset is recognized in accordance with the modified terms.

A financial asset is not derecognized if substantially all the risks and rewards of ownership of the financial asset are retained when a transfer of the financial asset occurs.

In determining whether a transfer of financial assets meets the above conditions for derecognition of financial assets, the principle of substance over form is applied.

The Company distinguishes between transfers of financial assets as a whole and partial transfers of financial assets. If the transfer of a financial asset as a whole meets the derecognition condition, the difference between the following two amounts is recognized in profit or loss for the current period:

- (1) The carrying amount of the financial asset transferred;

- (2) The sum of the consideration received for the transfer and the cumulative amount of changes in fair value previously recognized directly in owners' equity (in the case where the transferred financial asset is a financial asset (debt instrument) measured at fair value through other comprehensive income).

If a partial transfer of a financial asset satisfies the derecognition condition, the carrying amount of the financial asset transferred as a whole is apportioned between the derecognized portion and the unrecognized portion according to their respective relative fair values, and the difference between the following two amounts is recognized in profit or loss:

- (1) The carrying amount of the derecognized portion;

- (2) The sum of the consideration for the derecognized portion and the amount corresponding to the derecognized portion of the cumulative amount of changes in fair value previously recognized directly in owners' equity (in the case where the financial asset involved in the transfer is a financial asset (debt instrument) measured at fair value through other comprehensive income).

If the transfer of a financial asset does not meet the derecognition condition, the financial asset continues to be recognized and the consideration received is recognized as a financial liability.

4. Derecognition of financial liabilities

A financial liability or a portion thereof is derecognized when the present obligation of the financial liability is discharged in whole or in part. If the Company enters into an agreement with a creditor to replace an existing financial liability by assuming a new financial liability, and the contractual terms of the new financial liability are materially different from those of the existing financial liability, the existing financial liability is derecognized and a new financial liability is recognized at the same time.

If all or part of the contractual terms of an existing financial liability are substantially modified, the existing financial liability or part of it is derecognized, and the modified financial liability is recognized as a new financial liability at the same time.

When a financial liability is derecognized in whole or in part, the difference between the carrying amount of the derecognized financial liability and the consideration paid (including non-cash assets transferred or new financial liabilities assumed) is recognized in profit or loss for the period.

If the Company repurchases a portion of a financial liability, the carrying amount of the financial liability as a whole is allocated on the repurchase date based on the relative fair values of the portion that continues to be recognized and the portion that is derecognized. The difference between the carrying amount allocated to the derecognized portion and the consideration paid (including non-cash assets transferred or new financial liabilities assumed) is recognized in profit or loss for the period.

5. Methods to determine the fair value of financial assets and financial liabilities

The fair value of financial instruments for which there is an active market is determined by quoted prices in an active market. The fair value of financial instruments for which no active market exists is determined using valuation techniques. In valuation, the Company uses valuation techniques that are applicable in the current circumstances and supported by sufficient available data and other information, selects inputs that are consistent with the characteristics of the asset or liability considered by market participants in transactions for the relevant asset or liability, and gives preference to the use of relevant observable inputs. Unobservable inputs are used only if the relevant observable inputs are not available or not practicable to obtain.

6. Methods of testing and accounting for impairment of financial instrument

The Company estimates the expected credit losses on financial assets measured at amortized cost, financial assets at fair value through other comprehensive income (debt instruments) and financial guarantee contracts, etc.

The Company recognizes expected credit losses by calculating the probability-weighted amount of the present value of the difference between the cash flows receivable under the contract and the cash flows expected to be received, taking into account reasonable and substantiated information about past events, current conditions and forecasts of future economic conditions, weighted by the risk of default.

For receivables and contract assets resulting from transactions governed by ASBE No. 14, Revenue, the Company always measures its allowance for losses at an amount equal to the

expected credit losses over the entire duration, regardless of whether or not there is a significant financing component.

For lease receivables resulting from transactions regulated by ASBE No. 21, "Leases," the Company has elected to always measure its allowance for losses at an amount equal to the expected credit losses over the entire duration.

For other financial instruments, the Company assesses at each balance sheet date the change in credit risk of the related financial instruments since initial recognition.

The Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition by comparing the risk of default of the financial instrument at the balance sheet date with the risk of default at the date of initial recognition to determine the relative change in the risk of default over the expected life of the financial instrument. The Company generally considers that the credit risk of a financial instrument has increased significantly if it is more than 30 days past due, unless there is conclusive evidence that the credit risk of the financial instrument has not increased significantly since initial recognition.

If the credit risk of a financial instrument is low at the balance sheet date, the Company considers that the credit risk of the financial instrument has not increased significantly since initial recognition.

If the credit risk of a financial instrument has increased significantly since initial recognition, the Company measures the allowance for losses at an amount equal to the expected credit losses over the entire life of the financial instrument; if the credit risk of a financial instrument has not increased significantly since initial recognition, the Company measures the allowance for losses at an amount equal to the expected credit losses of the financial instrument in the next 12 months. The resulting increase or reversal amount of the loss allowance is recognized as an impairment loss or gain in profit or loss. For financial assets (debt instruments) that are measured at fair value through other comprehensive income, the allowance for losses is recognized in other comprehensive income and the impairment loss or gain is recognized in profit or loss for the current period and does not reduce the carrying amount of the financial asset as stated in the balance sheet.

If there is objective evidence that an accounts receivable is credit impaired, the Company provides for impairment of that accounts receivable on a stand-alone basis.

For receivables and contract assets resulting from transactions governed by ASBE No. 14 - Revenue (2017), the Company consistently measures its allowance for losses at an amount equal to the expected credit loss over the entire life of the asset, regardless of whether it contains a significant financing component.

For lease receivables, the Company has elected to always measure the allowance for losses at an amount equal to the expected credit loss over the entire life of the receivables.

In addition to certain financial assets that are assessed for past due credit losses on an individual basis, the Group also assesses expected credit losses on financial assets measured at amortized cost on the basis of an aging portfolio.

In addition to the above receivables that are individually provided for bad debts, the Company classifies the remaining financial instruments into portfolios based on credit risk characteristics and determines expected credit losses on a portfolio basis. The categories of portfolio and the basis for determining expected credit losses for notes receivable, accounts receivable, accounts receivable financing, and other receivables are described below:

Items	Portfolio Type	Basis of determination
Receivable 1	Ageing portfolio	Expected credit losses are calculated by referring to historical credit loss experience and preparing a table of accounts receivable aging against the expected credit loss rate over the entire life of the accounts receivable, taking into account current conditions and forecasts of future economic conditions.
Receivable 2	Related party portfolio	Provision for bad debts is not made in principle, unless there is clear evidence of a genuine impossibility of recovery in whole or in part
Note receivable 1	Bank acceptance	
Note receivable 2	Trade acceptance	
Note receivable 3	Finance company acceptance	
Financing receivable	Bank acceptance	
Other receivable 1	Related party portfolio	Provision for bad debts is not made in principle, unless there is clear evidence of a genuine impossibility of recovery in whole or in part
Other receivable 2	Aging portfolio	Expected credit losses are calculated by reference to historical credit loss experience, taking into account current conditions as well as forecasts of future economic conditions through default exposures and expected credit loss rates over the entire duration.
Other receivable 3	Risk free portfolio (according to counterparty's credit, nature of the payment and transactions secure facility)	

If the Company no longer has a reasonable expectation that the contractual cash flows from a financial asset will be fully or partially recovered, the carrying amount of the financial asset is written down directly.

(10) Inventory

1. Category and cost of inventory

Inventories are classified as: raw materials, packaging, low-value consumables, work in process, and finished goods.

Inventory is initially measured at cost, and the cost of inventory includes the cost of purchase, processing costs and other expenses incurred in bringing the inventory to its current location and condition.

2.Valuation method of issued inventory

Inventories are valued on a real-time moving weighted-average basis when they are issued.

3. inventory system

Adoption of perpetual inventory system

4.Amortization method of low-value consumables and packaging

(1) Low-value consumables are amortized using the one-time reversal method;

(2) The one-time reversal method is used for packaging.

5. Recognition criteria and accrual method for provision for decline in value of inventories

At the balance sheet date, inventories should be measured at the lower of cost or net realizable value. When the cost of inventories is higher than their net realizable value, a provision for the impairment of inventory should be made. Net realizable value is the estimated selling price of inventories in the ordinary course of activities, less the estimated costs to be incurred to completion, estimated selling expenses and related taxes.

The net realizable value of finished goods, inventory and materials for sale, which are directly used for sale, is determined in the normal course of production and operation as the estimated selling price of the inventory, less estimated selling expenses and related taxes; the net realizable value of materials subject to processing is determined in the normal course of production and operation as the estimated selling price of the finished goods produced, less estimated costs to be incurred to completion, estimated selling expenses and related taxes, The net realizable value of inventories held for the execution of sales contracts or labor contracts is calculated on the basis of the contract price, and if the quantity of inventories held exceeds the quantity ordered in the sales contract, the net realizable value of the excess inventories is calculated on the basis of the general sales price.

After the provision for the impairment of inventory, if the factors affecting the previous write-down of inventory value have disappeared, resulting in the net realizable value of inventory higher than its book value, the amount of the provision for the impairment of inventory is reversed within the original provision, and the reversed amount is included in the current profit and loss.

(11) Contract assets

1. Methods and criteria for recognition of contract assets

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between the performance obligations and payments from customers. The right to receive consideration for goods transferred or services provided by the Company to the customer (and which is dependent on factors other than the passage of time) is presented as a contract asset. Contract assets and contract liabilities under the same contract are shown on a net basis. The Company's unconditional (depending only on the passage of time) right to receive consideration from customers is shown separately as receivables.

2. Method of determining expected credit losses on contract assets and accounting treatment

The methods of determining expected credit losses on contract assets and the accounting treatment are described in detail in Note "(ix) 6. Methods of testing and accounting treatment for impairment of Financial instrument" in this Note.

(12) Long-term equity investments

1. Criteria for determining joint control and significant influence

Joint control refers to the control shared by an arrangement in accordance with the relevant agreement, and the relevant activities of the arrangement can only be decided with the unanimous consent of the participants sharing the control. If the Company exercises joint control over an investee together with other joint venture parties and has rights to the investee's net assets, the investee is a joint venture of the Company.

Significant influence means having the power to participate in the financial and operating decisions of the investee, but not being able to control or exercise joint control with other parties over the formulation of those policies. Where the Company is able to exercise significant influence over an investee, the investee is an associate of the Company.

2. Determination of initial investment

(1) Long-term equity investments resulting from business combinations

For long-term equity investments in subsidiaries formed by business combinations under common control, the initial investment of long-term equity investments is determined at the date of consolidation based on the acquisition of the share of the ownership interest of the consolidated party in the book value of the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost of the long-term equity investment and the carrying value of the consideration paid is adjusted against the equity premium in capital surplus; if the equity premium in capital surplus is not sufficient for elimination, retained earnings are adjusted. If the Company is able to exercise control over an investee under the same control due to additional investment, the difference between the initial investment cost of the long-term equity investment recognized in accordance with the above principle and the sum of the book value of the long-term equity investment before reaching the consolidation plus the book value of the consideration paid for further acquisition of shares at the date of consolidation is adjusted against equity premium, and if the equity premium is not sufficient for elimination, it is reduced against retained earnings.

For long-term equity investments in subsidiaries formed through business combinations not under common control, the initial investment cost of the long-term equity investment is based on the cost of the combination determined at the date of acquisition. If it is possible to exercise control over the investee under non-same control due to additional investment, the sum of the book value of the equity investment originally held plus the cost of the additional investment is used as the initial investment cost.

(2) Long-term equity investments acquired through other means instead of business combination

Long-term equity investments acquired by cash payment are recorded at initial investment cost based on the actual purchase price paid.

Long-term equity investments acquired by issuing equity securities are recorded at the initial investment cost based on the fair value of the equity securities issued.

3. Subsequent measurement and profit or loss recognition methods

(1) Long-term equity investments accounted for under the cost method

The Company accounts for its long-term equity investments in subsidiaries using the cost method unless the investments meet the conditions of being held for sale. Except for the declared but unpaid cash dividends or profits included in the actual price or consideration paid for the investment, the Company recognizes investment income for the current period based on the Company's entitlement to the declared cash dividends or profits of the investee.

(2) Long-term equity investments accounted for under the equity method

Long-term equity investments in associates and joint ventures are accounted for using the equity method. The difference between the initial investment cost and the share of the fair value of the identifiable net assets of the investee at the time of investment is not adjusted to the initial investment cost of the long-term equity investment; the difference between the initial investment cost and the share of the fair value of the identifiable net assets of the investee at the time of investment is recognized in profit or loss for the current period and the cost of the long-term equity investment is also adjusted.

The Company recognizes investment income and other comprehensive income according to the share of net profit or loss and other comprehensive income realized by the investee, respectively, and adjusts the carrying value of the long-term equity investment at the same time; the portion to which the Company is entitled according to the profit or cash dividends declared by the investee is calculated, and the carrying value of the long-term equity investment is reduced accordingly; for the investee's ownership interest other than net profit or loss, other comprehensive income and profit distribution For changes in the equity of the investee other than net profit or loss, other comprehensive income and profit distribution ("changes in other owners' equity"), the carrying amount of the long-term equity investment is adjusted and recognized in owners' equity.

In recognizing the share of the investee's net profit or loss, other comprehensive income and other changes in owners' equity, the fair value of the investee's identifiable net assets at the time of acquisition is used as the basis for recognition, and the net profit and other comprehensive income of the investee are adjusted in accordance with the Company's accounting policies and accounting periods.

Unrealized gains or losses on internal transactions between the company and associate and joint ventures that are attributable to the Company on the basis of their proportionate share are offset and investment income is recognized on this basis, except when the assets invested or sold constitute a business. Unrealized losses on internal transactions with investees are recognized in full if there are impairment losses on assets.

The net loss incurred by the company in a joint venture or an associate, except for the obligation to assume additional losses, is limited to a write-down to zero of the carrying amount of the long-term equity investment and other long-term interests that substantially constitute the net investment in the joint venture or associate. If the joint venture or associate subsequently realizes net profit, the Company resumes recognition of revenue sharing after the revenue sharing amount makes up for the unrecognized loss sharing amount.

(3) Disposal of long-term equity investments

The difference between the carrying amount and the actual acquisition price of a long-term equity investment is recognized in profit or loss for the current period.

If a long-term equity investment accounted for under the equity method is partially disposed of and the remaining equity interest is still accounted for under the equity method, the other comprehensive income recognized under the former equity method is carried forward in proportion to the corresponding percentage using the same basis as the direct disposal of the related assets or liabilities by the investee, and other changes in owners' equity are carried forward in proportion to the current profit or loss.

If the common control or significant influence over the investee is lost due to the disposal of equity investments, etc., other comprehensive income recognized as a result of the adoption of the equity method of accounting for the original equity investment is accounted for on the same basis as the direct disposal of the related assets or liabilities of the investee upon the termination of the adoption of the equity method of accounting, and all changes in other owners' equity are transferred to current profit or loss upon the termination of the adoption of the equity method of accounting.

If control over the investee is lost due to disposal of part of the equity investment, the remaining equity interest that can exercise joint control or significant influence over the investee is accounted for under the equity method in the preparation of individual financial statements, and the remaining equity interest is adjusted as if it had been accounted for under the equity method from the time of acquisition, and other comprehensive income recognized prior to the acquisition of control over the investee is accounted for on the same basis as if the investee had directly disposed of the related assets or liabilities. If the remaining equity interest cannot exercise joint control or significant influence over the investee, it is recognized as a financial asset, and the difference between its fair value and its carrying amount at the date of loss of control is recognized in profit or loss for the current period, and for other comprehensive income and other owner's equity recognized

prior to the acquisition of control of the investee, the remaining equity interest is recognized in profit or loss for the current period. All other comprehensive income and other changes in owners' equity recognized prior to the acquisition of control of the investee are carried forward.

If the disposal of an equity investment in a subsidiary through multiple transactions until the loss of control is a package transaction, each transaction is accounted for as a disposal of an equity investment in a subsidiary and the loss of control; the difference between the disposal price and the carrying value of the long-term equity investment corresponding to the equity interest disposed of before the loss of control is recognized as other comprehensive income in the individual financial statements, and then recognized as other comprehensive income when control is lost. The difference between the disposal price and the carrying amount of the long-term equity investment before the loss of control is recognized as other comprehensive income in the individual financial statements, and then transferred to profit or loss in the period in which control is lost. If it is not a package transaction, each transaction is accounted for separately.

(13) Investment properties

Investment properties are real estate held to earn rentals or for capital appreciation, or both, and include land use rights that have been leased out, land use rights that are held and intended to be transferred after appreciation, and buildings that have been leased out (including buildings that are used for leasing after completion of self-construction or development activities and buildings that are under construction or development that will be used for leasing in the future).

Subsequent expenditures related to investment properties are included in the cost of investment properties when the inflow of related economic benefits is probable and their costs can be measured reliably; otherwise, they are recognized in current profit or loss when incurred.

The Company uses the cost model to measure existing investment properties. The same depreciation policy as that for the Company's fixed assets is applied to investment properties - buildings for lease that are measured under the cost model, and land use rights for lease are subject to the same amortization policy as that for intangible assets.

(14) Fixed assets

1. Recognition and initial measurement of fixed assets

Fixed assets are tangible assets held for the production of goods, provision of services, rental or management, and with a useful life of more than one fiscal year and a unit value of more than CNY2,000. A fixed asset is recognized when both of the following conditions are met:

- (1) It is probable that the economic benefits associated with the fixed asset will flow to the enterprise;
- (2) The cost of the fixed asset can be measured reliably.

Fixed assets are initially measured at cost (taking into account the effect of expected disposal costs).

Subsequent expenditures related to fixed assets are included in the cost of fixed assets when it is probable that the economic benefits associated with them will flow to the enterprise and their cost can be measured reliably; for the replaced part, the carrying amount is derecognized; all other subsequent expenditures are charged to current profit or loss when incurred.

2. Depreciation Method

Depreciation of fixed assets is provided using the average annual method, and the depreciation rate is determined based on the category of fixed assets, estimated useful life and estimated net residual value rate. For fixed assets with provision for impairment, the depreciation amount is determined in future periods based on the carrying amount after deducting the provision for impairment and based on the remaining useful life. If each component of fixed assets has different useful lives or provides economic benefits to the enterprise in different ways, different depreciation rates or depreciation methods are selected and depreciated separately.

The depreciation methods, useful lives, residual value rate and annual depreciation rates of various types of fixed assets are as follows:

Category	Useful life (years)	Estimated net residual value rate (%)	Annual depreciation rate (%)
Housing and Buildings			
Including: Houses, factories, cubicles, pipelines, roads	30	3	3.23

Waste storage	20	3	4.85
Machinery equipment	10	3	9.7
Transportation equipment	5	3	19.4
Electronic equipment			
Including: Computer	5	3	19.4
Instrumentation	10	3	9.7
Others equipment			
Including: Transmission equipment	10	3	9.7
Specialized equipment	10	3	9.7
Office equipment	5	3	19.4
Other Fixed assets	5	3	19.4

3. Disposal of fixed assets

Fixed assets are derecognized when they are disposed of, or when no economic benefits are expected to arise from their use or disposal. The disposal proceeds from the sale, transfer, scrapping or destruction of fixed assets, net of their book value and related taxes and fees, are recognized in profit or loss for the current period.

(15) Construction in progress

Construction in progress is measured at the actual cost incurred. Actual costs include construction costs, installation costs, borrowing costs eligible for capitalization and other necessary expenditures incurred to bring the construction in progress to its intended useable condition. Construction in progress is transferred to fixed assets and depreciated from the following month when it reaches its intended useable state.

(16) Intangible assets

1. Valuation method of intangible assets

(1) The company initially measures intangible assets at cost when they are acquired;

The cost of an externally acquired intangible asset includes the purchase price, related taxes and other expenses directly attributable to bringing the asset to its intended use.

(2) Subsequent measurement

The useful life of an intangible asset is analyzed and determined at the time of acquisition.

For intangible assets with finite useful lives, they are amortized over the period in which they bring economic benefits to the enterprise; if the period in which the intangible assets bring economic benefits to the enterprise cannot be foreseen, they are considered to be intangible assets with indefinite useful lives and are not amortized.

2. Estimation of useful lives of intangible assets with finite useful lives

For intangible assets with finite useful lives, they are amortized over the period that they will bring economic benefits to the enterprise; if it is not possible to foresee the period that the intangible assets will bring economic benefits to the enterprise, they are regarded as intangible assets with indefinite useful lives and are not amortized.

Land use rights are amortized equally over their useful lives from the date of grant; ERP software and other intangible assets are amortized equally over the shortest of their estimated useful lives, contractual beneficial lives and effective lives as prescribed by law. The amortization amount is charged to the cost of the related assets and to current profit or loss according to the target beneficiary. The estimated useful lives and amortization methods for intangible assets with finite useful lives are reviewed at the end of each year, and any changes are treated as changes in accounting estimates.

3. Scope of Research and Development Expenditures

The Company's expenses incurred in the process of conducting research and development include related staff salaries, materials consumed, related depreciation and amortization expenses and other related expenses of the personnel engaged in research and development activities, and are summarized as follows:

The relevant employee compensation of the personnel engaged in R&D activities mainly refers to the relevant employee compensation of the personnel directly engaged in R&D activities, the management personnel closely related to R&D activities and the direct service personnel.

Depreciation expense refers to the expense of depreciation of instruments, equipment and buildings in use for research and development activities. Long-term deferred expenses refer to long-term deferred expenses incurred in the course of alteration, modification, renovation and repair of research and development facilities.

Direct input expense refers to the related expenditure actually incurred by enterprises for the implementation of research and development activities. Including direct consumption of materials, fuel and power costs; Expenses for the operation, maintenance, adjustment,

inspection, inspection and repair of instruments and equipment used in research and development activities, as well as lease fees for fixed assets rented through business leasing for research and development activities.

4. Specific criteria for classifying research and development phases

Expenditures on in-house research and development projects are categorized into research stage expenditures and development stage expenditures.

Research stage: the stage of original and planned investigation and research activities for the purpose of acquiring and understanding new scientific or technological knowledge.

Development phase: the stage of applying research results or other knowledge to a plan or design to produce new or substantially improved materials, devices, products and other activities before commercial production or use.

5. The specific conditions for capitalization of development stage expenditures

Expenditures in the research stage are recognized in profit or loss when they are incurred. Expenditures in the development phase are recognized as intangible assets if the following conditions are met. Expenditures in the development phase that do not meet the following conditions are recognized in the current period's profit or loss:

- (1) It is technically feasible to complete the intangible asset so that it can be used or sold;
- (2) There is an intention to complete the intangible asset for use or sale;
- (3) The manner in which the intangible asset will generate economic benefits, including the ability to demonstrate the existence of a market for the products produced by applying the intangible asset or the existence of a market for the intangible asset itself, and the usefulness of the intangible asset if it will be used internally;
- (4) The availability of sufficient technical, financial and other resources to support the completion of the development of the intangible asset and the ability to use or sell the intangible asset;
- (5) Expenditures attributable to the development phase of the intangible asset can be measured reliably.

If it is not possible to distinguish between research-phase expenditures and development-phase expenditures, all research and development expenditures incurred are recognized in the current period's profit or loss.

(17) Impairment of long term assets

Long-term equity investments, investment properties measured using the cost model, fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful lives, oil and gas assets and other long-term assets are tested for impairment if there is an indication of impairment at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment is made for the difference and an impairment loss is recorded. The recoverable amount is the higher of the asset's fair value less costs of disposal and the present value of estimated future cash flows of the asset. The provision for asset impairment is calculated and recognized on an individual asset basis. If it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group is determined using the asset group to which the asset belongs. An asset group is the smallest combination of assets that can generate cash inflows independently.

