Wafangdian Bearing Company Limited

2017 Annual Report

2018-09

April 24, 2017

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

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

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

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

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

The company has described detailed description of the possible risks in this report.This part of the content does not constitute a substantial commitment to investors, investors should maintain sufficient risk awareness, and understand the differences between planning, forecasting and commitment.

The Company’s profit distribution preplan upon review and approval of this board meeting: Based on the total 402,600,000 shares, a cash dividend of RMB 0.4Yuan (tax included) will be distributed for every 10 shares held by shareholders. No bonus shares will be granted and no capital reserve will be turned into share capital.

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Glossary

Terms	Defined as	Description
Company,the Company	Defined as	Wafangdian Bearing Company Limited
Wazhou Group	Defined as	Wafangdian Bearing Group Company
the report period, the current period, the current year	Defined as	January 1,2017–December 31,2017
Liaozhou Co.,Ltd	Defined as	Wazhou Liaoyang Bearing Manufacture Co.,Ltd
Dalian motor	Defined as	Dalian motor Bearing Co.,Ltd
The Board of Directors	Defined as	Wafangdian Bearing Company Limited The Board of Directors
The Supervisory Committee	Defined as	Wafangdian Bearing Company Limited The Supervisory Committee
Wafangdian Bearing Company Limited	Defined as	Wafangdian Bearing Company Limited The Shareholders'Meeting
Shen Jiao Suo	Defined as	Shen Zhen Stock Exchange
SRC	Defined as	China Securities Regulatory Commission

Chapter II. Company Profile and Financial Highlights

I. Company Information

Abbreviated name of the stock	Wazhou B	Stock code:	200706
Listing location of the Company's stock:	Shenzhen Stock Exchange		
Chinese name of the Company	瓦房店轴承股份有限公司		
Abbreviation of Chinese name	瓦轴股份公司		
English name of the Company	Wafangdian Bearing Company Limited		
Abbreviation of English name	WBC		
Legal representative of the Company	Meng Wei		
Registered address	No. 1 Beigongji Street, Wafangdian City, Liaoning Province, China.		
P.C	116300		
office address	No. 1 Beigongji Street, Wafangdian City, Liaoning Province, China.		
office P.C	116300		
Website	http//www.zwz-200706.com		
E-mail	zwz2308@126.com		

II.Contacts

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

III.Place for information disclosure

Information disclosure newspapers	Securities Times and Hong Kong Commercial Newspaper
Web address for the annual report as assigned byCSRC.	http://www.cninfo.com.cn
Place for inquiry of the annual report	Investment and Securities Department of the Company

IV.Change of Business Registration

No. of Taxation Registration	912102002423997128
Change of main business since listed	manufacture and sales of bearings, bearing components mechanical equipment, bearing maintenance and technology service,automobile parts and fittings and other related products, lease of mechanical equipment and buildings, and inspection of bearings and other related mechanical equipment and measure instruments.
Change of controlling shareholder all previous(if any)	None

V. Miscellaneous information

CPA hired by the Company

Name of the CPA	Shine wing Certified Public Accountants
Address of the CPA	Floor 9 of A section of Fu Hua mantion, No. 8, North Street of ChaoYang door, Dong Cheng area, Bei Jing.
The name of accountants	Sui Guojun Hui Shikui

Sponsoring institution hired by the Company, which is responsible to overseeing the Company's

operation on a continuous basis:
[ ] Applicable [V] Not applicable

Financial consultancy institution hired by the Company, which is responsible to overseeing the Company's operation on a continuous basis:
[ ] Applicable [V] Not applicable

VI.Financial Highlights

Are there any retrospective adjustments or restatement of financial information of previous year due to change of accounting policies or correcting of accounting errors?
[ ] Yes [V] No

In RMB Yuan

	2017	2016	%	2015
Turnover(RMB)	2,190,412,052.05	2,493,926,556.67	-12.17%	2,300,161,296.48
Net profit attributable to shareholders of the listed company(Yuan)	10,182,949.16	30,872,950.22	-67.02%	-33,380,013.39
et profit attributable to the shareholders of the listed company after deducting of non-recurring gain/loss(RMB)	-13,502,647.08	-57,771,828.22	-79.09%	-66,446,677.65
Net Cash flow generated by business operation (RMB)	-2,124,819.67	20,520,061.16	-110.35%	-51,528,028.21
Basic earnings per share(Yuan/share)	0.03	0.08	-62.50%	-0.08
Diluted earnings per share(Yuan/share)	0.03	0.08	-62.50%	-0.08
Net return on equity(%)	0.73%	2.26%	-1.53%	-2.45%
	End of 2017	End of 2016	%	End of 2015
Total Assets (RMB)	3,213,772,171.61	3,553,947,227.09	-9.