For goodwill resulting from business combinations, intangible assets with indefinite useful lives, and intangible assets that have not yet reached a serviceable status, impairment tests are performed once a year at the end of each year, regardless of whether there is an indication of impairment.

The Company conducts goodwill impairment tests and apportions the carrying value of goodwill formed as a result of a business combination to the relevant asset group from the date of purchase in accordance with a reasonable method; if it is difficult to apportion to the relevant asset group, it is apportioned to the relevant asset group combination. A relevant asset group or a combination of asset groups is an asset group or a combination of asset groups that can benefit from the synergistic effect of a business combination.

When impairment test of the relevant asset group or combination of asset groups that contain goodwill, if there is an indication of impairment of the asset group or combination of asset groups related to goodwill, the asset group or combination of asset groups that do not contain goodwill is first tested for impairment, the recoverable amount is calculated and compared with the relevant carrying amount, and a corresponding impairment loss is recognized. If the recoverable amount is less than the carrying amount, the impairment loss is first reduced by the carrying amount of goodwill apportioned to the asset group or group of assets, and then reduced by the carrying amount of each asset group or group of assets

other than goodwill in proportion to its proportionate share of the carrying amount of the other assets. The carrying value of each asset is then reduced by the carrying value of each asset other than goodwill.

Once the above impairment loss is recognized, it will not be reversed in subsequent accounting periods.

(18) Long-term amortization

Long-term amortization is an expense that has been incurred but should be borne by the current and future periods and is apportioned over a period of more than one year. These costs are amortized evenly over the period of benefit. If an item of long-term amortization does not benefit subsequent accounting periods, the unamortized amortized value of the item is transferred to current profit or loss.

(19) Contract liability

An entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer. Contract asset and contract liability originate from same contact shall be listed at net amount.

(20) Employee compensation

1. Accounting for short-term compensation

The Company recognizes actual short-term compensation incurred by employees as a liability in the accounting period in which the employees provide services to the Company, and recognizes it in the current profit or loss or the cost of related assets.

The social insurance premiums and housing fund paid by the Company for its employees, as well as the labor union funds and employee education funds withdrawn in accordance with regulations, are used to determine the corresponding amount of employee compensation in accordance with the prescribed accrual basis and accrual ratio during the accounting period in which the employees provide services to the Company.

Employee benefit expenses incurred by the Company are charged to current profit or loss or the cost of related assets based on the actual amount incurred when incurred, of which non-monetary benefits are measured at fair value.

2. Accounting for post-employment benefits

(1) Defined contribution plan

The Company contributes to basic pension and unemployment insurance for employees in accordance with the relevant local government regulations. During the accounting period in which the employees provide services to the Company, the amount payable is calculated based on the contribution base and ratio set by the local regulations, recognized as a liability, and charged to current profit or loss or cost of related assets. In addition, the Company participates in an enterprise annuity plan/supplemental pension fund approved by the relevant state authorities. The Company contributes a certain percentage of the employees' total salaries to the annuity plans/local social insurance agencies, and the corresponding expenses are recognized in the current profit or loss or cost of related assets.

(2) Defined benefit plans

The Company attributes the benefit obligations arising from the defined benefit plans to the period in which the employees render services in accordance with the formula determined by the expected accumulated benefit unit method, and recognizes them in current profit or loss or cost of related assets.

The deficit or surplus resulting from the present value of the defined benefit plan obligation less the fair value of the defined benefit plan assets is recognized as a net defined benefit plan liability or net asset. If a defined benefit plan has a surplus, the Company measures the net defined benefit plan asset at the lower of the surplus or asset limit of the defined benefit plan.

All defined benefit plan obligations, including those expected to be paid within twelve months after the end of the annual reporting period in which employees render services, are discounted based on market yields on treasury bonds or high-quality corporate bonds in active markets that match the maturity and currency of the defined benefit plan obligations as of the balance sheet date.

The service cost incurred by the defined benefit plan and the net interest on the net liabilities or net assets of the defined benefit plan are recognized in profit or loss or the cost of the related assets; changes resulting from the remeasurement of the net liabilities or net assets of the defined benefit plan are recognized in other comprehensive income and are not reversed to profit or loss in subsequent accounting periods, and the entire portion previously recognized in other comprehensive income is carried forward to unrecognized earnings to the extent of equity upon termination of the original defined benefit plan. The portion of other comprehensive income within equity is transferred to unappropriated earnings upon termination of the defined benefit plan.

Upon settlement of a defined benefit plan, a gain or loss on settlement is recognized as the difference between the present value of the defined benefit plan obligation and the settlement price determined at the settlement date.

3.Accounting for termination benefits

If the Company provides termination benefits to employees, it recognizes employee compensation liabilities arising from termination benefits and recognizes them in profit or loss at the earlier of: when the Company cannot unilaterally withdraw termination benefits provided as a result of a termination plan or a proposed reduction in force; and when the Company recognizes costs or expenses related to a restructuring involving the payment of termination benefits.

(21) Accrued liabilities

The Company recognizes an obligation related to a contingent event as an accrued liabilities when the following conditions are simultaneously met:

- (1) The obligation is a present obligation assumed by the Company;
- (2) It is probable that the performance of the obligation will result in an outflow of economic benefits to the Company;
- (3) The amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation.

In determining the best estimate, the risks associated with the contingency, uncertainty and the time value of money are considered. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

Where a continuous range of expenditures required exists and it is equally probable that various outcomes will occur within that range, the best estimate is determined at the mid-point of the range; in other cases, the best estimate is treated separately as follows:

- Where the contingency relates to a single item, the best estimate is determined in accordance with the most probable occurrence amount.
- If the contingency involves multiple items, it is determined on the basis of various possible outcomes and related probabilities.

If all or part of the expenditure required to settle the estimated liability is expected to be reimbursed by a third party, the amount of reimbursement is recognized separately as an asset when it is substantially certain that it will be received, and the amount of reimbursement recognized does not exceed the carrying amount of the estimated liability.

The Company reviews the carrying amount of the estimated liability at the balance sheet date, and if there is conclusive evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted in accordance with the current best estimate.

(22) Revenue

1. Accounting policies used for revenue recognition and measurement

The Company recognizes revenue when it has fulfilled its performance obligations under a contract, i.e., when the customer obtains control of the relevant goods or services. The acquisition of control of the relevant goods or services is defined as the ability to dominate the use of the goods or services and derive substantially all of the economic benefits therefrom.

If a contract contains two or more performance obligations, the Company apportions the transaction price to each individual performance obligation on the contract commencement date in proportion to the relative share of the individual selling price of the goods or services promised by each individual performance obligation. The Company measures revenue based on the transaction price apportioned to each individual performance obligation.

The transaction price is the amount of consideration to which the Company expects to be entitled as a result of the transfer of goods or services to the customer, excluding amounts collected on behalf of third parties and amounts expected to be refunded to the customer. The Company determines the transaction price in accordance with the terms of the contract, taking into account its past customary practices, and considers the impact of variable consideration, the existence of significant financing components in the contract, non-cash consideration, and consideration payable to the customer in determining the transaction price. The Company determines the transaction price that includes variable consideration by an amount that does not exceed the amount for which it is highly probable that there will be no material reversal of the cumulative recognized revenue at the time the relevant uncertainty is removed. If there is a significant financing component in the contract, the Company determines the transaction price based on the amount payable in

cash assuming that the customer will pay for the goods or services as soon as control is obtained, and amortizes the difference between this transaction price and the contract consideration using the effective interest rate method over the term of the contract. Performance obligations are fulfilled within a certain period of time if one of the following conditions is met, otherwise, performance obligations are fulfilled at a certain point in time:

- The customer obtains and consumes the economic benefits resulting from the Company's performance at the same time as the Company's performance.
- The customer is able to control the goods under construction in the course of the Company's performance.
- The goods produced in the course of the Company's performance have irreplaceable use and the Company is entitled to receive payment for the portion of the performance that has been completed to date in the aggregate throughout the term of the contract.

For performance obligations performed within a certain period of time, the Company recognizes revenue in accordance with the progress of performance during that period, except when the progress of performance cannot be reasonably determined. The Company uses the output method or input method to determine the progress of performance, taking into account the nature of the goods or services. When the progress of performance cannot be reasonably determined, the Company recognizes revenue in the amount of costs already incurred until the progress of performance can be reasonably determined, if the costs already incurred are expected to be reimbursed.

For performance obligations performed at a point in time, the Company recognizes revenue at the point in time when the customer obtains control of the related goods or services. In determining whether the customer has acquired control of the goods or services, the Company considers the following indications:

- The Company has a present right to receive payment for the goods or services, i.e., the customer has a present obligation to pay for the goods or services.
- The Company has transferred legal title to the goods to the customer, i.e., the customer has legal title to the goods.
- The Company has transferred physical possession of the goods to the customer, i.e. the customer has taken physical possession of the goods.

- The Company has transferred the principal risks and rewards of ownership of the goods to the customer, i.e., the customer has acquired the principal risks and rewards of ownership of the goods.

- The customer has accepted the goods or services, etc.

The Company determines whether its status is that of a principally liable person or an agent at the time of engaging in a transaction based on whether it has control over the goods or services prior to transferring them to the customer. If the Company is able to control the goods or services prior to transferring them to the customer, the Company is the principal and recognizes revenue based on the total consideration received or receivable; otherwise, the Company is the agent and recognizes revenue based on the amount of commissions or fees it expects to be entitled to receive.

2. Disclosure of specific revenue recognition and measurement methods by business type

Revenue from the sale of goods: The Group recognizes revenue from the sale of goods when the major risks and rewards of ownership of the goods have been transferred to the purchaser, the Group has neither retained the right of continued management normally associated with ownership nor exercised effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the related economic benefits will flow to the enterprise, and the related costs incurred or to be incurred can be measured reliably. Revenue from the sale of goods is realized.

Revenue from the transfer of assets: Revenue from the transfer of the right to use assets is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably.

(23) Contract Costs

Contract costs include contract performance costs and contract acquisition costs.

Costs incurred by the Company to perform a contract that are not regulated by the relevant standards, such as inventories, fixed assets or intangible assets, are recognized as contract performance costs as an asset when the following conditions are met:

- The cost is directly related to a contract that is currently or expected to be acquired.
- The cost increases the Company's resources available to meet future performance obligations.

- The cost is expected to be recovered.

Incremental costs incurred by the Company to acquire a contract that are expected to be recovered are recognized as a contract acquisition cost as an asset.

Assets related to contract costs are amortized using the same basis as revenue recognition for the goods or services to which the asset relates; however, for contract acquisition costs that are amortized over a period of less than one year, the Company recognizes them in profit or loss as incurred. If the carrying value of an asset related to the contract cost is higher than the difference between the following two items, the Company provides for impairment of the excess and recognizes an impairment loss on the asset:

1. the remaining consideration expected to be received for the transfer of the goods or services related to the asset
2. the estimated costs to be incurred for the transfer of such related goods or services.

If there is a subsequent change in the factors impaired in prior periods that causes the aforementioned difference to be higher than the carrying amount of the asset, the Company reverses the original provision for impairment and recognizes it in profit or loss, provided that the carrying amount of the asset after the reversal does not exceed the carrying amount of the asset at the date of reversal assuming no provision for impairment was made.

(24) Government grants

1. Types

Government grants, which are monetary or non-monetary assets acquired by the Company from the government without compensation, are classified as asset-related government grants and revenue-related government grants.

Government grants related to assets are obtained by the Company for the acquisition and construction or otherwise forming long-term assets. Revenue-related government grants refer to government grants other than asset-related government grants.

The specific criteria for the Company to classify government grants as asset-related are: government grants obtained by the Group and used for the acquisition and construction or otherwise forming long-term assets

The Company's specific criteria for classifying government grants as revenue-related are:
government grants other than those related to assets

For those government grants for which the government documents do not specify the objects of the grants, the Company classifies the government grants as asset-related or revenue-related based on the following judgment: the Group makes judgment in accordance with the above-mentioned principles of differentiation, and if it is difficult to differentiate, the whole is classified as revenue-related government grants.

2. Recognition point

Government grants are recognized when the Company is able to meet the conditions attached to them and when they can be received.

3. Accounting treatment

Government grants related to assets are reduced to the carrying amount of the relevant assets or recognized as deferred income. If recognized as deferred income, it is recognized in profit or loss in accordance with a reasonable and systematic method in installments over the useful life of the relevant assets (if it is related to the Company's daily activities, it is recognized in other income; if it is not related to the Company's daily activities, it is recognized in non-operating income);

Government grants related to revenue, which are used to compensate the Company for relevant costs and expenses or losses in subsequent periods, are recognized as deferred revenue and charged to current profit or loss (to other income if they are related to the Company's ordinary activities; to non-operating income if they are not related to the Company's ordinary activities) or offset against relevant costs and expenses or losses in the period in which the relevant costs and expenses or losses are recognized; to compensate the Company for If it is used to compensate the Company for the related costs or losses incurred, it is directly recognized in profit or loss (other income if it is related to the Company's daily activities; non-operating income if it is not related to the Company's daily activities) or reduced by the related costs or losses.

(25) Deferred income tax assets and deferred income tax liabilities

Income taxes consist of current income taxes and deferred income taxes. The Company recognizes current income tax and deferred income tax in profit or loss, except for income tax arising from business combinations and transactions or events directly recognized in owners' equity (including other comprehensive income).

Deferred income tax assets and deferred income tax liabilities are recognized based on the difference between the tax basis of assets and liabilities and their carrying amounts (temporary differences).

Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable income will be available in future periods against which the deductible temporary differences can be utilized. For deductible losses and tax credits that can be carried forward to future years, deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible losses and tax credits can be utilized.

Deferred income tax liabilities are recognized for taxable temporary differences, except under special circumstances.

The special circumstances under which deferred tax assets or deferred tax liabilities are not recognized include

- Initial recognition of goodwill;
- Transactions or events that are neither business combinations nor, at the time of their occurrence, affect accounting profit and taxable income (or deductible losses), and for which the initial recognition of assets and liabilities does not result in taxable temporary differences and deductible temporary differences of an equivalent amount.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, unless the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognized for deductible temporary differences associated with investments in subsidiaries, associates and joint ventures when it is probable that the temporary differences will reverse in the foreseeable future and it is probable that future taxable income will be available against which the deductible temporary differences can be utilized.

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates applicable to the periods when the related assets are expected to be recovered or the related liabilities settled, in accordance with the tax laws.

At the balance sheet date, the Company reviews the carrying amount of deferred tax assets. The carrying amount of deferred tax assets is written down if it is more likely than not that sufficient taxable income will not be available in future periods to offset the benefit of the deferred tax assets. To the extent that it is probable that sufficient taxable income will be available, the written down amount is reversed.

When there is a legal right to settle on a net basis and the intention is to settle on a net basis or to acquire assets and settle liabilities simultaneously, current income tax assets and current income tax liabilities are stated at the net amount after offsetting.

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are presented on a net basis after offsetting when both of the following conditions are met:

- The taxable entity has the legal right to settle current income tax assets and current income tax liabilities on a net basis;
- Deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same tax authority on the same taxable entity or to different taxable entities, but in each future period in which it is significant that the deferred income tax assets and liabilities reverse, the taxable entities involved intend to settle the current income tax assets and liabilities on a net basis or to acquire the assets and The reversal of deferred income tax assets and liabilities is a significant transaction.

(26) Lease

A lease is a contract in which the lessor cedes the right to use an asset to the lessee for a certain period of time for consideration. At the inception date of the contract, the Company assesses whether the contract is a lease or contains a lease. A contract is a lease or contains a lease if one party to the contract cedes the right to control the use of one or more identified assets for a certain period of time in exchange for consideration.

If a contract contains several separate leases, the Company splits the contract and accounts for each separate lease separately. If a contract contains both lease and non-lease components, the lessee and the lessor split the lease and non-lease components.

1. The Company as lessee

(1) Right-of-use assets

At the commencement date of the lease term, the Company recognizes right-of-use assets for leases other than short-term leases and leases of low-value assets. Right-of-use assets are initially measured at cost. This cost includes:

- the initial measurement amount of the lease liability;
- the amount of lease payments made on or before the commencement date of the lease term, net of amounts related to lease incentives taken if lease incentives exist;
- the initial direct costs incurred by the Company;
- costs that the Company expects to incur to disassemble and remove the leased asset, restore the site where the leased asset is located, or restore the leased asset to the condition agreed upon under the terms of the lease, excluding costs that are part of the costs incurred to produce the inventory.

The Company subsequently depreciates right-of-use assets using the straight-line method. If it is reasonably certain that ownership of the leased asset will be obtained at the end of the lease term, the Company depreciates the leased asset over its remaining useful life; otherwise, the leased asset is depreciated over the shorter of the lease term or the remaining useful life of the leased asset.

The Company determines whether a right-of-use asset is impaired and accounts for the identified impairment loss in accordance with the principles described in Note 3(17), "Impairment of Long-lived Assets".

(2) Lease liabilities

The Company recognizes a lease liability for leases other than short-term leases and leases of low-value assets at the commencement date of the lease term. Lease liabilities are initially measured at the present value of the outstanding lease payments. Lease payments consist of

- fixed payments (including material fixed payments), net of amounts related to lease incentives, if lease incentives exist;
- variable lease payments that are dependent on an index or rate;

- payments expected to be payable based on the residual value of the guarantee provided by the company;
- the exercise price of the purchase option, provided that the company reasonably determines that it will exercise the option;
- the amount to be paid upon exercise of the option to terminate the lease, provided that the lease term reflects that the Company will exercise the option to terminate the lease.

The Company uses the interest rate embedded in the lease as the discount rate, but if the interest rate embedded in the lease cannot be reasonably determined, the Company's incremental borrowing rate is used as the discount rate.

The Company calculates the interest expense on the lease liability for each period of the lease term based on a fixed periodic interest rate, which is included in the current profit or loss or the cost of the related asset.

Variable lease payments that are not included in the measurement of the lease liability are charged to current profit or loss or the cost of the related assets when they are actually incurred.

After the commencement date of the lease term, the Company remeasures the lease liability and adjusts the corresponding right-of-use asset if the carrying value of the right-of-use asset has been reduced to zero, but the lease liability still needs to be further reduced, the difference is recognized in profit or loss for the current period:

- When there is a change in the valuation of the purchase option, lease renewal option or termination option, or when the actual exercise of the aforementioned options is not consistent with the original valuation, the Company remeasures the lease liability at the present value calculated by the changed lease payments and the revised discount rate;
- When there is a change in the substantive fixed payment amount, a change in the amount expected to be payable for the guaranteed residual value, or a change in the index or rate used to determine the lease payment amount, the Company remeasures the lease liability at the present value calculated from the changed lease payment amount and the original discount rate. However, if the change in the lease payment amount results from a change in the floating interest rate, the present value is calculated using the revised discount rate.

(3) Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, and to recognize the related lease payments in current profit or loss or the cost of the related assets on a straight-line basis over each period of the lease term. Short-term leases, which are leases with a lease term of not more than 12 months at the commencement date of the lease term and do not include a purchase option. Low-value asset leases, which are leases with a lower value when the single leased asset is a brand-new asset. If the company subleases or expects to sublease the leased assets, the original lease is not a low-value asset lease.

(4) Change of lease

If a lease is changed and the following conditions are met at the same time, the company will account for the lease change as a separate lease:

- the lease modification expands the scope of the lease by adding the right to use one or more leased assets;
- The increased consideration is equivalent to the separate price of the expanded portion of the lease adjusted for the circumstances of that contract.

If a lease modification is not accounted for as a separate lease, at the effective date of the lease modification, the company reapportioned the consideration of the modified contract, redetermined the lease term, and remeasured the lease liability based on the present value of the modified lease payments and the revised discount rate.

If a lease change results in a reduction in the scope of the lease or a shortening of the lease term, the Company reduces the carrying value of the right-of-use asset accordingly and recognizes the gain or loss related to partial termination or complete termination of the lease in profit or loss for the current period. If other lease changes result in the remeasurement of the lease liability, the Company adjusts the carrying value of the right-of-use asset accordingly.

2. The Company as lessor

At the commencement date of the lease, the Company classifies leases into finance leases and operating leases. A finance lease is a lease that transfers substantially all the risks and rewards associated with ownership of the leased asset, regardless of whether ownership is ultimately transferred. Operating leases refer to leases other than finance leases. When the

Company acts as a sublease lessor, it classifies the sublease based on the right-to-use assets arising from the original lease.

(1) Accounting for operating leases

Lease receipts under operating leases are recognized as rental income on a straight-line basis over each period of the lease term. The Company capitalizes the initial direct costs incurred in connection with operating leases and apportions them to current profit or loss over the lease term on the same basis as rental income is recognized. Variable lease payments that are not included in the lease receipts are recognized in current profit or loss when they are actually incurred. If a change in an operating lease occurs, the Company accounts for it as a new lease from the effective date of the change, and the amount of lease payments received in advance or receivable in connection with the lease before the change is regarded as the amount of payments received under the new lease.

(2) Accounting for finance leases

On the commencement date of the lease, the Company recognizes finance lease receivables for finance leases and derecognizes finance lease assets. When the Company makes initial measurement of the finance lease receivable, the net lease investment is used as the recorded value of the finance lease receivable. The net lease investment is the sum of the unguaranteed residual value and the present value of the lease receipts not yet received at the commencement date of the lease term discounted at the interest rate embedded in the lease.

The Company calculates and recognizes interest income for each period of the lease term based on a fixed periodic interest rate. Derecognition and impairment of finance lease receivables are accounted for in accordance with Note 3 (ix) "Financial Instruments" of this note.

Variable lease payments that are not included in the net lease investment measurement are recognized in profit or loss when they are actually incurred.

If a change in a finance lease occurs and the following conditions are met, the Company accounts for the change as a separate lease:

- the change expands the scope of the lease by adding the right to use one or more leased assets;

- the increased consideration is equivalent to the separate price of the expanded portion of the lease adjusted for the circumstances of that contract.

If a change in a finance lease is not accounted for as a separate lease, the Company treats the changed lease separately in the following circumstances:

- If the change becomes effective on the lease commencement date and the lease would be classified as an operating lease, the Company accounts for it as a new lease from the effective date of the lease change and uses the net investment in the lease prior to the effective date of the lease change as the carrying amount of the leased asset;

- If the change becomes effective on the lease commencement date and the lease is classified as a finance lease, the Company accounts for the lease in accordance with the policy on modification or renegotiation of contracts as described in Note 3 (ix) Financial Instruments.

3. Sale and leaseback transactions

The Company assesses whether the transfer of assets in sale-and-leaseback transactions is a sale in accordance with the principles described in Note 3(22) "Revenue".

(1) As a lessee

If the transfer of assets in a sale-and-leaseback transaction is a sale, the Company, as the lessee, measures the right-of-use asset resulting from the sale-and-leaseback at the portion of the carrying value of the original asset that relates to the right-of-use acquired by the leaseback and recognizes a gain or loss only for the right transferred to the lessor; if the transfer of assets in a sale-and-leaseback transaction is not a sale, the Company, as the lessee, continues to recognize the transferred asset and at the same time recognizes a financial liability equal to the transfer proceeds. The company continues to recognize the transferred asset as a lessee and at the same time recognizes a financial liability equal to the transferred revenue. For details of the accounting treatment of financial liabilities, please refer to Note 3 (9) "Financial Instruments".

(2) As lessor

If the transfer of assets in a sale-and-leaseback transaction is a sale, the Company accounts for the purchase of the assets as a lessor and accounts for the lease of the assets in accordance with the aforementioned policy "2. If the transfer of assets in a leaseback

transaction is not a sale, the Company, as the lessor, does not recognize the transferred asset, but recognizes a financial asset equal to the transferred revenue. For details of the accounting treatment of financial assets, please refer to Note 3 (9) "Financial Instruments".

(27) Debt restructuring

1. The Company as a creditor

The Company derecognizes a claim when the contractual right to receive cash flows from the claim is terminated. If a debt restructuring is carried out by settling the debt with assets or converting the debt into an equity instrument, the Company recognizes the related assets when they meet the definition and recognition criteria.

For debt restructuring by means of settlement of debts with assets, the Company initially recognizes the transferred non-financial assets at cost. The cost of inventories includes the fair value of the relinquished claims and other costs directly attributable to bringing the asset to its present location and condition, such as taxes, transportation, handling and insurance. The cost of an investment in an associate or joint venture includes the fair value of the relinquished claim and other costs such as taxes directly attributable to the asset. The cost of investment property, including the fair value of the relinquished claims and other costs such as taxes directly attributable to the asset. The cost of property, plant and equipment includes the fair value of the relinquished claim and other costs directly attributable to the asset, such as taxes, transportation, loading and unloading, installation, and professional services, incurred before the asset is brought to its intended useable condition. The cost of biological assets, including the fair value of the relinquished claim and other costs directly attributable to the asset, such as taxes, transportation, and insurance. The cost of intangible assets, including the fair value of the relinquished claims and other costs directly attributable to taxes incurred in bringing the asset to its intended use. If a debt restructuring by way of conversion of debt into an equity instrument results in the creditor converting the claim to an equity investment in an associate or a joint venture, the Company measures the initial investment cost of the claim at the fair value of the relinquished claim and other costs, such as taxes, that are directly attributable to the asset. The difference between the fair value of the relinquished claim and its carrying amount is recognized in profit or loss.

If debt restructuring is carried out by modifying other terms, the Company recognizes and measures the restructured claims in accordance with "III. (IX) Financial Instruments" in this note.

For debt restructuring using multiple assets or a combination of assets, the Company first recognizes and measures the transferred financial assets and restructuring claims in accordance with "III. (IX) Financial instruments" in this note, and then, in proportion to the fair value of each asset other than the transferred financial assets, recognizes a net gain or loss on the fair value of the claims net of the amount recognized for the transferred financial assets and restructuring claims. The fair value of each asset other than the transferred financial assets is then allocated to the net amount after deducting the recognized amount of the transferred financial assets and the restructuring claim in proportion to the fair value of each asset, and the cost of each asset is determined separately on this basis in accordance with the aforementioned method. The difference between the fair value and the carrying amount of the abandoned claims shall be recognized in profit or loss for the current period.

2. The Company as debtor

The Company derecognizes a debt when the present obligation of the debt is discharged.

For debt restructuring by way of settlement of debts with assets, the Company derecognizes the relevant assets and debts settled when the conditions for derecognition are met, and the difference between the carrying amount of the debts settled and the carrying amount of the assets transferred is recognized in profit or loss for the current period.

For debt restructuring by converting debt to equity instruments, the Company derecognizes the debt when the debt settled meets the conditions for derecognition. The Company initially recognizes an equity instrument at the fair value of the equity instrument. If the fair value of the equity instrument cannot be reliably measured, it is measured at the fair value of the debt settled. The difference between the carrying amount of the debt settled and the amount recognized for the equity instrument shall be recognized in profit or loss for the current period.

If debt restructuring is carried out by modifying other terms, the Company recognizes and measures the restructured debt in accordance with "III (IX) Financial Instruments" in this note.

When debt restructuring is carried out by using multiple assets to settle debts or by combining them, the Company recognizes and measures equity instruments and restructured debts in accordance with the aforementioned method, and the difference between the carrying amount of the debt settled and the sum of the carrying amount of the

transferred assets and the amounts recognized for equity instruments and restructured debts is recognized in profit or loss for the current period.

(28) Methodology for determining materiality criteria and basis for selection

Items	Materiality criterion
Significant single provision for bad debt accounts receivable	Where there is solid evidence that a credit impairment has occurred on an account receivable, the amount is not expected to be recovered or is unlikely to be recovered, a single provision is made for doubtful debts and expected credit losses are recognized
Accounts receivable The amount of provision for recovery or repatriation of current doubtful accounts is significant	If there is solid evidence that the credit risk of the accounts receivable separately accrued in the previous period has decreased significantly, the future cash flow of the accounts receivable shall be predicted according to the reassessed credit risk, and the increased cash flow difference shall be reversed, and the amount of the reversal shall be included in the current profit or loss.
Write off significant receivables for the period	For receivables which have solid evidence that they cannot be recovered in whole or in part, the portion which cannot be recovered shall be regarded as bad debt loss and the provision for bad debts already drawn shall be written off; If the provision for bad debts is insufficient to be written off, the difference in bad debt losses shall be included in the current profit or loss.

(29) Changes in significant accounting policies and accounting estimates

1. Changes in significant accounting policies

Implementation of ASBE Interpretation No. 16, "Accounting for Deferred Taxes on Assets and Liabilities Arising from a Single Transaction to Which the Initial Recognition Exemption Does Not Apply".

The Ministry of Finance issued "Interpretation No. 16 of the Accounting Standards for Business Enterprises" ("Interpretation No. 16") on November 30, 2022 (Caijing [2022] No. 31, hereinafter referred to as "Interpretation No. 16"), which stipulates that the "Accounting treatment of deferred income taxes related to assets and liabilities arising from a single transaction that are not exempt from initial recognition" shall be implemented from November 30, 2022 onwards. The "Accounting Treatment for Deferred Taxes on Assets and Liabilities Arising from Individual Transactions that are not Subject to the Initial Recognition Exemption" is effective from January 1, 2023 onwards.

Interpretation No. 16 stipulates that for a single transaction that is not a business combination and does not affect either accounting profit or taxable income (or deductible losses) at the time the transaction occurs, and for which the initial recognition of assets and liabilities results in the creation of taxable temporary differences and deductible temporary differences in equal amounts (including lease transactions in which the lessee initially recognizes a lease liability on the commencement date of the lease term and includes it in the assets with the right of use, and transactions in which the lessee initially recognizes a lease liability for a fixed asset or other asset and includes it in the assets with the right of use), and in which there is an abandonment obligation for a fixed asset or other asset, the initial recognition of an asset or a liability is excluded. The exemption from initial recognition of deferred tax liabilities and deferred tax assets does not apply to individual transactions (including lease transactions in which the lessee initially recognizes a lease liability and credits it to the right-of-use asset on the commencement date of the lease term, as well as individual transactions in which the lessee recognizes a projected liability and credits it to the cost of the relevant asset due to the existence of an abandonment obligation for a fixed asset, etc.), and the enterprise shall recognize the corresponding When the transaction occurs, the enterprise should recognize the corresponding deferred tax liabilities and deferred tax assets in accordance with the relevant provisions of "ASBE No. 18 - Income Taxes" and other relevant regulations.

If taxable temporary differences and deductible temporary differences arise from a single transaction to which this provision applies that occurs between the beginning of the earliest period for which the financial statements are presented for the first time and the date of its application, as well as lease liabilities and right-of-use assets recognized at the beginning of the earliest period for which the financial statements are presented as a result of a single transaction to which the provision applies and the recognition of projected liabilities related to abandonment obligations and the corresponding related assets, enterprises shall make adjustments in accordance with this provision. companies should make adjustments in accordance with this provision.

The Company implemented this provision from January 1, 2023, and the implementation of this provision did not have a significant impact on the Company's financial position and results of operations.

2. Changes in significant accounting estimates

There were no changes in the Company's significant accounting estimates during the reporting period.

IV. Taxation

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

Tax	Tax base	Tax rate
Value-added tax (VAT)	The output tax is calculated on the basis of the income from the sale of goods and taxable services calculated in accordance with the provisions of the tax law, and after deducting the input tax allowed to be deducted in the current period, the difference is the value-added tax payable	13%,9%,6%,5%
City construction tax	Value-added tax payables	7%
Education surcharge	Value-added tax payables	3%
Local education surcharge	Value-added tax payables	2%
Enterprise income tax (EIT)	Current period taxable profit	15% or 25%
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	CNY 6 per square meter

Notes: EIT rate for different tax payer

Tax principles	EIT rate
Wafangdian Bearing Co., Ltd	15%
Wazhou Liaoyang Bearing construction Co., Ltd	15%
Dalian Wazhou Precision Motor Car Bearing Company Limited	25%
Wazhou Precision of Spherical Roller Bearings (Wafangdian) Co., Ltd	25%

2. Tax preference

On December 3, 2020, the Company obtained the qualification of high-tech enterprise certification, high-tech enterprise certification certificate number is GR202021200656, valid for 3 years, according to the tax law, can enjoy the preferential tax policy of enterprise income tax levied at a tax rate of 15% within 3 years.

The subsidiary Waxiang Liaoyang Bearing Manufacturing Co., Ltd. obtained the qualification of high-tech enterprise identification on December 20, 2023, and the high-tech enterprise identification certificate number is GR202321002020, valid for 3 years, and can enjoy the preferential tax policy of levying enterprise income tax at a tax rate of 15% within 3 years according to the tax law.

V. Notes to Consolidated Financial Statements

i. Monetary Funds

Items	Closing balance	Opening balance
Cash on hand		292.91
Cash in bank	110,664,560.63	227,356,998.46
Other cash and cash equivalents	100,149,667.42	103,389,415.51
Total	210,814,228.05	330,746,706.88

ii. Transactional financial assets

Items	Closing balance	Opening balance
1. Financial asset measured at fair value through P&L	214,178.33	243,454.50
Among them: Debt instrument investment		-
Equity instrument investment	214,178.33	243,454.50
Others		-
Total	214,178.33	243,454.50

iii. Note receivable

1. Types of notes

Items	Closing balance	Opening balance
Bank acceptance	354,777,692.67	445,227,090.19
Finance company acceptance	16,933,056.95	
Trade acceptance	83,169,223.80	65,722,577.37
Total	454,879,973.42	510,949,667.56

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Less: Provision for impairment	4,158,461.19	2,978,533.87
Total	450,721,512.23	507,971,133.69

2. Category of note receivable

Items	Closing Balance				Booking value
	Booking balance		Provision		
	Amount	%	Amount	%	
Notes receivable with bad debt provision based on the characters of credit risk portfolio	454,879,973.42	100	4,158,461.19	0.91	450,721,512.23
including:					
Bank acceptance	354,777,692.67	77.99			354,777,692.67
Finance company acceptance	16,933,056.95	3.72			
Trade acceptance	83,169,223.80	18.28	4,158,461.19	5	79,010,762.61
Total	454,879,973.42	100	4,158,461.19		450,721,512.23

(Continued)

Items	Opening balance				Booking value
	Booking balance		Provision		
	Amount	%	Amount	%	
Notes receivable with bad debt provision based on the characters of credit risk portfolio	474,064,980.02	100	4,280,386.41	0.9	469,784,593.61
including:					
Bank acceptance	415,924,381.54	87.74			415,924,381.54
Finance company acceptance					
Trade acceptance	58,140,598.48	12.26	4,280,386.41	7.36	53,860,212.07
Total	474,064,980.02	100	4,280,386.41		469,784,593.61

Notes receivable with bad debt provision based on the characters of credit risk portfolio:

Items	Closing Balance		
	Booking balance	Amount	%
Bank acceptance	354,777,692.67		
Finance company acceptance	16,933,056.95		
Trade acceptance	83,169,223.80	4,158,461.19	5

Total	454,879,973.42	4,158,461.19
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3. Provision for bad debts charged off, reversed or recovered during the period:

Category	Opening balance	Change during the year			Closing Balance
		Accrued	Collect/carry over	Written-off	
Provision for bad debt	4,280,386.41	2,021,131.95	2,143,057.17		4,158,461.19
Total	4,280,386.41	2,021,131.95	2,143,057.17	-	4,158,461.19

4. Pledged notes receivable up to the end of year:

Items	Closing amount of pledged
Finance company acceptance	2,982,604.41
Trade acceptance	14,770,614.03
Total	17,753,218.44

5. Notes receivable endorsed or discounted but not mature at the end of year

Items	Closing amount no more recognized	Closing amount still recognized
Bank acceptance		302,155,516.10
Finance company acceptance		12,011,143.08
Trade acceptance		43,099,544.33
Total		357,266,203.51

iv. Account receivable

1. Category of accounts receivable listed by age

Aging	Closing Balance	Opening balance
Within 1 year	962,345,577.17	1,007,255,429.21
1-2 years	80,034,862.45	169,054,402.12
2-3 years	96,451,169.89	36,587,357.00
3-4 years	32,592,645.89	8,448,563.73
4-5 years	6,535,792.15	14,065,231.25
Over 5 years	39,496,995.40	36,192,353.92
Total	1,217,457,042.95	1,271,603,337.23
Less: Provision for bad debt	131,019,034.27	135,308,007.64
Total	1,086,438,008.68	1,136,295,329.59

2. Category of accounts receivable

Items	Closing Balance				
	Booking balance		Provision		Booking value
	Amount	%	Amount	%	
Accounts receivable with individual bad debt provision	72,346,024.97	5.94	72,346,024.97	100.00	
Accounts receivable with bad debt provision based on the characters of credit risk portfolio	1,145,111,017.98	94.06	58,673,009.30	5.12	1,086,438,008.68
Including:					
-Aging portfolio	889,317,987.55	73.05	58,673,009.30	6.60	830,644,978.25
-Related party portfolio	255,793,030.43	21.01			255,793,030.43
Total	1,217,457,042.95	100.00	131,019,034.27		1,086,438,008.68

(Continued)

Items	Opening Balance				
	Booking balance		Provision		Booking value
	Amount	%	Amount	%	
Accounts receivable with individual bad debt provision	77,765,538.08	6.12	77,765,538.08	100.00	
Accounts receivable with bad debt provision based on the characters of credit risk portfolio	1,193,837,799.15	93.88	57,542,469.56	4.82	1,136,295,329.59
Including:					
-Aging portfolio	937,128,769.48	73.70	57,542,469.56	6.14	879,586,299.92
-Related party portfolio	256,709,029.67	20.18			256,709,029.67
Total	1,271,603,337.23	100.00	135,308,007.64		1,136,295,329.59

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Bad debt provision for accounts receivable at the end of year based on individual:

Debtors name	Closing Balance				Opening balance	
	Accounts receivable	Provision for bad debts	%	Reasons for provision	Accounts receivable	Provision for bad debts
Heilongjiang Longmei Logistics Co., Ltd	11,277,327.79	11,277,327.79	100	uncollectable	2,134,140.98	2,134,140.98
Liaoning Yinheng Galvanized Colored Coated Steel Sheet Co. Ltd	3,213,308.67	3,213,308.67	100	uncollectable	3,213,308.67	3,213,308.67
Shenzhen Geesun Intelligent Technology Co., Ltd.	2,296,400.00	2,296,400.00	100	uncollectable	133,560.00	133,560.00
Shandong Yuanda Board Technology Co., Ltd	1,804,722.77	1,804,722.77	100	uncollectable	1,804,722.77	1,804,722.77
Yingkou Iron & Steel Co. Ltd	1,696,318.44	1,696,318.44	100	uncollectable	1,696,318.44	1,696,318.44
Liaoning Wazhou Bearing Sales Co.,Ltd	1,611,795.99	1,611,795.99	100	uncollectable		
HBIS Company Limited Handan Branch	1,608,611.42	1,608,611.42	100	uncollectable	1,608,611.42	1,608,611.42
An Gang steel Co.,Ltd	1,595,050.69	1,595,050.69	100	uncollectable	1,595,050.69	1,595,050.69
Bazhou Tianli Tube Co., Ltd	1,325,600.76	1,325,600.76	100	uncollectable	1,325,600.76	1,325,600.76
Zhejiang Yesheng New Material Co. Ltd	1,301,760.00	1,301,760.00	100	uncollectable	1,301,760.00	1,301,760.00
CITIC Heavy Industries Co.,Ltd	1,126,828.28	1,126,828.28	100	uncollectable	1,128,791.54	1,128,791.54
Donghai New Material Co. Ltd	942,558.20	942,558.20	100	uncollectable	942,558.20	942,558.20
Shanghai Jieru Heavy Industry Mechanical Equipment Co., Ltd	923,603.80	923,603.80	100	uncollectable	923,603.80	923,603.80
Tangshan Guofeng Iron and Steel Co. LTD	883,297.41	883,297.41	100	uncollectable	883,297.41	883,297.41
Tongling Nonferrous Metals Group Co., Ltd	877,123.18	877,123.18	100	uncollectable	59,329.56	59,329.56

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Jilin Chengzhong Auto Parts Co., Ltd	872,874.22	872,874.22	100	uncollectable	872,874.22	872,874.22
Wanxin(Deyang) Engineering & Equipment Co., Ltd. of China National Erzhong Group	795,887.92	795,887.92	100	uncollectable	795,887.92	795,887.92
Benxi Beiyong Steel (Group) Co. Ltd	775,804.98	775,804.98	100	uncollectable	775,804.98	775,804.98
Zhongguang Keji(Fujian)Co.,Ltd.	761,374.62	761,374.62	100	uncollectable	761,374.62	761,374.62
Shandong Yuntong New Material Technology Co. Ltd	711,438.94	711,438.94	100	uncollectable	711,438.94	711,438.94
Dongfeng Transmission Co.,Ltd	704,098.23	704,098.23	100	uncollectable	704,098.23	704,098.23
Shanghai Weiqiang Heavy Industry Mechanic Co.,Ltd	673,595.42	673,595.42	100	uncollectable	673,595.42	673,595.42
Dalian Tianyuan Motor Co.,Ltd	666,383.31	666,383.31	100	uncollectable	666,383.31	666,383.31
Shanxi Hongda Iron&Steel Co.,Ltd	657,373.00	657,373.00	100	uncollectable	657,373.00	657,373.00
Dandong Shuguang Heavy Axle Co., Ltd	642,833.42	642,833.42	100	uncollectable	642,833.42	642,833.42
Hangzhou Advance Gearbox Group Co., Ltd	626,952.30	626,952.30	100	uncollectable	634,135.80	634,135.80
Wolong Electric Huai 'an Qingjiang Motor Co. Ltd	601,859.03	601,859.03	100	uncollectable	601,859.03	601,859.03
Xingtai Iron and Steel Co., Ltd	590,148.98	590,148.98	100	uncollectable	590,148.98	590,148.98
Qinghai Lufeng New Material Co., Ltd	525,743.44	525,743.44	100	uncollectable	525,743.44	525,743.44
Jiangsu Leche Heavy Industry Machinery Co. LTD	506,477.77	506,477.77	100	uncollectable	506,477.77	506,477.77
Bengang Steel Plates Co., Ltd	487,064.68	487,064.68	100	uncollectable	487,064.68	487,064.68
Dongfeng Commercial Vehicle Co., Ltd	486,019.87	486,019.87	100	uncollectable	486,019.87	486,019.87
Mudanjiang Reduction Gears Factory	467,905.65	467,905.65	100	uncollectable	467,905.65	467,905.65
Shandong Zhangqiu Blower Co.,Ltd.	461,708.13	461,708.13	100	uncollectable	461,708.13	461,708.13

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07-256 Factory	460,854.77	460,854.77	100	uncollectable	460,854.77	460,854.77
Hunan Chaoyang Mechanic & Electric Co.,Ltd	446,627.60	446,627.60	100	uncollectable	446,627.60	446,627.60
Liaoyang Sudong Trade Co.,Ltd	444,946.96	444,946.96	100	uncollectable	444,946.96	444,946.96
XEMC	416,549.65	416,549.65	100	uncollectable	416,549.65	416,549.65
Shanxi Taigang Stainless Steel Co.,Ltd.	402,332.21	402,332.21	100	uncollectable	402,332.21	402,332.21
Chengdu Gaoyuan Electromechanical Equipment Co.,Ltd.	383,615.52	383,615.52	100	uncollectable	383,615.52	383,615.52
Ningbo Netjia Machinery Manufacturing Co.,Ltd	383,370.79	383,370.79	100	uncollectable		
Boshan Motor Group Co.,Ltd	373,700.65	373,700.65	100	uncollectable	373,700.65	373,700.65
Xuzhou Xugong Material Supply Co., Ltd	373,237.55	373,237.55	100	uncollectable	373,237.55	373,237.55
Tai'an Tianhua Economic and Trade Co., Ltd	364,189.79	364,189.79	100	uncollectable	346,554.01	346,554.01
Liaohe Mechanic Co.,Ltd	362,280.30	362,280.30	100	uncollectable	362,280.30	362,280.30
Min Metals Yingkou Medium Plate Co.,Ltd.	351,890.29	351,890.29	100	uncollectable	351,890.29	351,890.29
Northeast Special Steel Group Beiman Special Steel Co. Ltd	315,004.72	315,004.72	100	uncollectable	315,004.72	315,004.72
Taicang Hu Tai Chang'e Paper Equipment Co. Ltd	310,361.32	310,361.32	100	uncollectable	310,361.32	310,361.32
Pangang Group Chengdu Iron&Steel Co.,Ltd.	303,305.45	303,305.45	100	uncollectable	303,305.45	303,305.45
Hebei Jinxi Iron & Steel Group Co. Ltd	301,978.67	301,978.67	100	uncollectable	301,978.67	301,978.67
Harbin Hakuo Electric Power Technology Co. Ltd	297,905.32	297,905.32	100	uncollectable	297,905.32	297,905.32
Zhongcai Zibo Heavy Machinery Co.,Ltd	293,817.58	293,817.58	100	uncollectable		
ZHUZHOU GEAR CO.,LTD.	290,587.00	290,587.00	100	uncollectable	270,087.40	270,087.40

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NINGBO FAN CO.,Ltd	287,783.07	287,783.07	100	uncollectable		
Jiangsu Xinrui Gear System Co. Ltd	286,949.88	286,949.88	100	uncollectable	286,949.88	286,949.88
China erzhong group (deyang)jingheng driving equipment co.ltd	286,935.03	286,935.03	100	uncollectable	286,935.03	286,935.03
Siemens Electric Motor (China) Co., Ltd	284,110.82	284,110.82	100	uncollectable	284,110.82	284,110.82
Baofeng Xianglong Stainless Steel Co.,Ltd	273,900.00	273,900.00	100	uncollectable		
Baotou Tianli Huanfa Mechanical & Electrical Co.,Ltd	273,597.27	273,597.27	100	uncollectable		
Hengfengtai Precision Machinery Co., Ltd	270,886.98	270,886.98	100	uncollectable	318,948.38	318,948.38
Anhui Jianghuai Automobile Group Co., Ltd. Light Commercial Vehicle Branch	264,521.67	264,521.67	100	uncollectable	264,521.67	264,521.67
Baoji Zhongyi Industry and Trade Co. Ltd	256,372.12	256,372.12	100	uncollectable	256,372.12	256,372.12
Taiyuan Heavy Industry Co., Ltd	254,016.66	254,016.66	100	uncollectable	275,596.93	275,596.93
Baoji Huawei Mine Machinery Co.,Ltd.	248,758.75	248,758.75	100	uncollectable	200,000.00	200,000.00
Yanggu Dangyu Sheet Co., Ltd	243,280.00	243,280.00	100	uncollectable	243,280.00	243,280.00
Tonghua Iron & Steel Co. Ltd	240,568.39	240,568.39	100	uncollectable	240,568.39	240,568.39
Shijiazhuang Qiangda Slurry Pump Co.,Ltd	238,749.98	238,749.98	100	uncollectable	238,749.98	238,749.98
Inner Mongolia Hongji Technology New Energy Co., Ltd	231,610.81	231,610.81	100	uncollectable	231,610.81	231,610.81
Taizhong Coal Machine Co.,Ltd	215,142.12	215,142.12	100	uncollectable	215,142.12	215,142.12
Qinhuangdao Shouqin Metal Material Co. Ltd	213,911.48	213,911.48	100	uncollectable	213,911.48	213,911.48
Chongqing Iron Horse Industry Group Co., Ltd	211,196.98	211,196.98	100	uncollectable	211,196.98	211,196.98
SAIC IVECO Hongyan Commercial Vehicle Co., Ltd	210,860.60	210,860.60	100	uncollectable	210,860.60	210,860.60

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Hubei Tongfang High-tech Pump Co., Ltd	207,567.06	207,567.06	100	uncollectable	121,727.00	121,727.00
Panzhuhua Steel Group Panzhuhua Steel Vanadium Co.,Ltd.	203,004.70	203,004.70	100	uncollectable	2,652.78	2,652.78
Tianjin Rongtai Advanced Composite Material Co.,Ltd	200,000.00	200,000.00	100	uncollectable	200,000.00	200,000.00
Hebei Wenfeng Iron & Steel Co. Ltd	197,979.65	197,979.65	100	uncollectable	197,979.65	197,979.65
Suzhou Zhanwang Mechanic & Electric Co.,Ltd	192,173.26	192,173.26	100	uncollectable	192,173.26	192,173.26
Guangzhou Motor Co.,Ltd	189,128.68	189,128.68	100	uncollectable	189,128.68	189,128.68
Jiangsu Xuzhou Forging Machine Tool Factory Group Co., Ltd	188,906.34	188,906.34	100	uncollectable	188,906.34	188,906.34
Hubei Wazhou Xinsheng Technology Co., Ltd	188,136.00	188,136.00	100	uncollectable	188,136.00	188,136.00
Handan Sida Electric Co., Ltd	186,191.80	186,191.80	100	uncollectable	186,191.80	186,191.80
Nanjing Light Industry Machinery Factory	185,079.54	185,079.54	100	uncollectable	185,079.54	185,079.54
Shanghai Sule Textile Machinery Co., Ltd	176,984.10	176,984.10	100	uncollectable	176,984.10	176,984.10
Taiyuan Tongze Heavy Industry Co., Ltd	170,178.79	170,178.79	100	uncollectable	170,178.79	170,178.79
Beijing Jingcheng Star Technology Development Co., Ltd	170,010.00	170,010.00	100	uncollectable	450,000.00	450,000.00
Shandong Huali Motor Group Suzhou Manufacturing Co., Ltd	164,801.28	164,801.28	100	uncollectable	244,801.28	244,801.28
Xuzhou Meichi Vehicle and Bridge Co., Ltd	163,037.45	163,037.45	100	uncollectable	163,037.45	163,037.45
Siping Blower Co., Ltd	160,053.21	160,053.21	100	uncollectable	160,053.21	160,053.21
Anyang Coal Mine Electrical Machinery Factory	159,537.60	159,537.60	100	uncollectable	159,537.60	159,537.60
Xiangdian Heavy Equipment Co., Ltd	158,854.17	158,854.17	100	uncollectable	158,854.17	158,854.17
Shanxi Electric Machinery Factory	158,021.97	158,021.97	100	uncollectable	158,021.97	158,021.97

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Hubei Quanli Machinery Group Co. Ltd	152,489.82	152,489.82	100	uncollectable	152,489.82	152,489.82
Steel Butler (Shanghai) Technology Co.,Ltd	151,927.34	151,927.34	100	uncollectable		
Shandong Kerui Steel Plate Co.,Ltd.	151,411.57	151,411.57	100	uncollectable	156,702.16	156,702.16
Anshan Iron and Steel Co., Ltd.	150,734.55	150,734.55	100	uncollectable	150,734.55	150,734.55
Wafangdian Hongda Constant Velocity Joint Manufacturing Co., Ltd	148,466.32	148,466.32	100	uncollectable	148,466.32	148,466.32
Bei Shang Guang (Guangzhou) Machinery Equipment Co.,Ltd	135,345.75	135,345.75	100	uncollectable		
J.S. Corrugating Machinery Co.,Ltd	132,087.65	132,087.65	100	uncollectable		
Anhui Anfeng Fan Co., Ltd	131,355.36	131,355.36	100	uncollectable	131,355.36	131,355.36
Shanghai Sule Textile Machinery Co., Ltd	126,752.70	126,752.70	100	uncollectable	176,984.10	176,984.10
Zhejiang Zhonghong Motor Co.	126,348.05	126,348.05	100	uncollectable	126,348.05	126,348.05
Shenyang Qunding Machinery Equipment Co., Ltd	126,286.35	126,286.35	100	uncollectable	126,286.35	126,286.35
Tangshan Dunshi Machinery Manufacturing Co. Ltd	124,474.60	124,474.60	100	uncollectable	124,474.60	124,474.60
Guangxi Tianyang Huamei Paper Co. Ltd	122,629.00	122,629.00	100	uncollectable	122,629.00	122,629.00
NFC Shenyang Metallurgical Machinery Co.,Ltd.	121,909.54	121,909.54	100	uncollectable	121,909.54	121,909.54
Harbin First Machinery Manufacturing Group Co., Ltd	121,033.33	121,033.33	100	uncollectable	121,033.33	121,033.33
Anhui Foma Auto Parts Group Co.,Ltd	119,386.14	119,386.14	100	uncollectable		
ANSHAN ANZHONG MINING MACHINERY CO. LTD	116,819.89	116,819.89	100	uncollectable	83,746.30	83,746.30
Nantong Electric Machinery Factory	113,634.74	113,634.74	100	uncollectable	113,634.74	113,634.74
Shanghai Yaotai Engineering Technology Co., Ltd	113,054.61	113,054.61	100	uncollectable	113,054.61	113,054.61

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Qinhuangdao Huaye Motor Co., Ltd	111,564.44	111,564.44	100	uncollectable	111,564.44	111,564.44
Beijing Research Institute of Automation for Machinery Industry Co., Ltd.	111,484.00	111,484.00	100	uncollectable		
Shandong Baoding Coal Coking Co. Ltd	110,528.29	110,528.29	100	uncollectable	110,528.29	110,528.29
Dalian Dalma Motor Co., Ltd	109,553.86	109,553.86	100	uncollectable	109,553.86	109,553.86
Wuhan Autopilot Motor Co.,Ltd	109,112.60	109,112.60	100	uncollectable		
TISCO Group Dongfang Steel Co.	108,997.44	108,997.44	100	uncollectable	108,997.44	108,997.44
YINGKOU JIACHEN COKING & CHEMICAL INCORPORATION	108,451.55	108,451.55	100	uncollectable	108,451.55	108,451.55
Lingyuan Iron&Steel Co.,Ltd.	108,446.16	108,446.16	100	uncollectable	110,000.00	110,000.00
SHOUGANG CHANGZHISTEEL&IRON CO.,LTD	107,819.72	107,819.72	100	uncollectable		
Tianma Automobile Group Co.,Ltd.	107,121.10	107,121.10	100	uncollectable	107,121.10	107,121.10
Shenyang Sanming Heavy Industry Machinery Co., Ltd	105,807.39	105,807.39	100	uncollectable	105,807.39	105,807.39
Tongchuan Explosion-Proof Electric Machine Factory	105,476.07	105,476.07	100	uncollectable	105,476.07	105,476.07
Weichai Medium-Sized Diesel Engine (Weifang) Co., Ltd	104,548.21	104,548.21	100	uncollectable	104,548.21	104,548.21
Jiangsu Aerospace Power Co., Ltd	104,257.06	104,257.06	100	uncollectable	82,187.55	82,187.55
DBI USA, Inc.	102,568.64	102,568.64	100	uncollectable	102,568.64	102,568.64
Datong Risheng Jingrui Bearing Co.,Ltd	100,520.79	100,520.79	100	uncollectable		
Yangmei Xinzhou General Machinery Co., Ltd	100,447.88	100,447.88	100	uncollectable	100,447.88	100,447.88
Others	8,453,966.80	8,453,966.80	100	uncollectable	30,021,623.98	30,021,623.98
Total	72,346,024.97	72,346,024.97			77,765,538.08	77,765,538.08

Notes receivable with bad debt provision based on the characters of credit risk portfolio:

Combined accrual items:

Aging	Closing Balance		
	Accounts receivable	Provision for bad debts	Proportion (%)
Within 1 year	784,002,240.34	39,234,462.24	5.00
1-2 years	69,545,383.46	6,954,538.35	10.00
2-3 years	23,076,562.45	4,615,312.49	20.00
3-4years	9,116,525.49	4,558,262.75	50.00
4-5years	1,334,211.66	1,067,369.33	80.00
Over 5 years	2,243,064.15	2,243,064.15	100.00
Related Party Portfolio	255,793,030.43		
Total	1,145,111,017.98	58,673,009.30	

3. Provision for bad debts charged off, reversed or recovered during the period:

Category	Opening balance	Change during the year			Closing Balance
		Accrued	Collect/carry over	Written-off	
Provision for bad debt	135,308,007.64	7,732,014.97	1,249,854.25	10,771,134.09	131,019,034.27
Total	135,308,007.64	7,732,014.97	1,249,854.25	10,771,134.09	131,019,034.27

4. Accounts receivable written off in current period:

Item	Written-off Amount
Accounts receivable written off	10,771,134.09

Significant amount written off:

Company name	Nature of receivable	Amount	Reason	Procedure to be performed	Related party
Wafangdian Bearing Group Special Steel Co.,Ltd	Trade payment	5,092,669.00	Unable to recover	Internal approval	N
Shandong Hengji New Material Co.,Ltd	Trade payment	2,284,666.96	Unable to recover	Internal approval	N
Henan Taihang Vibration Machinery Co.,Ltd	Trade payment	989,207.41	Unable to recover	Internal approval	N

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Shaanxi Hande Axle Co.,Ltd	Trade payment	309,157.59	Unable to recover	Internal approval	N
Shandong Guanpeng Sheet Metal Co.,Ltd	Trade payment	273,748.84	Unable to recover	Internal approval	N
Shaanxi Hande Axle Co.,Ltd	Trade payment	261,036.63	Unable to recover	Internal approval	N
Zibo Boshan Qianjin Reducer Factory Co.,Ltd	Trade payment	244,579.32	Unable to recover	Internal approval	N
Taizhou Luqiao Meitian Motorcycle Co.,Ltd	Trade payment	200,562.00	Unable to recover	Internal approval	N
Shijiazhuang Electric Machinery Co.,Ltd	Trade payment	172,543.31	Unable to recover	Internal approval	N
Shenyang SAIC Jinbei Automobile Transmission Co.,Ltd	Trade payment	109,908.15	Unable to recover	Internal approval	N
Total		9,938,079.21			

5、The top five significant accounts receivable categorized by debtors:

Debtors name	Closing Balance			Proportion of total closing balance (%)	Receivable bad debts & contractual assets impairment
	Receivable	Contractual assets	Total		
Wafangdian Bearing Group Corporation and subsidiaries	255,377,958.78		255,377,958.78	20.98	
China National Railway Group Corporation and subsidiaries	65,328,867.27		65,328,867.27	5.37	3,315,586.02
China Railway Group Corporation (CRGC)and subsidiaries	46,806,964.33		46,806,964.33	3.84	2,640,533.11
Dalian Heavy Industry Crane Group Corporation and subsidiaries	38,058,776.35		38,058,776.35	3.13	2,022,930.49

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China Shipbuilding Industry	23,949,683.21		23,949,683.21	1.97	1,276,968.12
Materials Southwest Co.,Ltd					
Total	429,522,249.94		429,522,249.94	35.29	9,256,017.74

v. Financing receivable

1. Receivables financing

Items	Closing Balance	Opening Balance
Bank acceptance	55,546,474.87	30,996,930.63
Total	55,546,474.87	30,996,930.63

2. Changes in receivables financing during the period and changes in fair value

Items	Opening Balance	New in this period	Derecognition during the period	Closing Balance	Accumulated provision for losses recognized in other comprehensive income
Bank acceptance	30,996,930.63	45,546,474.87	30,996,930.63	45,546,474.87	
Total	30,996,930.63	45,546,474.87	30,996,930.63	45,546,474.87	

3. Pledged receivable financing up to the end of year

Items	Amount
Bank acceptance	10,000,000.00
Total	10,000,000.00

4. Receivable financing endorsed or discounted but not mature at the end of year

Items	Amount derecognized at end of period	Amounts not derecognized at the end of the period
Bank acceptance	356,497,666.90	
Total	356,497,666.90	

vi. Prepayment

1. Aging of advances to suppliers

Items	Closing Balance		Opening Balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	14,347,294.97	84.70	52,055,924.36	98.40

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1 to 2 years	2,423,315.53	14.30	543,392.56	1.03
2 to 3 years	169,282.17	1.00	301,749.09	0.57
More than 3 years				
Total	16,939,892.67	100.00	52,901,066.01	100.00

2. The top five significant advances to suppliers categorized by debtors

Company name	Closing Balance	Proportion of receivable (%)
Daye Special Steel co.,Ltd	7,130,802.81	42.09
Fushun Special Steel Co., Ltd	3,039,178.58	17.94
Wafangdian Bearing Power Co., Ltd	1,367,700.54	8.07
Ben Steel Plate Co., Ltd	1,058,384.41	6.25
Northeast Special Steel Group Co., Ltd	1,010,862.63	5.97
Total	13,606,928.97	80.32

vii. Other receivables

Items	Closing Balance	Opening Balance
Interest receivable	-	-
Dividend receivable	-	-
Other receivable	9,403,175.09	10,555,282.33
Total	9,403,175.09	10,555,282.33

1. Other receivables

(1) Disclosure by aging:

Aging	Closing Balance	Opening Balance
Within 1 year (including 1year)	5,467,667.70	8,149,792.09
1-2 years	3,088,808.31	3,131,360.53
2-3 years	2,110,239.68	520,211.96
3-4years	302,195.88	254,121.72
4-5years	89,830.61	119,264.25
Over 5 years	6,046,915.80	5,508,712.55
Total	17,105,657.98	17,683,463.10
Less:Provision for bad debt	7,702,482.89	7,128,180.77
Total	9,403,175.09	10,555,282.33

(2) Categories of other receivable

Items	Closing Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Provision for bad debts is made on an individual basis	5,558,491.59	32.50	5,558,491.59	100.00	
Provision for bad debts by portfolio	11,547,166.39	67.50	2,143,991.30	18.57	9,403,175.09
Including:					
Account receivable aging portfolio	9,385,366.49	54.87	2,143,991.30	18.62	7,241,375.19
Risk-free portfolio	912,254.08	5.33			912,254.08
Related party portfolio	1,249,545.82	7.30			1,249,545.82
Total	17,105,657.98	100.00	7,702,482.89		9,403,175.09

(Continued)

Items	Opening Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Provision for bad debts is made on an individual basis	4,667,065.27	26.39	4,667,065.27	100.00	-
Provision for bad debts by portfolio	13,016,397.83	73.61	2,461,115.50	18.91	10,555,282.33
Including:					
Account receivable aging portfolio	11,512,069.85	65.10	2,461,115.50	11,512,069.85	65.10
Risk-free portfolio	1,450,322.45	8.20	-	-	
Related party portfolio	54,005.53	0.31	-	-	
Total	17,683,463.10	100.00	7,128,180.77		10,555,282.33

Provision for bad debts is made on an individual basis:

Items	Closing Balance				Opening Balance	
	Booking balance	Bad debts	Accrual rate(%)	Reason for accrual	Booking balance	bad debts
Other receivables with individual bad debt provision	5,558,491.59	5,558,491.59	100.00	uncollectable	4,667,065.27	4,667,065.27

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Items	Closing Balance			Opening Balance		
	Booking balance	Bad debts	Accrual rate(%)	Reason for accrual	Booking balance	bad debts
Total	5,558,491.59	5,558,491.59			4,667,065.27	4,667,065.27

Provision for bad debts by portfolio:

Combined accrual items:

Items	Closing Balance		
	Other receivables	Bad debts	Accrual rate(%)
Within 1 year (including 1 year)	3,885,989.47	194,299.47	5.00
1-2 years	3,023,808.31	302,380.83	10.00
2-3 years	841,853.86	168,370.77	20.00
3-4 years	281,014.09	140,507.05	50.00
4-5 years	71,337.90	57,070.32	80.00
Over 5 years	1,281,362.86	1,281,362.86	100.00
Risk-free portfolio	912,254.08		
Provision for bad debts is made on an individual basis	1,249,545.82		
Total	11,547,166.39	2,143,991.30	

(3) Categories of other receivable:

Provision for bad debt	1 st stage	2 nd stage	3 rd stage	Total
	Expected credit loss within following 12 months	Expected credit loss within life time (unimpaired)	Expected credit loss within life time (impaired)	
Balance on January 1, 2022	7,128,180.77	-	-	7,128,180.77
On January 1, 2022				
Other receivable carrying amount on the book				
--transfer to 2 nd stage				
-- transfer to 3 rd stage				
--reverse to 2 nd stage				
--reverse to 1 st stage				

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Accrued	580,505.75		580,505.75
Reversed			
Recollected			
Written off	6,203.63		-6,203.63
Others			
Closing Balance	7,702,482.89		7,702,482.89

(4) Provision for bad debts charged off, reversed or recovered during the period

Category	Opening balance	Change during the year			Closing Balance
		Accrued	Collected/ reversed	Written-off	
Bad debts	7,128,180.77	580,505.75		6,203.63	7,702,482.89
Total	7,128,180.77	580,505.75		6,203.63	7,702,482.89

(5) Other receivable written off in current period

Items	written off
Other receivable written off in current period	6,203.63

(6) The categories of other receivable by nature

Nature	Closing Balance	Opening Balance
Security deposit	7,020,101.19	7,570,216.18
Personal petty cash	1,329,521.48	1,464,007.16
Others	8,756,035.31	8,649,239.76
Total	17,105,657.98	17,683,463.10

(7) Other receivables from the top 5 debtors

Company name	Category	closing balance	Ageing	Rate of other receivables	Bad debts
Anhui Conch Cement Co	Guarantee	1,300,000.00	within 2 year	7.6	130,000.00
Materials Procurement Office of Daqin Railway Co.	Guarantee	1,118,900.00	within 2 year	6.54	63,395.00
China Railway Logistics Co.	Guarantee	800,000.00	within 2 year	4.68	80,000.00
Wafangdian Bearing Precision Forging Co.	Quality claims	794,027.00	within 1 year	4.64	

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China Coal Pingshuo Group Co.	Guarantee	557,000.00	within 1 year	3.26	27,850.00
Total		4,569,927.00		26.72	301,245.00

viii. Inventories

1、Categories of inventories

Items	Closing Balance		
	Book value	Provision for decline in value of inventories / provision for impairment of contract performance costs	Net book value
Raw materials	90,477,315.78	11,998,678.48	78,478,637.30
Low-value consumable	536,891.65		536,891.65
Finished goods	972,398.14		972,398.14
Goods on transit	496,719,489.87	77,903,530.66	418,815,959.21
Semi-finished goods	3,041,708.28		3,041,708.28
Total	159,190,692.02	9,542,197.61	149,648,494.41

(Continued)

Items	Closing Balance		
	Book value	Provision for decline in value of inventories / provision for impairment of contract performance costs	Net book value
Raw materials	65,513,831.20	14,443,357.39	51,070,473.81
Low-value consumable	507,593.55		507,593.55
Finished goods			
Goods on transit	554,976,127.46	121,372,831.96	433,603,295.50
Semi-finished goods	476,795.20		476,795.20

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Items	Closing Balance		
	Book value	Provision for decline in value of inventories / provision for impairment of contract performance costs	Net book value
Total	189,136,443.02	28,175,457.17	160,960,985.85

2、Provision for decline in value of inventories and provision for impairment of contract performance costs

Items	Opening Balance	Increase		Decrease		Closing Balance
		Accrual	Other	Reverse/Written-off	Others transferred	
Raw materials	14,443,357.39	639,258.73		3,083,937.64		11,998,678.48
Finished goods	121,372,831.96	14,416,285.49		57,885,586.79		77,903,530.66
Semi-finished goods	28,175,457.17	1,062,726.27		19,695,985.83		9,542,197.61
Total	163,991,646.52	16,118,270.49		80,665,510.26		99,444,406.75

ix. Contract assets

1. Contract assets detail

Items	Closing Balance			Opening balance		
	Book value	Provision for decline	Net book value	Book value	Provision for decline	Net book value
contract to be performed	5,858,045.86	292,902.29	5,565,143.57	633,027.20	31,651.36	601,375.84
Total	5,858,045.86	292,902.29	5,565,143.57	633,027.20	31,651.36	601,375.84

2. Disclosure of contract assets categorized by impairment methodology

Items	Closing Balance				
	Booking balance		bad debts		Booking value
	Amount	Rate (%)	Amount	Rate (%)	
Notes receivable with bad debt provision based on the characters of credit risk portfolio including:	5,858,045.86	100	292,902.29	5	5,565,143.57

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Contract performance payments	5,858,045.86	100	292,902.29	5	5,565,143.57
Total	5,858,045.86	100	292,902.29		5,565,143.57

(Continued)

Items	Opening Balance				Booking value
	Booking balance		bad debts		
	Amount	Rate (%)	Amount	Rate(%)	
Notes receivable with bad debt provision based on the characters of credit risk portfolio including:					
Contract performance payments	633,027.20	100	31,651.36	5	601,375.84
Total	633,027.20	100	31,651.36		601,375.84

Contract assets with bad debt provision based on the characters of credit risk portfolio:

Items	Closing balance		
	Contract assets	Provision for decline	Rate (%)
Contract performance payments	5,858,045.86	292,902.29	
Total	5,858,045.86	292,902.29	

3. Provision for decline of contract assets of current period

Items	Opening balance	Accrual	Reverse	Written-off	Closing Balance
contract to be performed	31,651.36	292,902.29	31,651.36		292,902.29
Total	31,651.36	292,902.29	31,651.36		292,902.29

x. Other current assets

Items	Closing Balance	Opening Balance
VAT to be verified	29,702,672.39	12,418,324.43
VAT to be deducted	14,421,412.35	3,257,445.02
Advance income tax	3,436,832.45	5,830.38
Total	47,560,917.19	15,681,599.83

xi. Other equity instrument investment

Investments in other equity instruments

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Items	Closing Balance	Opening Balance
Shanghai ME Mechanical & Electrical Equipment Chain Co., Ltd	2,000,000.00	2,000,000.00
Qian'an Zhayi Iron & Steel Group Co. Ltd	2,486,987.74	2,503,766.95
Dalian Huilong Industry& Trade Company's share	7,423,089.69	7,423,089.69
Total	11,910,077.43	11,926,856.64

xii. Investment property

Investment property measured as cost method

Item	Property	Land use right	Total
1. Initial Cost			
(1) Opening Balance	84,454,019.02	52,861,118.81	137,315,137.83
(2) Increase	14,268,584.28		14,268,584.28
—Purchase			
—Transferred from FA	14,268,584.28		14,268,584.28
—Increase in business combinations			
(3) Decrease	1,795,076.49		1,795,076.49
—Disposal	247,757.37		247,757.37
—Transfer to others	1,547,319.12		1,547,319.12
(4) Closing Balance	96,927,526.81	52,861,118.81	149,788,645.62
2. Accumulated Depreciation			
(1) Opening Balance	48,860,526.58	21,242,804.56	70,103,331.14
(2) Opening Balance	11,016,031.61	1,321,511.87	12,337,543.48
—Accrued	11,016,031.61	1,321,511.87	12,337,543.48
—Transfer from others			
(3) Decrease	1,266,882.76		1,266,882.76
—Disposal	244,528.27		244,528.27
—Transfer to others	1,022,354.49		1,022,354.49
(4) Closing Balance	58,609,675.43	22,564,316.43	81,173,991.86
3. Impairment Reserve			
(1) Opening Balance			
(2) Increase			
—Accrued			

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Item	Property	Land use right	Total
(3) Decrease			
—Decrease			
(4) Closing Balance			
4. Book Value			
(1) Closing book value	38,317,851.38	30,296,802.38	68,614,653.76
(2) Opening book value	35,593,492.44	31,618,314.25	67,211,806.69

xiii. Fixed assets

1. Fixed assets and fixed assets liquidation

Item	Closing Balance	Opening Balance
Fixed assets	448,651,044.66	391,769,315.64
Total	448,651,044.66	391,769,315.64

2. Fixed assets detail

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Item	Property	Machinery Equipment	Transportation Equipment	Electronic Device	Other Equipment	Total
1. Initial Cost						
(1) Opening Balance	277,999,210.75	1,005,957,103.34	21,403,612.37	48,062,629.71	220,675,446.76	1,574,098,002.93
(2) Increase	19,108,634.02	85,101,340.59	1,216,629.08	11,775,080.12	47,994,471.57	165,196,155.38
—Purchase	342,693.34	4,353,264.06	395,227.33	2,173,245.78	482,888.07	7,747,318.58
—Transferred from construction- in-progress	17,218,621.56	43,952,467.31	821,401.75	2,245,170.45	47,511,583.50	111,749,244.57
— Investment real estate transfer	1,547,319.12					1,547,319.12
— Changes in fixed asset classes		36,795,609.22		7,356,663.89		44,152,273.11
(3) Decrease	10,336,065.63	29,827,913.96	6,339,558.41	3,526,152.29	38,341,734.79	88,371,425.08
—Disposal	432,323.64	29,827,913.96	146,426.05	3,526,152.29	1,026,119.77	34,958,935.71
—Transfer out to investment property	9,260,216.26					9,260,216.26
— Changes in fixed asset classes	643,525.73		6,193,132.36		6,193,132.36	6,193,132.36
(4) Closing Balance	286,771,779.14	1,061,230,529.97	16,280,683.04	56,311,557.54	230,328,183.54	1,650,922,733.23
2. Accumulated Depreciation						
(1) Opening Balance	198,847,353.39	732,582,937.65	16,693,054.45	37,304,780.10	163,740,773.04	1,149,168,898.63
(2) Increase	8,458,612.64	78,263,695.10	857,314.12	8,374,759.92	8,878,148.28	104,832,530.07
—Accrued	7,436,258.15	41,468,085.88	786,210.59	3,027,934.44	8,878,148.28	61,596,637.35

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—Transferred from construction- in-progress	1,022,354.49					
— Changes in fixed asset classes		36,795,609.22	71,103.53	5,346,825.48		42,213,538.23
(3) Decrease	9,192,169.31	29,630,447.70	4,489,678.42	3,411,098.36	38,304,048.13	85,027,441.92
—Disposal	233,280.32	29,630,447.70	142,034.05	3,411,098.36	988,433.11	34,405,293.54
—Transfer out to investment property	8,408,610.15					8,408,610.15
— Changes in fixed asset classes	550,278.84		4,347,644.37		37,315,615.02	42,213,538.23
(4) Closing Balance	198,113,796.72	781,216,185.05	13,060,690.15	42,268,441.66	134,314,873.19	1,168,973,986.77
3. Impairment Reserve						
(1) Opening Balance	1,063,718.18	31,389,664.20	17,101.18	575,038.53	114,266.57	33,159,788.66
(2) Increase	51,769.24	12,160.69	7,925.82	54,093.59	33,626.34	159,575.68
—Accrued	51,769.24	12,160.69	7,925.82	54,093.59	33,626.34	159,575.68
(3) Decrease		12,313.11		288.12	9,061.31	21,662.54
—Disposal		12,313.11		288.12	9,061.31	21,662.54
(4) Closing Balance	1,115,487.42	31,389,511.78	25,027.00	628,844.00	138,831.60	33,297,701.80
4. Book value						
(1) Closing book value	87,542,495.00	248,624,833.14	3,194,965.89	13,414,271.88	95,874,478.75	448,651,044.66
(2) Opening book value	78,088,139.18	241,984,501.49	4,693,456.74	10,182,811.08	56,820,407.15	391,769,315.64

3. Temporary idle fixed assets

Items	Initial Cost	Accumulated Depreciation	Provision	Book Value
Property	34,491,553.06	30,671,406.90		3,820,146.16
Machinery equipment	84,394,401.55	57,213,587.40	23,119,767.18	4,061,046.97
Transportation equipment	784,016.69	741,428.79	17,101.18	25,486.72
Electronic device	805,541.56	697,921.99	84,825.01	22,794.56
Others equipment	2,186,842.90	1,728,085.80	234,820.61	223,936.49
Total	122,662,355.76	91,052,430.88	23,456,513.98	8,153,410.90

4. Fixed assets lease out under operating lease

Item	Property	Machinery Equipment	Transportation Equipment	Electronic Device	Other Equipment	Total
1. Initial Cost						
(1) Opening Balance	105,564,237.77	227,002,531.20	1,499,980.60	5,942,876.86	2,033,551.36	342,043,177.79
(2) Increase						
— Purchase						
— Transferred from construction- in-progress						
(3) Decrease						
— Disposal	8,636,710.95	75,698,769.76	235,415.19	426,080.81	818,897.91	85,815,874.62
— Others						
(4) Closing Balance	96,927,526.82	151,303,761.44	1,264,565.41	5,516,796.05	1,214,653.45	256,227,303.17
2. Accumulated Depreciation						
(1) Opening Balance	63,989,258.85	147,359,119.50	1,298,139.37	4,598,660.07	1,135,688.48	218,380,866.27
(2) Increase				298,299.83		298,299.83
— Accrued				298,299.83		298,299.83
(3) Decrease	5,379,583.42	43,840,280.75	71,510.95		461,052.17	49,752,427.29
— Disposal						
— Other transfer	5,379,583.42	43,840,280.75	71,510.95		461,052.17	49,752,427.29
(4) Closing Balance	58,609,675.43	103,518,838.75	1,226,628.42	4,896,959.90	674,636.31	168,926,738.81

3. Impairment Reserve						
(1) Opening Balance	818,737.82	24,687,643.98	17,101.18	202,623.20	5,072.99	25,731,179.17
(2) Increase						
—Accrued						
(3) Decrease	818,737.82	19,079,284.32	17,101.18	81,608.38	5,072.99	20,001,804.69
—Disposal						
—For personal use	818,737.82	19,079,284.32	17,101.18	81,608.38	5,072.99	20,001,804.69
(4) Closing Balance		5,608,359.66		121,014.82		5,729,374.48
4. Book value						
(1) Closing book value	38,317,851.39	42,176,563.03	37,936.99	498,821.33	540,017.14	81,571,189.88
(2) Opening book value	40,756,241.10	54,955,767.72	184,740.05	1,141,593.59	892,789.89	97,931,132.35

5. Fixed assets as pending certificate of ownership

Items	Book value	Reason
Dalian Wazhou Precision Electric Motor Car Bearing factory	24,886,879.85	In process
WaZhou Liaoyang Bearing Co. New Precision Plant	7,544,705.80	In process
Seven finished products car loading plant	1,993,611.71	In process

xiv. Construction-in-progress

1. Construction in progress and construction materials

Items	Closing Balance			Opening Balance		
	Booking balance	provision for impairment	Net book value	Booking balance	provision for impairment	Net book value
Construction in progress	44,446,291.93	7,091,322.25	37,354,969.68	88,985,374.41	7,094,234.87	81,891,139.54
Engineering materials						
Total	44,446,291.93	7,091,322.25	37,354,969.68	88,985,374.41	7,094,234.87	81,891,139.54

2. Construction in progress details

Item	Closing Balance		
	Book Balance	Provision	Book Value
Dalian precision automatic assembly line			

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Item	Closing Balance		
	Book Balance	Provision	Book Value
Precision Bearing Factory Remodeling	1,763,716.80		1,763,716.80
1250 salt bath martensitic heat treatment production line pressure bed investment transformation			
Angular contact ball bearing production line			
Bearing Parts Manufacturing Branch Plant Remodeling			
Newly built factory building project			
Seven finished products remodeling	3,555,799.28	3,453,144.41	102,654.87
Tirenhaus Super Precision Machine			
Second finished product remodeling			
Plant remodeling project			
Liaoyang Remodeling Project			
Spherical roller bearing assembly line	1,198,862.55	1,110,842.55	88,020.00
Grinding and machining production line repair and remodeling	741,000.00	741,000.00	
Double push plate type railroad bearing carburizing production line			
Railroad renovation	665,647.85	24,854.40	640,793.45
Super Finishing Machine Installation Project	456,878.68	456,878.68	
Overhaul Sub-plant Rehabilitation			
Passage II construction project	256,249.27	222,849.70	33,399.57
Crane project			
Precision Rolling Body Remodeling	13,091.45		13,091.45
Grinding production line	38,957.26		38,957.26
Computer project	25,623.93		25,623.93
Dalian Industrial Park Project	5,590.45		5,590.45
Equipment to be installed	18,647,555.39	1,081,752.51	17,565,802.88
Workshop Plant Remodeling Project	8,310,795.48		8,310,795.48
Overhaul of very large equipment	5,594,399.60		5,594,399.60
Railroad Bearing Overhaul Branch Railway Bearing			
Automatic Assembly Line and Supporting Project	1,035,398.25		1,035,398.25

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Item	Closing Balance		
	Book Balance	Provision	Book Value
Medium and Large Branch Component CNC Production Line Renewal Project	2,136,725.69		2,136,725.69
Total	44,446,291.93	7,091,322.25	37,354,969.68

(continued)

Item	Opening Balance		
	Book Balance	Provision	Book Value
Dalian precision automatic assembly line	12,179,730.00		12,179,730.00
Precision Bearing Factory Remodeling	9,962,216.12		9,962,216.12
1250 salt bath martensitic heat treatment production line pressure bed investment transformation	9,601,769.92		9,601,769.92
Angular contact ball bearing production line	8,849,557.51		8,849,557.51
Bearing Parts Manufacturing Branch Plant Remodeling	7,835,712.44		7,835,712.44
Newly built factory building project	6,717,773.55		6,717,773.55
Seven finished products remodeling	4,190,539.28	3,735,902.11	454,637.17
Tirenhaus Super Precision Machine	2,123,893.74		2,123,893.74
Second finished product remodeling	1,847,681.42		1,847,681.42
Plant remodeling project	1,470,077.93		1,470,077.93
Liaoyang Remodeling Project	1,426,189.39		1,426,189.39
Spherical roller bearing assembly line	1,321,112.55	1,110,842.55	210,270.00
Grinding and machining production line repair and remodeling	741,000.00	741,000.00	
Double push plate type railroad bearing carburizing production line	712,389.38		712,389.38
Railroad renovation	625,647.85	24,854.40	600,793.45
Super Finishing Machine Installation Project	456,878.68		456,878.68
Overhaul Sub-plant Rehabilitation	348,672.56		348,672.56
Passage II construction project	259,161.89	225,762.32	33,399.57
Crane project	255,382.52		255,382.52
Precision Rolling Body Remodeling	166,937.61		166,937.61
Grinding production line	38,957.26		38,957.26
Computer project	25,623.93		25,623.93

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Item	Opening Balance		
	Book Balance	Provision	Book Value
Dalian Industrial Park Project	5,590.45		5,590.45
Equipment to be installed	9,000,426.10	1,255,873.49	7,744,552.61
Workshop Plant Remodeling Project	8,024,222.21		8,024,222.21
Overhaul of very large equipment			
Railroad Bearing Overhaul Branch Railway Bearing Automatic Assembly Line and Supporting Project	798,230.12		798,230.12
Medium and Large Branch Component CNC Production Line Renewal Project	12,179,730.00		12,179,730.00
Total	88,985,374.41	7,094,234.87	81,891,139.54

3、Significant construction in progress

Items	Budget	Opening Balance	Increase	Transfer to fixed assets	Other decrease	Closing Balance
New Plant Project	7,358,120.12	6,717,773.55	1,638,831.62	8,356,605.17		
Dalian Precision Automatic Assembly Line	14,539,900.00	12,179,730.00	70,796.46	12,250,526.46		
Angular contact ball bearing production line	10,000,000.00	8,849,557.51	1,972,769.50	10,822,327.01		
1250 heat treatment salt bath martensitic production line investment remodeling	15,500,000.00	9,601,769.92		9,601,769.92		
Precision Bearing Factory Remodeling		9,962,216.12	4,175,817.99	9,468,368.45	2,905,948.86	1,763,716.80
Equipment to be installed		9,000,426.10	35,597,704.77	23,953,449.43	1,997,126.05	18,647,555.39
Workshop plant remodeling project		8,024,222.21	17,058,093.76	9,260,762.34	7,510,758.15	8,310,795.48

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Items	Budget	Opening Balance	Increase	Transfer to fixed assets	Other decrease	Closing Balance
Extra large equipment overhaul			5,594,399.60			5,594,399.60
Total		64,335,695.41	66,108,413.70	83,713,808.78	12,413,833.06	34,316,467.27

4、Provision for impairment of construction in progress during the period

Items	Opening Balance	Change during the year			Closing Balance	Reason
		Accrued	transfer out	Others		
Provision for impairment of construction in progress	7,094,234.87		2,912.62		7,091,322.25	
Total	7,094,234.87		2,912.62		7,091,322.25	

xv. Intangible assets

Items	Land use right	ERP software	Total
1. Initial cost			
(1) Opening balance	123,328,608.93	11,842,255.70	135,170,864.63
(2) Increase	1,246,641.42	34,905.66	1,281,547.08
— Purchase	1,246,641.42	34,905.66	1,281,547.08
(3) Decrease			
— Disposal			
(4) Closing balance	124,575,250.35	11,877,161.36	136,452,411.71
2. Amortization			
(1) Opening balance	50,856,731.62	6,875,514.30	57,732,245.92
(2) Increase	3,129,037.86	1,271,251.47	4,400,289.33
— Accrual	3,129,037.86	1,271,251.47	4,400,289.33
(3) Decrease			
— Disposal			
(4) Closing balance	53,985,769.48	8,146,765.77	62,132,535.25
3. Provision for impairment			
(1) Opening balance			
(2) Increase			
— Accrual			
(3) Decrease			
— Disposal			
(4) Closing balance			
4. Book value			
(1) Closing Book value	70,589,480.87	3,730,395.59	74,319,876.46

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Items	Land use right	ERP software	Total
(2) Opening Book value	72,471,877.31	4,966,741.40	77,438,618.71

xvi. Long-term unamortized expense

Items	Opening Balance	Increase	Amortization	Other Decrease	Closing Balance
Building improvement expenses	114,379.51		67,830.36		46,549.15
Fixed asset improvement expenses		3,570,339.37	268,284.96		3,302,054.41
Building maintenance expenses		1,542,762.04	48,384.28		1,494,377.76
Total	114,379.51	5,113,101.41	384,499.60		4,842,981.32

xvii. Deferred tax assets and deferred tax liabilities

1、Deferred tax assets before offsetting

Items	Closing Balance		Opening Balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Asset evaluation increment in business combination without the same control	3,837,980.74	575,697.11	4,179,393.43	626,909.02
Total	3,837,980.74	575,697.11	4,179,393.43	626,909.02

2、Unrecognized deferred tax assets details

Items	Closing Balance	Opening Balance
Deductible temporary difference	430,976,118.37	406,214,774.41
Deductible loss	805,391,478.16	838,843,796.79
Total	1,236,367,596.53	1,245,058,571.20

3、Unrecognized deductible loss of deferred tax assets expired next period

Year	Closing Balance	Opening Balance	Memo
2023		96,027,224.19	—
2024	14,645,709.83	14,645,709.83	—
2025	82,495,762.79	82,495,762.79	—
2026	14,116,432.63	14,116,432.63	—

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2027	75,136,503.79	75,136,503.79	—
2028	103,469,846.02	103,469,846.02	—
2029	82,648,926.07	82,648,926.07	
2030	150,374,473.29	150,374,473.29	
2031	127,716,833.64	127,716,833.64	
2032	92,212,084.54	92,212,084.54	
2033	62,574,905.56		
Total	805,391,478.16	838,843,796.79	

xviii. Assets with restricted ownership or use

Items	Closing Balance				Opening Balance			
	Book Balance	Book Value	Restricted assets	Restrictions	Book Balance	Book Value	Restricted assets	Restrictions
Monetary funds	42,939,828.07	42,939,828.07	Other monetary funds	Bank acceptance deposit	75,389,415.51	75,389,415.51	Other monetary funds	Bank acceptance deposit
Monetary funds	56,400,000.00	56,400,000.00	Other monetary funds	Letter of Credit Deposit	28,000,000.00	28,000,000.00	Other monetary funds	Letter of Credit Deposit
Monetary funds	809,839.35	809,839.35	Other monetary funds	Letter of Guarantee Deposit				
Note receivable	2,982,604.41	2,982,604.41	Finance company acceptance	Pledge of notes	20,228,644.00	20,228,644.00	Trade acceptance	Pledge of notes
Note receivable	14,770,614.03	14,770,614.03	Trade acceptance	Pledge of notes				
Financing receivable	10,000,000.00	10,000,000.00	Bank acceptance	Pledge of notes				
Total	127,902,885.86	127,902,885.86			123,618,059.51	123,618,059.51		

xix. Short-term loan

1. Short-term borrowing situation:

Classification	Closing balance	Opening balance
Credit loan	598,000,000.00	699,000,000.00
Total	598,000,000.00	699,000,000.00

xx. Note payable

Classification	Closing balance	Opening balance
Bank acceptance notes	178,010,089.72	322,446,562.00
Bank letter of credit	282,218,015.20	140,000,000.00
Trade acceptance notes	612,113.60	
Total	460,840,218.52	462,446,562.00

xxi. Accounts payable

1. Accounts payable

Items	Closing balance	Opening balance
Goods payments	1,203,819,196.29	1,266,080,898.13
Project payments	61,341,461.77	30,528,086.00
Others	4,039,611.42	4,366,050.59
Total	1,269,200,269.48	1,300,975,034.72

xxii. Contract liability

1. Details

Items	Closing balance	Opening balance
Contract obligation to be fulfilled	30,546,735.85	30,449,983.07
Total	30,546,735.85	30,449,983.07

xxiii. Employee's payable

1. Category of employee's payables

Items	Opening balance	Increase	Decrease	Closing balance
1. Short-term employee's payable	40,889,276.33	346,106,630.93	344,617,432.03	42,378,475.23
2. Post-employment benefit – defined contribution plan	5,431,700.50	37,572,539.05	38,288,461.88	4,715,777.67
3. Redundancy pay	476,327.00	707,248.00	1,147,689.00	35,886.00

Total	46,797,303.83	384,386,417.98	384,053,582.91	47,130,138.90
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2. Short-term employee's payables

Items	Opening balance	Increase	Decrease	Closing balance
1. Salaries, bonus, allowance, and subsidy	35,350,531.29	267,844,487.05	265,639,542.49	37,555,475.85
2. Welfare	1,698,260.88	22,503,415.26	22,512,308.03	1,689,368.11
3. Social insurance	510.00	24,070,104.29	24,049,139.71	21,474.58
Include: Medical insurance	510.00	18,951,225.91	18,930,881.41	20,854.50
On-duty injury insurance		2,941,476.95	2,940,856.87	620.08
Maternity insurance		2,177,401.43	2,177,401.43	
4. Housing funds	2,723,387.67	28,733,167.44	28,808,651.12	2,647,903.99
5. Labour union and training expense	1,116,586.49	2,955,456.89	3,607,790.68	464,252.70
Total	40,889,276.33	346,106,630.93	344,617,432.03	42,378,475.23

3. Defined contribution plan

Items	Opening balance	Increase	Decrease	Closing balance
1. Pension	5,361,841.68	36,437,339.06	37,154,322.19	4,644,858.55
2. Unemployment insurance	69,858.82	1,135,199.99	1,134,139.69	70,919.12
Total	5,431,700.50	37,572,539.05	38,288,461.88	4,715,777.67

xxiv. Tax payables

Item	Closing balance	Opening balance
Value-added tax	17,442,505.31	22,583,213.56
Vehicle and vessel tax	523.35	277.11
Individual income tax	179,264.27	151,164.11
City maintenance and construction tax	380,958.28	905,007.18
Real estate tax	729,276.40	761,554.52
Land Value Added Tax	79,628.63	
Education surcharge	144,555.47	611,185.48
Land use tax	533,535.19	608,428.81
local education surcharge	125,323.46	23,861.56

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Item	Closing balance	Opening balance
Stamp duty	712,277.64	822,501.62
Total	20,327,848.00	26,467,193.95

xxv. Other payables

Items	Closing balance	Opening balance
Other payables	185,396,158.28	180,459,153.26
Total	185,396,158.28	180,459,153.26

1. Other accounts payable

(1) Other payables categorized by payments nature

Payments nature	Closing balance	Opening balance
Bid security deposits	2,180,298.75	744,408.75
Trademark fees and lease premium to Group	35,122,060.78	29,201,965.04
Authorization deposit of seller	95,780,977.48	85,246,975.76
Others	52,312,821.27	65,265,803.71
Total	185,396,158.28	180,459,153.26

xxvi. Other current liabilities

Items	Closing balance	Opening balance
Output VAT to be transferred	4,574,730.79	4,294,078.63
Total	4,574,730.79	4,294,078.63

xxvii. Long-term Borrowings

Items	Closing balance	Opening balance
Credit borrowing	99,450,000.00	
Total	99,450,000.00	

xxviii. Long-term payables

Type	Closing balance	Opening balance
Long-term payables	100,000.00	100,000.00
Special payables	244,974.84	244,974.84
Total	344,974.84	344,974.84

1. Long-term payables

Payments nature	Closing balance	Opening balance
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Equipment payments	100,000.00	100,000.00
Total	100,000.00	100,000.00

2. Special payables

Items	Opening Balance	Increase	Decrease	Closing Balance	Formation Basis
Special pollution treatment	169,974.84			169,974.84	Granted by Wafangdian Bureau of Finance and Wafangdian Bureau of Environment Protection with approval with “WaCaiZhiQi 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 CaiZhiQi No. [2012]917” and “DaJing XinFa No. [2012]199”
Total	244,974.84			244,974.84	

xxix. Projected liability

Items	Opening balance	Increase	Decrease	Closing balance	Reason
Accrued warranty	829,233.94	5,821,814.18	5,042,042.88	1,609,005.24	Accrual for wind power product quality claim
Wind power product quality claim	53,459,700.00	3,505,223.17	13,212,885.40	43,752,037.77	Customer claimed compensation for quality problem
Railroad Bearing Overhaul Business Compensates Customers for Losses		4,237,159.65		4,237,159.65	Bearing Overhaul Compensates Customers for Losses
Total	54,288,933.94	13,564,197.00	18,254,928.28	49,598,202.66	

xxx. Deferred income

Items	Opening balance	Increase	Decrease	Closing balance	Formation Basis
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Wafangdian Bearing Co., Ltd
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Government subsidy	23,668,478.95	205,869.15	4,476,942.29	19,397,405.80	Grant from government
Compensation for land removal	24,656,000.19		953,225.60	23,702,774.60	Old factory removal and new factory and land compensation for Liaoyang Bearing Construction Co.,Ltd
Total	48,324,479.14	205,869.15	5,430,167.89	43,100,180.40	

xxxii. Share capital

Shareholders' name/category	Opening Balance	Change for current period					Closing Balance
		Issuing new shares	Distributing shares	Transferring capital reserve to share capital	Others	Subtotal	
Shares under restriction for sale							
Domestically legal person shares	244,000,000.00						244,000,000.00
Total shares under restriction for sale	244,000,000.00						244,000,000.00
Shares without restriction for sale							
Domestically listed foreign shares	158,600,000.00						158,600,000.00
Total shares without restriction for sale	158,600,000.00						158,600,000.00
Total shares	402,600,000.00					-	402,600,000.00

xxxiii. Capital Reserve

Items	Opening balance	Increase	Decrease	Closing balance
Share premium	201,956,446.52			201,956,446.52
Other capital reserves	283,734,603.95			283,734,603.95
Total	485,691,050.47			485,691,050.47

xxxiiii. Special reserve

Wafangdian Bearing Co., Ltd
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Items	Opening balance	Increase	Decrease	Closing balance
Safety production fee	1,933,209.86	14,207,667.88	13,726,000.11	2,414,877.63
Total	1,933,209.86	14,207,667.88	13,726,000.11	2,414,877.63

xxxiv. Surplus reserves

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

xxxv. Undistributed profits

Item	Current year	Prior year
Closing balance of prior year	-416,794,159.01	-211,056,473.59
Add: Adjustments to the opening balance of undistributed profits	-	
Including: additional retrospective adjustments according to the new accounting standards	-	
Change on accounting policy	-	
Correction of prior period significant errors	-	
Change on combination scope under same control	-	
Other factors	-	
Opening balance of current year	-416,794,159.01	-211,056,473.59
Add: net profit attributable to shareholders of parent company in the year	-139,897,498.87	-205,737,685.42
Less: Provision for statutory surplus reserves	-	
Provision for any surplus reservesC	-	
Provision of general risk	-	
Dividends payable for common shares	-	
Share dividends	-	

Closing balance of current year	-556,691,657.88	-416,794,159.01
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xxxvi. Operating revenue and cost

1. Operating revenue and cost

Items	Current year		Prior year	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Revenue from principle operation	2,093,582,371.38	1,772,353,109.74	2,105,718,679.43	1,715,532,617.22
Revenue from other operation	99,691,310.82	48,356,855.55	242,611,882.14	182,374,798.19
Total	2,193,273,682.20	1,820,709,965.29	2,348,330,561.57	1,897,907,415.41

2. Revenue from principle operation details

Items	Current year		Prior year	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Export	180,093,365.40	162,756,753.10	216,679,504.65	204,095,685.61
Domestic	1,839,041,606.47	1,560,781,777.11	1,829,007,604.84	1,450,154,222.68
Including:				
Transportation vehicle bearings	390,584,082.35	342,540,976.43	408,899,268.24	308,496,639.53
Special use bearings	797,640,051.38	612,926,045.89	766,000,221.77	587,952,935.71
General use bearings	650,817,472.74	605,314,754.79	654,108,114.83	553,704,647.44
Industrial Operations	74,447,399.51	48,814,579.53	60,031,569.94	61,282,708.93
Total	2,093,582,371.38	1,772,353,109.74	2,105,718,679.43	1,715,532,617.22

xxxvii. Taxes and surcharges

Items	Current year	Prior year
City construction tax	2,971,995.83	2,295,223.89
Education surcharge	1,250,772.70	975,487.12
Local Education surcharge	852,244.05	650,324.75
Stamp duty	2,913,780.62	2,986,079.48
Property tax	3,186,145.79	3,234,052.32
Tax on land use	2,750,658.28	2,592,538.39

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Others	13,334.65	3,828.75
Total	13,938,931.92	12,737,534.70

xxxviii. Selling expenses

Items	Current period	Previous period
Employee benefit	75,860,278.63	80,232,961.93
Compensation for quality default	6,177,806.01	15,147,919.63
Transportation expense	3,709,993.80	3,861,365.52
Travel expense	19,759,828.73	19,576,148.62
Trademark use fee	19,540,783.38	19,059,025.84
Business activity	21,253,511.98	10,559,616.69
Leasing	665,324.40	2,534,638.96
Conference expense	1,786,663.26	434,107.43
Others	11,016,727.12	11,132,179.76
Total	159,770,917.31	162,537,964.38

xxxix. Administrative expenses

Items	Current year	Prior year
Employee benefit	104,663,763.07	92,568,569.30
Intangible assets amortization	4,436,782.70	5,184,998.40
Guide and fire fighting expense	2,776,700.02	2,064,799.94
Depreciation expense	3,976,081.49	5,647,387.71
Travel expense	3,737,729.34	1,694,654.96
Business entertaining expense	410,823.18	86,907.86
Other expense	7,605,198.79	7,852,328.83
Total	127,607,078.59	115,099,647.00

xl. R&D expenses

Items	Current year	Prior year
Materials input	112,308,644.43	182,464,582.97
Design, new process development fee	21,227,451.57	17,068,312.85
Labor cost	16,158,279.14	7,860,803.17
Depreciation and amortization of long term expense	2,116,871.69	13,837,137.30
Fuel power	2,845,982.54	2,795,182.25
R&D equipment repair and leasing fee	830,561.34	1,728,751.60
Processing fee	71,405.34	4,156,235.94
Testing fee	1,284,691.44	150,000.00
Others fee	992,493.16	1,184,324.90
Total	157,836,380.65	231,245,330.98

xli. Financial expenses

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Items	Current year	Prior year
Interest expenses	40,071,255.06	36,216,652.32
Less: Interest income	1,532,778.11	1,197,047.65
Exchange losses	-2,879,743.90	-4,577,289.79
Add: Others expenditure	481,611.16	965,156.99
Total	36,140,344.21	31,407,471.87

xlii. Other income

Items	Current year	Prior year
Government grant	10,623,570.13	7,068,347.57
Input tax credits	22,781,130.77	
Withholding of personal income tax handling fee	86,065.72	
Total	33,490,766.62	7,068,347.57

xliii. Investment income

Items	Current year	Prior year
Dividend income from other equity instrument investments during the holding period	2,000,000.00	
Debt restructuring	10,935,641.78	6,892,627.00
Total	12,935,641.78	6,892,627.00

xliv. Gain on FV movement

Source of Gain on FV change	Current year	Prior year
Tradable financial asset	-29,276.17	-78,583.43
Total	-29,276.17	-78,583.43

xlv. Loss on credit impairment (loss listed as “-”)

Items	Current year	Prior year
Bad debt loss of notes receivable	121,925.22	-1,301,852.54
Bad debt loss of receivable	-7,732,014.97	13,483,629.05
Bad debt loss of other receivable	-580,505.75	1,967,408.54
Total	-8,190,595.50	14,149,185.05

xlvi. Loss on asset impairment (loss listed as “-”)

Items	Current year	Prior year
Inventory impairment loss & Impairment loss on contract performance costs	-16,118,270.49	-54,398,890.99
Contract asset impairment loss	-292,902.29	-31,651.36
Fixed asset impairment loss	-159,575.68	-14,019,262.53
Construction in progress loss		-2,312,921.14
Total	-16,570,748.46	-70,762,726.02

xlvii. Gain on assets disposal

Item	Current year	Prior year	Amounts recognized into current non-recurring profit or loss
Gain on non-current assets disposal	1,406,119.64	2,110,473.61	1,406,119.64
Total	1,406,119.64	2,110,473.61	1,406,119.64

xlvi. Non-operating income

1. Non-operating income list

Item	Current year	Prior year	Amounts recognized into current non-recurring profit or loss
Penalty income	303,323.42	2,877,785.15	303,323.42
Written off unsettled payable	236,575.70	1,023,075.78	236,575.70
Gains on destruction and retirement of non-current assets	512.39		512.39
Others	62,904.93	27,106.90	62,904.93
Total	603,316.44	3,927,967.83	603,316.44

xli. Non-operating expenses

Item	Current year	Prior year	Amounts recognized into current non-recurring profit or loss
Public beneficial donation		244,960.00	
Loss on disposal of non-current asset scrapped	291,140.93	279,322.28	291,140.93
Penalty loss	129,153.50	123,972.75	129,153.50
Others	24,799.14	8,060.11	24,799.14
Total	445,093.57	656,315.14	445,093.57

l. Income tax expense

1. Income tax expense breakdown

Items	Current year	Prior year
Current income tax expenses		
Deferred income tax expenses	-51,211.91	-56,327.43
Total	-51,211.91	-56,327.43

2. Accounting profit and income tax expense adjustment process

Items	Current year
Total profit	-99,529,804.99
Income tax expense at the statutory [or applicable] tax rate	-14,929,470.75
Effect of different tax rates applied to subsidiaries	-4,852,070.53
Effect of adjustments to income taxes of prior periods	
Impact of non-taxable income	-344,943.45
Effect of non-deductible costs, expenses and losses	209,998.35
Effect of deductible losses on the use of deferred income tax assets not recognized in prior periods	
Effect of deductible temporary differences or deductible losses on deferred income tax assets not recognized in the period	25,569,673.10
Other (additive deductions)	-5,704,398.63
Income tax expense	-51,211.91

ii. Earnings per share

1. Basic earnings per share

Basic earnings per share is calculated by dividing consolidated net income attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares of the Company in issue:

Items	Current period	Previous period
Consolidated net income attributable to ordinary shareholders of the parent	-99,478,593.08	-139,897,498.87
Weighted average number of common shares of the Company issued and outstanding	402,600,000.00	402,600,000.00
Basic earnings per share	-0.25	-0.35
Include: Basic earnings per share from continuing operations	-0.25	-0.35
Basic earnings per share from discontinued operations		

2. Diluted earnings per share

Diluted earnings per share is calculated by dividing the consolidated net income attributable to ordinary shareholders of the parent (diluted) by the weighted average number of ordinary shares of the Company in issue (diluted)

Items	Current period	Previous period
Consolidated net income attributable to ordinary shareholders of the parent (diluted)	-99,478,593.08	-139,897,498.87
Weighted average number of common shares of the Company issued and outstanding (diluted)	402,600,000.00	402,600,000.00
Diluted earnings per share	-0.25	-0.35
Include: Diluted earnings per share from continuing operations	-0.25	-0.35
Diluted earnings per share from discontinued operations		

iii. Notes on Cash Flow

1. Cash related to operating activities

(1) Other cash received in connection with operating activities

Items	Current period	Previous period
Interest income	930,938.31	160,520.69
Government Grants	4,502,681.93	1,135,700.85
Current payments	19,680,468.66	25,104,985.62
Refund of deposits and reserve funds	31,095.23	1,526,175.87
Others	9,636,711.88	16,430,341.88
Total	34,781,896.01	44,357,724.91

(2) Other cash paid in connection with operating activities

Items	Current period	Previous period
Selling expenses	42,765,692.93	43,467,830.64
Administrative costs	40,560,213.64	38,974,117.03
Financial expenses	5,726,394.12	2,239,823.14
Others	50,624,735.67	58,415,936.42
Total	139,677,036.36	143,097,707.23

2. Cash related to financing activities

(1) Other cash received in connection with financing activities

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Items	Current period	Previous period
Note Discounting	499,694,933.95	148,898,875.78
Recovery of deposits due	14,500,000.00	
Total	514,194,933.95	148,898,875.78

(2) Other cash paid in connection with financing activities

Items	Current period	Previous period
Notes due for payment	432,726,848.20	
Deposit	246,315,745.49	199,211,995.47
Total	679,042,593.69	199,211,995.47

(3) Changes in liabilities arising from financing activities

Items	Opening balance	Increase		Decrease		Closing balance
		Cash movements	Non-cash movements	Cash movements	Non-cash movements	
Short term loan	699,000,000.00	748,000,000.00		849,000,000.00		598,000,000.00
Long term loan		100,000,000.00		550,000.00		99,450,000.00

liii. Notes on Cash Flow Statement Items

1. Supplementary Information on Cash Flow Statement

additional materials	Current period	Previous period
1. Adjust net profit to cash flow from operating activities:		
Net profit	-99,478,593.08	-139,897,498.87
Add: Provision for asset impairment	8,190,595.50	-14,149,185.05
Credit asset impairment loss	16,570,748.46	70,762,726.02
Depreciation of fixed assets	61,747,539.66	82,180,235.85
Amortization of intangible assets	4,400,289.33	3,863,486.53
Amortization of long-term deferred expenses		
Losses on disposal of fixed assets, intangible assets and other long-term assets	-1,406,119.64	-2,110,473.61
Loss from scrapped fixed assets	291,140.93	279,322.28

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additional materials	Current period	Previous period
Loss from changes in fair value	29,276.17	78,583.43
Financial expenses	36,140,344.21	31,407,471.87
Investment loss	-12,935,641.78	-6,892,627.00
Decrease in deferred income tax assets		
Increase in deferred income tax liabilities	-51,211.91	-56,327.43
Inventory reduction	59,672,294.69	59,703,097.70
Decrease in operating receivables	80,095,716.44	-88,903,900.28
Increase in operating payables	-68,943,686.83	88,000,638.46
Other		
Net cash flow from operating activities	84,322,692.15	84,265,549.90
2. Major investment and financing activities that do not involve cash receipts and expenditures:		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Financing lease of fixed assets		
3. Net changes in cash and cash equivalents:		
Year-end balance of cash	110,664,560.63	227,357,291.37
Less: cash balance at the beginning of the year	227,357,291.37	209,847,896.42
Plus: the year-end balance of cash equivalents		
Less: the beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-116,692,730.74	17,509,394.95

2. Cash and cash equivalents

Items	Closing balance	Opening balance
1. Cash	110,664,560.63	227,357,291.37
Including: cash on hand		292.91
Bank deposits that can be used for payment at any time		
Other currency funds that can be used for payment at any time	110,664,560.63	227,356,998.46
2. Cash equivalents		
Of which: bond investments due within three months		
3. Balance of cash and cash equivalents at the end of the year	110,664,560.63	227,357,291.37
Among them: the restricted use of cash and cash equivalents by the parent company or subsidiary within the group		

liv. Foreign currency monetary items

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Items	Closing balance	Converted exchange rate	Closing balance converted CNY
Money funds			41,500,073.57
Include: USD	3,592,075.05	7.0827	25,441,589.96
Euro	2,043,272.04	7.8592	16,058,483.62
Accounts Receivable			14,070,748.81
Include: USD	1,649,693.46	7.0827	11,684,283.87
Euro	303,652.40	7.8592	2,386,464.94

iv. Leases

1. As lessee

Items	Current period	Previous period
Simplified treatment of short-term lease charges recognized in the cost of the related asset or in current profit or loss	18,503,295.33	18,573,716.43

2. As lessor

(1) Operating lease

Items	Current period	Previous period
Operating lease income	20,273,010.89	25,755,096.14
Of which: Income related to variable lease payments not included in lease receipts		

VI. Research and development expenditure

Items	Current period	Previous period
Material inputs	112,308,644.43	182,464,582.97
Technical service fee, design fee, new process protocol development fee (equipment commissioning fee and new product tooling)	21,227,451.57	17,068,312.85
Labor costs	16,158,279.14	7,860,803.17
Depreciation and amortization of long-term expenses	2,116,871.69	13,837,137.30
Fuel and power	2,845,982.54	2,795,182.25
R&D equipment repair and rental fees	830,561.34	1,728,751.60

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Items	Current period	Previous period
Processing costs	71,405.34	4,156,235.94
Testing costs	1,284,691.44	150,000.00
Other expenses	992,493.16	1,184,324.90
Total	157,836,380.65	231,245,330.98
Of which: Expensed R&D expenditures	157,836,380.65	231,245,330.98
Capitalized R&D expenses		

VII. Interest in other entity

1. Equity of subsidiaries

(1) Organization structure of group company

Name of Subsidiary	Registered capital	Principal place of business	Place of Registration	Business Nature	Shareholding (%)		Acquisition method
					Direct	Indirect	
Wazhou Liaoyang Bearing Manufacturing Co.	19.35 million dollars	Liaoyang City, Liaoning Province	Wangshuitai Street, Taizihe District, Liaoyang City, China	Manufacture and sale of bearings and machinery	100		Business Merger
Dalian Wazhou Precision Motor Bearing Co.	10 million dollars	Dalian, Liaoning Province	No.12, Yongsheng Street, Thirteen Mile, Dalian Free Trade Zone	Manufacture and sale of bearings and machinery	100		Investment and establishment
Wazhou Precision Spherical Roller Bearing (Wafangdian) Co.	194 million dollars	Wafangdian, Liaoning Province	No.1, Section 1, North Gongji Street, Wafangdian	Manufacture and sale of bearings and machinery	100		Business combination

VIII. Government Grants

i. Government grants recognized in profit or loss

(1) Asset-related government grants

Balance sheet presentation	Amount	Amounts recognized in profit or loss		Items recognized in profit or loss
		Current period	Previous period	
Deferred income	109,604,063.31	5,430,167.88	5,809,136.96	Other gains
Total	109,604,063.31	5,430,167.88	5,809,136.96	

(2) Revenue-related government grants

Items	Amount	Amounts recognized in profit or loss	
		Current period	Previous period
Subsidies for stabilizing jobs	1,254,878.14	182,460.53	1,072,417.61
Project Funding for Special Funds for Dalian Manufacturing Innovation Center	2,420,000.00	2,420,000.00	
Dalian Science and Technology Bureau Key R&D 2022 Interim Acceptance Subsidy Funding	1,134,700.00	1,134,700.00	
Dalian Allocation of R&D Post-subsidy Funds	1,000,000.00	1,000,000.00	
Dalian Bureau of Commerce allocated 2021 open fund allocation	295,106.03	295,106.03	
Special Funds for Digital Liaoning and Smart Manufacturing Province	200,000.00	200,000.00	
Subsidies for work-based training	47,690.00		47,690.00
Others	151,128.98	12,026.04	139,102.94
Total	6,503,503.15	5,244,292.60	1,259,210.55

ii. Liability items involving government grants

Liability items	Opening Balance	New grants	Recognized in non-operating income	Transferred to other gains	Charged to costs	Other changes	Closing Balance	Asset-related/revenue-related
Deferred income	48,324,479.14	205,869.15		5,430,167.89			43,100,180.40	Asset-related

IX. Risk Related to Financial Instruments

i. Types of risks arising from financial instruments

The Company is exposed to a variety of financial risks in the course of its operations: credit risk, liquidity risk and market risk (including exchange rate risk, interest rate risk and other price risks).

1. Credit risk

Credit risk is the risk that the counterparty will fail to fulfill its contractual obligations and cause the Company to incur a financial loss.

The carrying amount of recognized financial assets in the consolidated balance sheet; for financial instruments measured at fair value, the carrying amount reflects the risk exposure, but not the maximum risk exposure, which will change with future changes in fair value.

In order to reduce credit risk, the Group has set up a special department to determine credit limits, conduct credit approvals and perform other

The Group has established a special department to determine credit limits, conduct credit approvals and implement other monitoring procedures to ensure that necessary measures are taken to recover overdue claims. In addition, the Group reviews the collection status of each individual receivable at each balance sheet date to ensure that adequate provision for bad debts is made for uncollectible amounts. As a result, the management of the Group considers that the Group's exposure to credit risk is significantly reduced.

The Group's liquidity is placed with banks with high credit ratings, therefore, the credit risk of liquidity is low.

The Group has adopted necessary policies to ensure that all sales customers have good credit history. Except for the accounts receivable amount

The Group has no other significant credit concentration risk except for the top five amounts of accounts receivable.

The total amount of the top five accounts receivable: RMB314 million.IX. Fair value disclosures.

2. Liquidity risk

Liquidity risk is the risk that an enterprise will experience a shortage of funds to meet its obligations that are settled by delivery of cash or other financial assets.

The Group manages liquidity risk by ensuring that there is sufficient liquidity to meet obligations as they fall due without incurring unacceptable losses or causing damage to the enterprise's reputation. The Group regularly analyzes the structure and maturity of its liabilities to ensure adequate funding. The management of the Group monitors the utilization of bank borrowings and ensures compliance with the borrowing agreements. It also negotiates with financial institutions for financing in order to maintain a certain credit line and minimize liquidity risk.

The undiscounted contractual cash flows of each of the Company's financial liabilities by maturity date are set out below:

items	Closing Balance					Total undiscounted contract amount	Book value
	Immediate reimbursement	Within1 year	1-2 years	2-5 years	Over 5 years		
Short-term loans		598,000,000.00				598,000,000.00	598,000,000.00
Notes payable		460,840,218.52				460,840,218.52	460,840,218.52
Long-term loans			99,450,000.00			99,450,000.00	99,450,000.00
Total		1,058,840,218.52	99,450,000.00			1,158,290,218.52	1,158,290,218.52

items	Opening Balance				
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	Immediate reimbursement	Within 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted contract amount	Book value
Short-term loans		699,000,000.00				699,000,000.00	699,000,000.00
Notes payable		462,446,562.00				462,446,562.00	462,446,562.00
Total		1,161,446,562.00				1,161,446,562.00	1,161,446,562.00

3. Market risk

Market risk of a financial instrument is the risk that the fair value or future cash flows of the financial instrument will fluctuate because of changes in market prices, including exchange rate risk, interest rate risk and other price risks.

(1) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's risk of changes in cash flows from financial instruments due to changes in interest rates relates mainly to variable-rate bank borrowings. The Group's policy is to maintain floating interest rates on these borrowings.

(2) Exchange rate risk

Exchange rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's exposure to foreign exchange risk relates primarily to the U.S. dollar, and the Group's major export operations are settled in U.S. dollars. As at December 31, 2023, except for the balances of monetary items in foreign currencies in this Note V. (54), the Group's assets and liabilities were in RMB. The foreign exchange risk arising from these assets and liabilities with foreign currency balances may have an impact on the Group's results of operations.

The Company's exposure to exchange rate risk mainly arises from financial assets and financial liabilities denominated in U.S. dollars, and the amounts of foreign-currency

financial assets and foreign-currency financial liabilities translated into Renminbi are set out below:

items	Closing Balance			Opening Balance		
	US dollar	Other foreign currency	Total	US dollar	Other foreign currency	Total
Currency funds	25,441,589.96	16,058,483.62	41,500,073.57	40,360,595.18	16,970,554.13	57,331,149.31
Accounts receivable	11,684,283.87	2,386,464.94	14,070,748.81	6,119,680.29	1,346,740.61	7,466,420.90
Total	37,125,873.83	18,444,948.56	55,570,822.38	46,480,275.47	18,317,294.74	64,797,570.20

(3) Other price risks

As of December 31, 2023, the Group's purchased bearing components may be subject to price fluctuations.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than exchange rate risk and interest rate risk.

ii. Transfer of financial assets

1. transfers of financial assets

Method of transferring financial assets	Transferred financial assets		Status	Basis of judgment
	Nature	Amount		
Notes endorsed and outstanding	Bank acceptance	302,155,516.10	Non-derecognition	
Notes endorsed and outstanding	Finance company acceptance	12,011,143.08	Non-derecognition	
Notes endorsed and outstanding	Trade acceptance	43,099,544.33	Non-derecognition	
Total		357,266,203.51		

2. Financial assets derecognized due to transfers

items	Modalities for the transfer of financial assets	Amount	Associated gains or losses
Receivables financing		356,497,666.90	
Total		356,497,666.90	

X. Fair value disclosures

The inputs used in fair value measurements are divided into three levels:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date.

Level 2 inputs are inputs other than Level 1 inputs that are directly or indirectly observable for the related asset or liability.

Level 3 inputs are unobservable inputs for the relevant asset or liability.

The level to which the fair value measurement results belong is determined by the lowest level to which the inputs that are significant to the fair value measurement as a whole belong.

i. Closing fair value of assets and liabilities measured at fair value

items	F V at the year end			
	1st Level FV Measurement	2nd Level FV Measurement	3rd Level FV Measurement	Total
I. Continuously measured at FV				
◆ Tradable financial asset	214,178.33			214,178.33
1. Financial assets at fair value through profit or loss	214,178.33			214,178.33
(1) Equity instrument investment	214,178.33			214,178.33
◆ Receivables financing		55,546,474.87		55,546,474.87
Total assets measured at fair value on an ongoing basis	214,178.33	55,546,474.87		55,760,653.20

ii. Basis for determining the market value of continuing and discontinued Level 1 fair value measurement items

The Group obtains the unadjusted closing price on the public stock exchange at December 31, 2023 for its investment in certain equity instruments included in financial assets held for trading.

XI .Related Parties Relationship and Transactions

i. Status of the Wafangdian Bearing Company Limited's parent company

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 equipment	519,869,400.00	60.61	60.61

ii. Status of the Company's subsidiaries

For details of the Company's subsidiaries, please refer to "VIII. Interests in other entities" in this note.

iii. 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 Exact Forge Co., Ltd	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group Precision Turnplate Bearing Co., 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 Special Precision Bearing Co., Ltd.	Other entity controlled by the same parent company and ultimate controlling party
Liaoning North Metal Materials Supply Chain Co., Ltd	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group (USA) Bearing Co., Ltd.	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group High-End Auto Bearing Co.,Ltd	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group Precision Roller Co.,Ltd	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group Precision Retainer Co.,Ltd	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 Co.,Ltd	Other entity controlled by the same parent
Wazhou Group National Bearing Engineering Technology Research Centre Co.,Ltd	Other entity controlled by the same parent

Wafangdian Bearing Group Dalian Wind Power Spindle Bearing Co.	Other entity controlled by the same parent
Wafangdian Bearing Group Shanghai R&D Center Co.	Other entity controlled by the same parent
Waxaxhaft Group (Europe) Bearing Co.	Other entity controlled by the same parent
Dalian Wazhou Jinzhou Machinery Co., Ltd	Ceases to be a related party in 2023
Wafangdian Tongda Bearing Manufacturing Co., Ltd	Other related party
Dalian WazhouFengyuan Machinery Co., Ltd	Cease to be an associated party after September 2023
ZWZ Bearing Europe GmbH	Other related party
Dalian koyo Wazhou shaft auto bearing co., Ltd	Other related party
Wafangdian Bearing Education and Training Center	Other related party
Dalian Tiye Gikai Wax Shaft Industry Co., Ltd	Other related party
Wafangdian Bearing Hospital	Cease to be an associated party after November 2023
Dalian Heavy Industries Crane Group Co.	Other related party

iv. Related party transactions

1. Purchase and sale of goods, provision and acceptance of labor related transactions

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

Related Party	Contents of related transactions	current year	prior year
Wafangdian Bearing Group Co.	Purchase of goods and equipment and lease of tangible assets	212,860,871.10	393,790,502.66
Wafangdian Bearing Precision Forging Co.	Purchase of goods and equipment	431,442,008.76	267,204,511.61
Wafangdian Bearing Group Precision Rolling Body Co.	Purchase of goods	32,332,151.84	41,439,350.46
Wafangdian Bearing Group High-end Automobile Bearing Co.	Purchase of goods	262,590.26	70,167,080.09
Wafangdian Bearing Group Precision Retainer Co.	Purchase of goods	143,138,262.93	167,849,331.81

Dalian Wazhou Jinzhou Machinery Co., Ltd	Purchase of goods		19,408,857.28
Dalian Wazhou Group Bearing Equipment Manufacturing Co.	Purchase of goods	1,827,042.37	17,863,540.42
Dalian Wazhou Group Bearing Equipment Manufacturing Co.	Purchase of equipment	2,197,787.61	
Wafangdian Bearing Power Co.	Remodeling	5,046,278.07	1,410,483.03
Wafangdian Bearing Power Co.	Purchase of land	1,208,571.43	
Wazhou Group Precision Transmission Bearings Co.	Purchase of goods	500,314.63	210,946.05
Dalian Wazhou Fengyuan Machinery Co.	Purchase of goods	18,731,852.51	5,575,226.43
Wafangdian Bearing Power Co.	Purchase of power, acceptance of labor	55,333,523.93	50,025,218.68
Wafangdian Bearing Group National Bearing Engineering Technology Research Center Co.	Acceptance of labor	19,186,671.38	19,005,108.68
Wafangdian Bearing Hospital	Acceptance of labor		295,063.19
Wafangdian Bearing Education and Training Center	Acceptance of labor		5,000.00
Dalian Wazhou Group Bearing Equipment Manufacturing Co.	Acceptance of labor	7,082,869.93	5,952,915.64
Wafangdian Tongda Bearing Manufacturing Co.	Acceptance of labor	3,494,085.67	4,477,173.00
Wafangdian Bearing Power Co.	Acceptance of labor	14,222,406.31	
Wafangdian Bearing Group Co.	Accepting Labor	4,244,881.79	5,416,319.71
Wafangdian Bearing Group Equipment Technology Engineering Co.	Purchase of equipment		145,299.15
Dalian Heavy Industry Crane Group Co.	Accepting Labor	396,756.21	

(2) Sales of goods/provide labour services

Related Party	Contents of related transactions	current year	prior year
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Wafangdian Bearing Precision Forging Co.	Sales of goods	291,292.20	101,061,836.66
Wazhou Group (USA) Bearing Co.	Sales of goods		56,813,588.09
Wafangdian Bearing Group Precision Rolling Body Co.	Sales of goods	79,095.60	81,168.58
Wafangdian Bearing Group Wind Power Bearing Co.	Sales of goods	164,397,468.93	91,883,093.95
Wafangdian Bearing Group Co.	Products for sale	116,104,897.25	143,574,285.73
Wafangdian Bearing Group High-end Automobile Bearing Co.	Products for sale	3,836,824.53	8,980,219.56
Leipzig Roller Ball Bearing Co.	Products for sale	13,762,885.32	
Wafangdian Bearing Group Precision Transmission Bearing Co.	Products for sale	1,631,936.17	2,288,278.55
Dalian Wazhou Jinzhou Machinery Co., Ltd	Products for sale		2,677.95
Wafangdian Bearing Group Special Precision Bearing Co.	Products for sale	1,432,219.75	2,173,637.95
Wafangdian Tongda Bearing Manufacturing Co.	Products for sale	52,686.32	160,129.79
Dalian Waxial Group Bearing Equipment Manufacturing Co.	Products for sale	110,611.87	147,844.82
Wafangdian Bearing Group Precision Retainer Co.	Products for sale	67,199.03	329,011.91
Wafangdian Bearing Group Dalian Wind Power Spindle Bearing Co.	Products for sale	3,846,722.70	
Wafangdian Bearing Group National Bearing Engineering Technology Research Center Co.	Products for sale	17,440.66	
Dalian Heavy Industry Crane Group Co.	Sales of goods	63,824,668.96	
Wafangdian Bearing Group Precision Rolling Bodies Co.	Provision of labor	3,911,509.61	2,996,939.24

Wafangdian Bearing Group High-end Automobile Bearing Co.	Provide labor	6,912,599.42	6,077,422.19
Wafangdian Bearing Group Precision Transmission Bearing Co.	Provision of labor	50,689,051.70	42,787,233.68
Wafangdian Bearing Group Special Precision Bearing Co.	Provision of labor	709,523.90	565,061.65
Dalian Wazhou Jinzhou Machinery Co., Ltd	Provision of labor		45,757.32
Wafangdian Bearing Precision Forging Co.	Provision of labor	6,627,657.25	298,456.28
Dalian Waxial Group Bearing Equipment Manufacturing Co.	Provide labor	576,038.71	471,453.81
Wafangdian Tongda Bearing Manufacturing Co.	Provide labor	4,629,258.25	4,776,402.46
Wafangdian Bearing Group Precision Retainer Co.	Provide labor	109,425.26	
Wafangdian Bearing Group Co.	Provide labor	32,238,366.30	23,569,290.84
Wafangdian Bearing Group Wind Power Bearing Co.	Provide labor	3,968,017.62	2,686,114.36
Wafangdian Bearing Group National Bearing Engineering Technology Research Center Co.	Provide labor	169,018.87	
Wafangdian Bearing Group Dalian Wind Power Spindle Bearing Co.	Provision of labor	847,320.36	
Wafangdian Bearing Group Co.	Sales of equipment	3,552.51	
Wafangdian Bearing Group Precision Retainer Co.	Selling equipment	132,000.00	2,609,505.52
Wafangdian Bearing Group High-end Automobile Bearing Co.	Selling equipment	335,000.00	35,482.35

2. Related Leases

1) As a lessor

Related Party	Contents of related transactions	current year	prior year
Wafangdian Bearing Precision Forging Co.	Factory for rent	1,173,050.00	1,173,050.00
Waxaxial Group High-end Automobile Bearing Co.	Rent factory	1,557,509.06	1,019,845.20
Wafangdian Bearing Group Precision Retainer Co.	Rent factory	919,956.60	885,456.60
Dalian Wazhou Fengyuan Machinery Co.	Plant for rent	313,573.20	128,520.00
Wafangdian Bearing Group Precision Transmission Bearings Co.	Plant for rent	277,764.00	
Wafangdian Bearing Group Co.	Plant for rent	1,736,191.66	1,168,056.00
Wafangdian Bearing Group National Bearing Engineering Technology Research Center Co.	Plant for rent		18,000.00
Waxaxial Group High-end Automobile Bearing Co.	Rental equipment	2,688,319.27	9,374,624.30
Wafangdian Bearing Group Precision Retainer Co.	Rental equipment	504,098.12	561,318.25
Wafangdian Bearing Precision Forging Limited Liability Company	Rental equipment	852,805.09	1,111,341.52
Wafangdian Bearing Group Co.	Rental equipment	7,661,238.12	
Wafangdian Bearing Group Precision Rolling Body Co.	Rental equipment	342,483.12	359,088.14
Wafangdian Bearing Group Co.	Rental equipment		7,880,951.13
Wafangdian Bearing Precision Steel Ball Manufacturing Co.	Land for rent	58,677.65	
Wafangdian Bearing Group Limited Liability Company Precision Roller Manufacturing Branch Company	Land for rent	197,565.00	
Wafangdian Bearing Precision Forging Limited Liability Company	Land for rent	1,328,730.00	1,328,730.00
Wafangdian Bearing Group Co.	Land for rent	395,595.00	480,660.00
Wafangdian Bearing Group Precision Retainer Co.	Land for rent	265,455.00	265,455.00

2) Assets under lease

Lessor	Category of assets rent in	current year					prior year				
		Rental costs for short-term leases and low-value asset leases with simplified processing	Variable lease payments not included in the measurement of lease liabilities	Rent paid	Interest expense on lease liabilities assumed	Increased right-to-use assets	Rental costs for short-term leases and low-value asset leases with simplified processing	Variable lease payments not included in the measurement of lease liabilities	Rent paid	Interest expense on lease liabilities assumed	Increased right-to-use assets
Wafangdian Bearing Group Co.,Ltd	Land							287,930.24		287,930.24	
Wafangdian Bearing Group Co.,Ltd	Houses	1,537,692.55		1,537,692.55				1,645,770.40		1,645,770.40	
Wafangdian Bearing Group Co.,Ltd	Land	261,199.78		261,199.78				159,618.06		159,618.06	
Wafangdian Bearing	House							913,426.07		913,426.07	

Group Co.,Ltd											
Wafangdian Bearing Group Co.,Ltd	Equipment						250,370.00		250,370.00		
Wafangdian Bearing Group Co.,Ltd	Land	574,350.00		574,350.00			169,350.00		169,350.00		
Wafangdian Bearing Group Co.,Ltd	House	2,111,133.60		2,111,133.60			783,720.00		783,720.00		
Wafangdian Bearing Group Co.,Ltd	Equipment	457,777.66		457,777.66			107,095.50		107,095.50		
Wafangdian Bearing Group Co.,Ltd	Land						31,305.95		31,305.95		
Wafangdian Bearing	Houses						181,081.60		181,081.60		

Group Co.,Ltd											
Wafangdian Bearing Group Co.,Ltd	Houses	543,360.00		543,360.00			475,860.00		475,860.00		
Wafangdian Bearing Group Co.,Ltd	Land	174,555.00		174,555.00			174,555.00		174,555.00		
Wafangdian Bearing Group Co.,Ltd	Houses						54,000.00		54,000.00		
Wafangdian Bearing Group Co.,Ltd	Land						13,500.00		13,500.00		
Wafangdian Bearing Group Co.,Ltd	Land	441,900.00		441,900.00			441,900.00		441,900.00		
Wafangdian Bearing	House	389,470.80		389,470.80			389,470.80		389,470.80		

Group Co.,Ltd											
Wafangdian Bearing Group Co.,Ltd	Land	84,150.00		84,150.00			84,150.00		84,150.00		
Wafangdian Bearing Group Co.,Ltd	House	2,346,098.40		2,346,098.40			2,346,098.40		2,346,098.40		
Wafangdian Bearing Group Co.,Ltd	Equipment	917,077.75		917,077.75			917,241.91		917,241.91		
Wafangdian Bearing Group Co.,Ltd	Houses	1,646,677.20		1,646,677.20			1,646,677.20		1,646,677.20		
Wafangdian Bearing Group Co.,Ltd	Land	311,646.43		311,646.43			311,646.43		311,646.43		
Wafangdian Bearing	Equipment	88,891.46		88,891.46			148,641.28		148,641.28		

Group Co.,Ltd											
Wafangdian Bearing Group Co.,Ltd	Land	455,700.00		455,700.00			455,700.00		455,700.00		
Wafangdian Bearing Group Co.,Ltd	Houses	2,426,992.80		2,426,992.80			2,426,992.80		2,426,992.80		
Wafangdian Bearing Group Co.,Ltd	Land	2,802,400.80		2,802,400.80			2,802,400.80		2,802,400.80		
Wafangdian Bearing Group Co.,Ltd	Land						380,835.00		380,835.00		
Wafangdian Bearing Group Co.,Ltd	Equipment	932,221.10		932,221.10			932,221.10		932,221.10		

Wafangdian Bearing Group Co.,Ltd	Houses						40,565.00		40,565.00		
Wafangdian Bearing Group Co.,Ltd	Land						1,592.89		1,592.89		

3. Related party assets transfer and debt structure reconstruction

Related party	Type of transaction	current year	prior year
Dalian Wazhou Group Bearing Equipment Manufacturing Co.	Gain on debt restructuring	68,850.00	
Wafangdian Bearing Group High-end Automobile Bearing Co.	Gain on debt restructuring	10,000.00	
Wafangdian Bearing Group National Bearing Engineering Technology Research Center Co.	Gain on debt restructuring	325,981.60	
Wafangdian Bearing Group Precision Retainer Co.	Gain on debt restructuring	179,764.26	58,202.03
Wafangdian Bearing Group Precision Transmission Bearings Co.	Gain on debt restructuring	216,494.85	
Wafangdian Bearing Group Precision Rolling Body Co.	Gain on debt restructuring	40,204.08	80,808.08
Wafangdian Bearing Group Co.	Gain on debt restructuring	41,619.58	
Wafangdian Bearing Group Co.	Gain on debt restructuring	28,840.00	
Wafangdian Bearing Group Equipment Technology Engineering Co.	Gain on debt restructuring	13,517.58	
Wafangdian Bearing Precision Forging & Pressing Co.	Gain on debt restructuring	1,521,938.73	177,962.26

4. Management remuneration

Item	current year	prior year
Management remuneration	3,049,300.64	2,116,355.84

v. Unsettled receivables and payables from related parties

1) Items receivable

Items	Related party	Closing Balance		Opening balance	
		Book balance	Provision	Book balance	Provision
Receivable					
	Wafangdian Bearing Group Wind Power Bearing Co.	38,930,017.91		51,601,405.24	

Wafangdian Bearing Co., Ltd
Notes to financial statements for the year ended as at December 31, 2023
(The currency is in RMB Yuan except otherwise indicated)
(English translation for reference only)

	Wafangdian Bearing Group Precision Rolling Bodies Co.	93,090,154.73		84,978,681.79	
	Wazhou Group (USA) Bearing Co.	17,975,305.27		16,834,162.48	
	Wafangdian Bearing Group Co.			418,776.87	
	Wafangdian Bearing Group Precision Transmission Bearing Co.	28,758,673.80		30,335,154.70	
	Wafangdian Bearing Group Special Precision Bearing Co.				
	Leipzig Roller Ball Bearing Manufacturing Co.	2,319,865.06		274,528.41	
	Wafangdian Bearing Group Dalian Wind Power Spindle Bearing Co.	4,221,822.96			
	Wafangdian Bearing Precision Forging & Pressing Co.	70,082,119.05		38,999,730.40	
Prepayments					
	Wafangdian Bearing Precision Forging Limited Liability Company	702,000.00			
	Wafangdian Bearing Power Co.	1,367,700.54		149,056.71	
	Dalian Waxial Group Bearing Equipment Manufacturing Co.	223,806.65		99,477.71	
Other receivables					
	Wafangdian Bearing Group Co.	26,445.41		54,005.53	
	Wafangdian Bearing Precision Forging & Pressing Co.	794,027.00			

2) Items payable

Item	Related party	Closing Balance	Opening balance
Accounts payable			
	Wafangdian Bearing Group Co.	158,795,885.06	132,706,895.33
	Dalian Wazhou Group Bearing Equipment Manufacturing Co.	4,163,412.40	10,821,238.70

Wafangdian Bearing Co., Ltd
Notes to financial statements for the year ended as at December 31, 2023
(The currency is in RMB Yuan except otherwise indicated)
(English translation for reference only)

	Wafangdian Tongda Bearing Manufacturing Co.	3,346,653.01	80,793.56
	Dalian Wazhou Jinzhou Machinery Co., Ltd		8,868,481.13
	Dalian Wazhou Fengyuan Machinery Co.		8,834,110.73
	Wafangdian Bearing Group National Bearing Engineering Technology Research Center	13,557,749.01	12,560,399.01
	Wafangdian Bearing Group		
	Wafangdian Bearing Group Precision Retainer Co.	27,598,313.78	27,868,567.48
	Wafangdian Bearing Power Co.	6,870,562.45	3,061,174.63
	Wafangdian Bearing Group High-end Automobile Bearing Co.	47,640,882.48	32,490,015.05
	Wafangdian Bearing Group Special Precision Bearing Co.	1,944,242.12	2,972,132.13
Contractual liabilities			
	Wazhou Bearing Group (USA) Bearing Co.	40,651.15	
	Leipzig Roller Ball Bearing Production Co.	946.44	
	Wafangdian Bearing Precision Forging Co.	323,075.21	
Other accounts payable			
	Wafangdian Bearing Group Co.	33,381,575.49	29,201,965.04
	Wafangdian Bearing Power Co.	1,542,455.15	1,027,263.84

XII. Commitments and contingencies

As of December 31, 2023, the Group has significant commitments or material contingencies that do not require disclosure.

XIII. Events after the Balance Sheet Date

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

XIV. Other Significant Events

i. Major impact of the implementation of the "Rules Governing the Preparation of Information Disclosure by Publicly Offered Securities Companies No. 15 - General Provisions on Financial Reporting (Revised in 2023)

In preparing these financial statements, the Company disclosed the relevant financial information in accordance with the requirements of "No. 15 Rules for Information Disclosure Preparation and Reporting of Companies with Publicly Issued Securities - General Provisions on Financial Reporting (Revised in 2023)" issued by the China Securities Regulatory Commission on December 22, 2023, except for financial instruments, inventories, operating income, cash flow, research and development expenditure, government grants and other items, the implementation of this provision did not have a significant impact on the format of disclosure of key financial data for comparable accounting periods for other items.

ii. Others

In addition to the above matters, as of December 31, 2023, there are other important matters that the Group is not required to disclose.

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

i. Accounts receivable

(1) . Accounts receivable with the bad debt provisions under accounting aging analysis method

Aging	Closing Balance	Opening balance
Within 1 year	951,468,006.08	976,123,178.58
1-2 years	89,650,544.04	155,623,006.95
2-3 years	94,460,492.42	36,568,253.07
3-4 years	32,573,541.99	8,448,563.73
4-5 years	6,535,792.15	14,050,235.17
Over 5 years	35,455,349.81	26,190,802.12
Total	1,210,143,726.49	1,217,004,039.62
Less: Provision for bad debt	126,916,163.65	125,212,282.16
Total	1,083,227,562.84	1,091,791,757.46

(1) .Category of accounts receivable

	Closing Balance
--	-----------------

Wafangdian Bearing Co., Ltd
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Items	Booking balance		Provision		Booking value
	Amount	%	Amount	%	
Accounts receivable with individual bad debt provision	68,299,555.07	5.64	68,299,555.07	100.00	
Accounts receivable with bad debt provision based on the characters of credit risk portfolio	1,141,844,171.42	94.36	58,616,608.58	5.13	1,083,227,562.84
-Aging portfolio					
-Related party portfolio	888,360,748.35	73.41	58,616,608.58	6.60	829,744,139.77
Total	253,483,423.07	20.95			253,483,423.07

(continued)

Items	Opening Balance				Booking value
	Booking balance		Provision		
	Amount	%	Amount	%	
Accounts receivable with individual bad debt provision	68,147,261.25	5.60	68,147,261.25	100.00	
Accounts receivable with bad debt provision based on the characters of credit risk portfolio	1,148,856,778.37	94.40	57,065,020.91	4.97	1,091,791,757.46
-Aging portfolio					
-Related party portfolio	935,284,105.16	76.85	57,065,020.91	6.10	878,219,084.25
Total	213,572,673.21	17.55			213,572,673.21

Bad debt provision for accounts receivable at the end of year based on individual

Debtors name	Closing Balance				Opening Balance	
	Accounts receivable	Provision for bad debts	Proportion (%)	Reasons	Accounts receivable	Provision for bad debts
Heilongjiang Dragon Coal Logistics Co.	11,277,327.79	11,277,327.79	100	uncollectable	2,134,140.98	2,134,140.98
Liaoning Yinheng Galvanized Color Coated Steel Sheet Co.	3,213,308.67	3,213,308.67	100	uncollectable	3,213,308.67	3,213,308.67
Shenzhen Jiyang Intelligent Technology Co.	2,296,400.00	2,296,400.00	100	uncollectable	133,560.00	133,560.00
Shandong Yuanda Plate Technology Co.	1,804,722.77	1,804,722.77	100	uncollectable	1,804,722.77	1,804,722.77
Yingkou Steel Co.	1,696,318.44	1,696,318.44	100	uncollectable	1,696,318.44	1,696,318.44
Liaoning Waxaxial Bearing Sales Co.	1,611,795.99	1,611,795.99	100	uncollectable		
Handan Branch of Hesteel Co.	1,608,611.42	1,608,611.42	100	uncollectable	1,608,611.42	1,608,611.42
Anshan Steel Co.	1,595,050.69	1,595,050.69	100	uncollectable	1,595,050.69	1,595,050.69
Bazhou Tianli Tube Manufacturing Co.	1,325,600.76	1,325,600.76	100	uncollectable	1,325,600.76	1,325,600.76
Zhejiang Yesheng New Material Co.	1,301,760.00	1,301,760.00	100	uncollectable	1,301,760.00	1,301,760.00
CITIC Heavy Industry Machinery Co.	1,126,828.28	1,126,828.28	100	uncollectable	1,128,791.54	1,128,791.54
Donghai New Material Co.	942,558.20	942,558.20	100	uncollectable	942,558.20	942,558.20
Shanghai Jieru Heavy Industry Mechanical & Electrical Equipment Co.	923,603.80	923,603.80	100	uncollectable	923,603.80	923,603.80
Tangshan Guofeng Iron & Steel Co.	883,297.41	883,297.41	100	uncollectable	883,297.41	883,297.41

Wafangdian Bearing Co., Ltd
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Tongling Nonferrous Metals Group Co.	877,123.18	877,123.18	100	uncollectable	59,329.56	59,329.56
Jilin Chengzhong Auto Parts Co.	872,874.22	872,874.22	100	uncollectable	872,874.22	872,874.22
China Second Heavy Machinery Group (Deyang) Wanxin Engineering Equipment	795,887.92	795,887.92	100	uncollectable	795,887.92	795,887.92
Benxi Beiyang Iron & Steel (Group) Co.	775,804.98	775,804.98	100	uncollectable	775,804.98	775,804.98
Fujian Zhongguang Environmental Protection Technology Co.	761,374.62	761,374.62	100	uncollectable	761,374.62	761,374.62
Shandong Yuntong New Material Technology Co.	711,438.94	711,438.94	100	uncollectable	711,438.94	711,438.94
Dongfeng Motor Gearbox Co.	704,098.23	704,098.23	100	uncollectable	704,098.23	704,098.23
Shanghai Weiqiang Heavy Industry Machinery Co.	673,595.42	673,595.42	100	uncollectable	673,595.42	673,595.42
Dalian Tianyuan Electric Co.	666,383.31	666,383.31	100	uncollectable	666,383.31	666,383.31
Shanxi Hongda Steel Co.	657,373.00	657,373.00	100	uncollectable	657,373.00	657,373.00
Dandong Shuguang Heavy Duty Axle Co.	642,833.42	642,833.42	100	uncollectable	642,833.42	642,833.42
Hangzhou Qianjin Gearbox Group Co.	626,952.30	626,952.30	100	uncollectable	634,135.80	634,135.80
Wolong Electric Huaian Qingjiang Motor Co.	601,859.03	601,859.03	100	uncollectable	601,859.03	601,859.03
Xingtai Iron & Steel Co.	590,148.98	590,148.98	100	uncollectable	590,148.98	590,148.98
Qinghai Lufeng New Material Co.	525,743.44	525,743.44	100	uncollectable	525,743.44	525,743.44
Jiangsu Loesche Heavy Industry Machinery Co.	506,477.77	506,477.77	100	uncollectable	506,477.77	506,477.77
Bensteel Plate Co.	487,064.68	487,064.68	100	uncollectable	487,064.68	487,064.68
Dongfeng Commercial Vehicle Co.	486,019.87	486,019.87	100	uncollectable	486,019.87	486,019.87

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Mudanjiang Reducer Factory	467,905.65	467,905.65	100	uncollectable	467,905.65	467,905.65
Shandong Province Zhangqiu Blower Co.	461,708.13	461,708.13	100	uncollectable	461,708.13	461,708.13
07-256 Factory	460,854.77	460,854.77	100	uncollectable	460,854.77	460,854.77
Hunan Chaoyang Electromechanical Co.	446,627.60	446,627.60	100	uncollectable	446,627.60	446,627.60
Xiangtan Electric Machinery Co.	416,549.65	416,549.65	100	uncollectable	416,549.65	416,549.65
Shanxi TISCO Stainless Steel Co.	402,332.21	402,332.21	100	uncollectable	402,332.21	402,332.21
Chengdu Gaoyuan Mechanical & Electrical Equipment Co.	383,615.52	383,615.52	100	uncollectable	383,615.52	383,615.52
Ningbo Naitjia Machinery Manufacturing Co.	383,370.79	383,370.79	100	uncollectable		
Xuzhou Xugong Material Supply Co.	373,237.55	373,237.55	100	uncollectable	373,237.55	373,237.55
Taian Tianhua Economic and Trade Co.	364,189.79	364,189.79	100	uncollectable	346,554.01	346,554.01
Nippon Steel Yingkou Medium Plate Co.	351,890.29	351,890.29	100	uncollectable	351,890.29	351,890.29
Northeast Special Steel Group Beiman Special Steel Co.	315,004.72	315,004.72	100	uncollectable	315,004.72	315,004.72
Taicang Hutai Chang'e Paper Equipment Co.	310,361.32	310,361.32	100	uncollectable	310,361.32	310,361.32
Pangang Group Chengdu Iron & Steel Co.	303,305.45	303,305.45	100	uncollectable	303,305.45	303,305.45
Hebei Jinxi Iron and Steel Group Co.	301,978.67	301,978.67	100	uncollectable	301,978.67	301,978.67
Harbin Harbin Power Technology Co.	297,905.32	297,905.32	100	uncollectable	297,905.32	297,905.32
Sinoma Zibo Heavy Machinery Co.	293,817.58	293,817.58	100	uncollectable		
Zhuzhou Gear Co.	290,587.00	290,587.00	100	uncollectable	270,087.40	270,087.40
Ningbo Fan Co.	287,783.07	287,783.07	100	uncollectable		

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Jiangsu Xinrui Gear System Co.	286,949.88	286,949.88	100	uncollectable	286,949.88	286,949.88
Erzhong Group (Deyang) Jingheng Transmission Equipment Co.	286,935.03	286,935.03	100	uncollectable	286,935.03	286,935.03
Siemens Electric (China) Co.	284,110.82	284,110.82	100	uncollectable	284,110.82	284,110.82
Baofeng Xianglong Stainless Steel Co.	273,900.00	273,900.00	100	uncollectable		
Baotou Tianli Huanfa Mechanical & Electrical Co.	273,597.27	273,597.27	100	uncollectable		
Hengfengtai Precision Machinery Co.	270,886.98	270,886.98	100	uncollectable	318,948.38	318,948.38
Anhui Jianghuai Automobile Group Co.	264,521.67	264,521.67	100	uncollectable	264,521.67	264,521.67
Baoji Loyalty Industry & Trade Co.	256,372.12	256,372.12	100	uncollectable	256,372.12	256,372.12
Taiyuan Heavy Industry Co.	254,016.66	254,016.66	100	uncollectable	275,596.93	275,596.93
Baoji Huawei Mining Machinery Co.	248,758.75	248,758.75	100	uncollectable	200,000.00	200,000.00
Yanggu Danyu Sheet Co.	243,280.00	243,280.00	100	uncollectable	243,280.00	243,280.00
Tonghua Iron and Steel Co.	240,568.39	240,568.39	100	uncollectable	240,568.39	240,568.39
Shijiazhuang Mighty Slurry Pump Co.	238,749.98	238,749.98	100	uncollectable	238,749.98	238,749.98
Inner Mongolia Hongji Technology New Energy Co.	231,610.81	231,610.81	100	uncollectable	231,610.81	231,610.81
Tai Heavy Coal Machinery Co.	215,142.12	215,142.12	100	uncollectable	215,142.12	215,142.12
Qinhuangdao Shouqin Metal Materials Co.	213,911.48	213,911.48	100	uncollectable	213,911.48	213,911.48
Chongqing Tiema Industrial Group Co.	211,196.98	211,196.98	100	uncollectable	211,196.98	211,196.98
SAIC Iveco Hongyan Commercial Vehicle Co.	210,860.60	210,860.60	100	uncollectable	210,860.60	210,860.60
Hubei Tongfang Gaoke Pump Industry Co.	207,567.06	207,567.06	100	uncollectable	121,727.00	121,727.00

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Chengdu Sales Center (Panzhihua Steel & Vanadium Co., Ltd., Pangangang Group)	203,004.70	203,004.70	100	uncollectable		
Tianjin Rongtai New Composite Material Co.	200,000.00	200,000.00	100	uncollectable	200,000.00	200,000.00
Hebei Wenfeng Steel Co.	197,979.65	197,979.65	100	uncollectable	197,979.65	197,979.65
Jiangsu Xuzhou Forging & Pressing Machine Tool Factory Group Co.	188,906.34	188,906.34	100	uncollectable	188,906.34	188,906.34
Hubei Waxaxial Xinsheng Technology Co.	188,136.00	188,136.00	100	uncollectable	188,136.00	188,136.00
Nanjing Light Industry Machinery Factory Co.	185,079.54	185,079.54	100	uncollectable	185,079.54	185,079.54
Taiyuan Tongze Heavy Industry Co.	170,178.79	170,178.79	100	uncollectable	170,178.79	170,178.79
Beijing Jingcheng Star Technology Development Co.	170,010.00	170,010.00	100	uncollectable	450,000.00	450,000.00
Shandong Huali Motor Group Suzhou Manufacturing Co.	164,801.28	164,801.28	100	uncollectable	244,801.28	244,801.28
Xuzhou Meritor Axle Co.	163,037.45	163,037.45	100	uncollectable	163,037.45	163,037.45
Siping Blower Co.	160,053.21	160,053.21	100	uncollectable	160,053.21	160,053.21
Xiangdian Heavy Equipment Co.	158,854.17	158,854.17	100	uncollectable	158,854.17	158,854.17
Hubei Quanli Machinery Group Co.	152,489.82	152,489.82	100	uncollectable	152,489.82	152,489.82
Steel Butler (Shanghai) Technology Co.	151,927.34	151,927.34	100	uncollectable		
Shandong Kerui Steel Plate Co.	151,411.57	151,411.57	100	uncollectable	156,702.16	156,702.16
Anshan Steel Machinery Development Metallurgical Electric Repair Factory	150,734.55	150,734.55	100	uncollectable	150,734.55	150,734.55
Wafangdian Hongda Constant Velocity Universal Joint Manufacturing Co.	148,466.32	148,466.32	100	uncollectable	148,466.32	148,466.32
Beishangguang (Guangzhou) Machinery Equipment Co.	135,345.75	135,345.75	100	uncollectable		

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Hubei Jingshan Light Industry Machinery Co.	132,087.65	132,087.65	100	uncollectable		
Anhui Anfeng Fan Co.	131,355.36	131,355.36	100	uncollectable	131,355.36	131,355.36
Zhejiang Zhonghong Motor Co.	126,348.05	126,348.05	100	uncollectable	126,348.05	126,348.05
Shenyang Qunding Machinery Equipment Co.	126,286.35	126,286.35	100	uncollectable	126,286.35	126,286.35
Tangshan Dunshi Machinery Manufacturing Co.	124,474.60	124,474.60	100	uncollectable	124,474.60	124,474.60
Guangxi Tianyang Huamei Paper Co.	122,629.00	122,629.00	100	uncollectable	122,629.00	122,629.00
Shenye Heavy Equipment (Shenyang) Co.	121,909.54	121,909.54	100	uncollectable	121,909.54	121,909.54
Harbin First Machine Manufacturing Group Co.	121,033.33	121,033.33	100	uncollectable	121,033.33	121,033.33
Anhui Foma Auto Parts Group Co.	119,386.14	119,386.14	100	uncollectable		
Anshan Anzhong Mining Machinery Co.	116,819.89	116,819.89	100	uncollectable	83,746.30	83,746.30
Shanghai Yaotai Engineering Technology Co.	113,054.61	113,054.61	100	uncollectable	113,054.61	113,054.61
Beijing Machinery Industry Automation Research Institute Co.	111,484.00	111,484.00	100	uncollectable		
Shandong Baoding Coal Coking Co.	110,528.29	110,528.29	100	uncollectable	110,528.29	110,528.29
Wuhan Autopilot Motor Co.	109,112.60	109,112.60	100	uncollectable		
TISCO Group Dongfang Iron & Steel Co.	108,997.44	108,997.44	100	uncollectable	108,997.44	108,997.44
Yingkou Jiachen Fuel Chemical Co.	108,451.55	108,451.55	100	uncollectable	108,451.55	108,451.55
Lingyuan Iron and Steel Co.	108,446.16	108,446.16	100	uncollectable	110,000.00	110,000.00
Shougang Changzhi Iron & Steel Co.	107,819.72	107,819.72	100	uncollectable		
Tianma Automobile Group Co.	107,121.10	107,121.10	100	uncollectable	107,121.10	107,121.10

Wafangdian Bearing Co., Ltd
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Shenyang Sanming Heavy Industry Machinery Co.	105,807.39	105,807.39	100	uncollectable	105,807.39	105,807.39
Weichai (Weifang) Medium Diesel Engine Co.	104,548.21	104,548.21	100	uncollectable	104,548.21	104,548.21
Jiangsu Aerospace Power Electromechanical Co.	104,257.06	104,257.06	100	uncollectable	82,187.55	82,187.55
DBI Corporation	102,568.64	102,568.64	100	uncollectable	102,568.64	102,568.64
Yang Coal Xinzhou General Machinery Co.	100,447.88	100,447.88	100	uncollectable	100,447.88	100,447.88
Other individual accruals	7,317,964.82	7,317,964.82	100	uncollectable	23,266,178.46	23,266,178.46
Total	68,299,555.07	68,299,555.07			68,147,261.25	68,147,261.25

Provision for bad debts by portfolio			
Portfolio accruals items			
Name	Accounts Receivable	Closing Balance	
		Provision for bad debts	Proportion (%)
Within 1 year	783,068,065.44	39,187,753.50	5.00
1-2 years	69,540,783.04	6,954,078.30	10.00
2-3 years	23,076,562.45	4,615,312.49	20.00
3-4years	9,098,061.61	4,549,030.81	50.00
4-5years	1,334,211.66	1,067,369.33	80.00
Over 5 years	2,243,064.15	2,243,064.15	100.00
Related Party Portfolio	253,483,423.07		
Total	1,141,844,171.42	58,616,608.58	

(2) Provision for bad debts charged off, reversed or recovered during the period
Related party portfolio

Category	Opening Balance	Amount during the period			Closing balance
		Accrued	Received	Charge off	
Provision for bad debts	125,212,282.16	7,777,293.68	1,257,209.05	4,816,203.14	126,916,163.65
Total	125,212,282.16	7,777,293.68	1,257,209.05	4,816,203.14	126,916,163.65

(3) Accounts receivable written off in current period

Item	Written-off Amount
Accounts receivable written off	4,816,203.14

Significant amount written off

Debtors name	Nature	Amounts	Reasons	Write-off procedures	Whether arising from connected transactions
Shandong Hengji New Material Co.	payment for goods	2,284,666.96	uncollectable	Internal approvals	N
Henan Taihang Vibration Machinery Co.	payment for goods	989,207.41	uncollectable	Internal approvals	N
Shaanxi Hande Axle Co.	payment for goods	309,157.59	uncollectable	Internal approvals	N
Shandong Guanpeng Sheet Metal Co.	payment for goods	273,748.84	uncollectable	Internal approvals	N
Shaanxi Hande Axle Co.	payment for goods	261,036.63	uncollectable	Internal approvals	N
Zibo Boshan Advance Reducer Factory Co.	payment for goods	244,579.32	uncollectable	Internal approvals	N
Total		4,362,396.75			

(4) The top five significant accounts receivable categorized by debtors

Debtors name	Closing Balance			Proportion of total closing balance (%)	Receivable bad debts & contractual assets impairment
	Receivable	Contractual assets	Total		
Wafangdian Bearing Group Corporation and subsidiaries	253,088,686.58		253,088,686.58	20.91	
China National Railway Group Corporation and subsidiaries	65,328,867.27		65,328,867.27	5.40	3,315,586.02
China Railway Group Corporation (CRGC)and subsidiaries	46,806,964.33		46,806,964.33	3.87	2,640,533.11
Dalian Heavy Industry Crane Group Corporation and subsidiaries	38,058,776.35		38,058,776.35	3.14	2,022,930.49
China Shipbuilding Industry Materials Southwest Co.,Ltd	23,949,683.21		23,949,683.21	1.98	1,276,968.12
Total	427,232,977.74		427,232,977.74	35.30	9,256,017.75

ii. Other receivables

Items	Closing Balance	Opening Balance
Interest receivable		
Dividends receivable	11,843,105.36	11,843,105.36
Other receivables	290,208,402.21	314,644,304.84
Total	302,051,507.57	326,487,410.20

(1) Dividend receivable

Investee	Closing Balance	Opening Balance
Wazhou Precision of Spherical Roller Bearings (Wafangdian) Co., Ltd	11,843,105.36	11,843,105.36
Subtotal	11,843,105.36	11,843,105.36

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Less: provision for bad debts		
Total	11,843,105.36	11,843,105.36

(2) Other receivable

1) Other receivable based on aging

Aging	Closing Balance	Opening Balance
Within 1 year	286,347,894.82	312,488,558.21
1-2 years	3,028,808.31	2,909,616.92
2-3 years	2,110,239.68	504,211.96
3-4years	287,195.88	254,121.72
4-5years	89,830.61	119,264.25
Over 5 years	4,914,986.54	4,363,179.66
Subtotal	296,778,955.84	320,638,952.72
Related Party Portfolio	6,570,553.63	5,994,647.88
Total	290,208,402.21	314,644,304.84

2) The categories of other receivable

Items	Closing Balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	
Other receivables with individual bad debt provision	4,605,722.33	1.55	4,605,722.33	100.00	
Other receivables identified bad debt provision based on the characters of credit risk portfolio	292,173,233.51	98.45	1,964,831.30	0.67	290,208,402.21
-Aging combination	9,206,206.49	3.10	1,964,831.30	21.34	7,241,375.19
-Risk-free portfolio	505,121.61	0.17			505,121.61
-Related party portfolio	282,461,905.41	95.18			282,461,905.41
Total	296,778,955.84	100.00	6,570,553.63		290,208,402.21

(Continued)

Opening Balance

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Items	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Other receivables with individual bad debt provision	4,047,178.65	1.26	4,047,178.65	100.00	
Other receivables identified bad debt provision based on the characters of credit risk portfolio	316,591,774.07	98.74	1,947,469.23	0.62	314,644,304.84
-Aging combination	10,998,423.58	3.43	1,947,469.23	17.71	9,050,954.35
-Risk-free portfolio	1,160,078.82	0.36			1,160,078.82
-Related party portfolio	304,433,271.67	94.95			304,433,271.67
Total	320,638,952.72	100.00	5,994,647.88		314,644,304.84

Other receivables with individual bad debt provision

Items	Closing Balance				Opening Balance	
	Book balance	bad debts	Rate (%)	Reasons	Book balance	bad debts
Other receivables with individual bad debt provision	4,605,722.33	4,605,722.33	100.00	uncollectable	4,047,178.65	4,047,178.65
Total	4,605,722.33	4,605,722.33			4,047,178.65	4,047,178.65

Provision for bad debts by portfolio

Items	Closing Balance		
	Other receivables	bad debts	Proportion (%)
Within 1 year	3,885,989.47	194,299.47	5.00
1-2 years	3,023,808.31	302,380.83	10.00
2-3 years	841,853.86	168,370.77	20.00
3-4years	281,014.09	140,507.05	50.00
4-5years	71,337.90	57,070.32	80.00

Items	Closing Balance		
	Other receivables	bad debts	Proportion (%)
Over 5 years	1,102,202.86	1,102,202.86	100.00
-Risk-free portfolio	505,121.61		
-Related party portfolio	282,461,905.41		
Total	292,173,233.51	1,964,831.30	

3) Bad debt provision of other receivable

Provision for bad debt	1 st stage	2 nd stage	3 rd stage	Total
	Expected credit loss within following 12 months	Expected credit loss within life time(unimpaired)	Expected credit loss within life time(impaired)	
Balance on January 1st, 2023	5,994,647.88			5,994,647.88
On January 1, 2023 Other receivable carrying amount on the book				
--get into 2 nd stage	-	-	-	-
--get into 3 rd stage	-	-	-	-
--reverse into 2 nd stage	-	-	-	-
-reverse into 1 st stage	-	-	-	-
Accrual for the period	575,905.75			575,905.75
Reversal				
Write-offs during the period				
Write-offs during the period				
Other changes				
Closing balance	6,570,553.63			6,570,553.63

4) Provision for bad debts charged off, reversed or recovered during the period

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Category	Opening Balance	Amount during the period			Closing Balance
		Accrued	Received	Charge off	
bad debt	5,994,647.88	575,905.75			6,570,553.63
Total	5,994,647.88	575,905.75			6,570,553.63

5) No other receivables were actually written off during the period

6) The categories of other receivable by nature

Nature	Closing Balance	Opening Balance
Loans from related parties	281,651,433.00	304,433,271.67
Secured fund & Deposit	7,005,101.19	7,260,746.37
Petty cash	1,279,521.48	1,464,007.16
Electricity bill	495,121.67	1,155,078.82
Others	6,347,778.50	6,325,848.70
Total	296,778,955.84	320,638,952.72

7) The top significant other receivable categorized by debtors

Company name	Category	closing balance	Ageing	Rate of other receivables	Bad debts
Dalian Waxial Precision Motor Automobile Bearing Co.	Related Party Loans	133,593,120.52	Within 4 years	45.01	
Waxaxial Liaoyang Bearing Manufacturing Co.	Related Party Loans	102,381,156.58	Within 4 years	34.50	
Waxaxial Precision Spherical Roller Bearing (Wafangdian) Co.	Related Party Loans	45,677,155.90	Within 4 years	15.39	
Anhui Conch Cement Co.	Margin	1,300,000.00	Within 2 years	0.44	130,000.00
Daqin Railway Co.	Margin	1,118,900.00	Within 2 years	0.38	63,395.00
Total		284,070,333.00		95.72	193,395.00

iii. Long-term equity investments

	Closing Balance	Opening Balance
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Item	Book balance	Provision	Book Value	Book balance	Provision	Book Value
Investment in subsidiaries	226,488,897.67		226,488,897.67	225,693,897.67		225,693,897.67
Investment in JV, associates						
Total	226,488,897.67		226,488,897.67	225,693,897.67		225,693,897.67

1) Investment in subsidiaries

Investee	Opening Balance	Provision	Changes during the period			Closing Balance	Provision
			Additional	Reduced	Provision for impairment for the period		
Wazhou Liaoyang Bearing Manufacturing Co.	31,447,259.95		795,000.00			32,242,259.95	
Dalian Wazhou Precision Motorized Automotive Bearing Co.	45,478,956.37					45,478,956.37	
Wazhou Precision Spherical Roller Bearing (Wafangdian) Co.	148,767,681.35					148,767,681.35	
Total	225,693,897.67		795,000.00			226,488,897.67	

iv. Operating revenue and cost

1. Situation of operating revenue and cost

Item	current year		prior year	
	Revenue	Cost	Revenue	Cost
Revenue from main operation	2,078,051,298.96	1,788,578,899.29	2,103,804,100.56	1,759,630,657.07
Revenue from other operation	142,408,231.96	50,429,309.71	287,385,110.16	178,728,084.25
Total	2,220,459,530.92	1,839,008,209.00	2,391,189,210.72	1,938,358,741.32

Principle operation - classified according to Industries

Industries	current year		prior year	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Export	180,093,365.40	168,510,025.21	216,679,504.65	204,095,685.61
Domestic	1,806,168,825.45	1,558,520,183.89	1,809,614,890.05	1,478,420,717.56
Including: Transportation vehicle bearings	357,711,301.33	340,912,594.57	389,506,553.45	336,763,134.41
Special use bearings	797,640,051.38	612,926,045.89	766,000,221.77	587,952,935.71
General use bearings	650,817,472.74	604,681,543.43	654,108,114.83	553,704,647.44
Industrial Operations	91,789,108.11	61,548,690.19	77,509,705.86	77,114,253.90
Other operating income	142,408,231.96	50,429,309.71	287,385,110.16	178,728,084.25
Total	2,220,459,530.92	1,839,008,209.00	2,391,189,210.72	1,938,358,741.32

2. Breakdown information of operating revenues and operating costs

Revenues generated from customer contracts during the period were as follows:

Items	Current year	
	Sales revenue	Cost of sales
Export	180,093,365.40	168,510,025.21
Domestic	1,806,168,825.45	1,558,520,183.89

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Including:		
Transportation vehicle bearings	357,711,301.33	340,912,594.57
Special use bearings	797,640,051.38	612,926,045.89
General use bearings	650,817,472.74	604,681,543.43
Industrial Operations	91,789,108.11	61,548,690.19
Total	2,078,051,298.96	1,788,578,899.29

v. Investment income

Items	Current year	Prior year
Dividend income earned during the holding period of investments in other equity instruments	2,000,000.00	
Investment income from debt restructuring	8,260,371.82	4,115,928.61
Total	10,260,371.82	4,115,928.61

XVI. Supplementary Information

i. Non-operating profit or loss in current year

Items	Amounts	Instruction
Gains and losses on disposal of non-current assets, including the offsetting portion of the provision for asset impairment already made	1,406,119.64	
Government grants recognized in profit or loss for the current period, except for government grants that are closely related to the Company's normal business operations, in compliance with national policies and in accordance with defined criteria, and that have a sustainable impact on the Company's profit or loss	10,623,570.13	
Gains and losses arising from changes in fair value of financial assets and financial liabilities held by non-financial enterprises and gains and losses arising from the disposal of financial assets and financial liabilities, except for effective hedging business related to the Company's normal business operations	-29,276.17	
Reversal of provision for impairment of receivables individually tested for impairment	10,243,668.21	
Gains and losses on debt restructuring	10,935,641.78	
Non-operating income and expenses other than those listed above	158,222.87	

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Others	2,000,000.00	Other equity instruments investment dividends
Subtotal	35,337,946.46	
Income tax effect	5,500,426.31	
Minority interests impact amount (after tax)		
Total	29,837,520.15	

ii. 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	-23.65	-0.2471	-0.2471
Net profit after deducting non-recurring gains and losses attributable to shareholders of parent company	-30.70	-0.2471	-0.2471

Wafangdian Bearing Co., Ltd

April 26, 2024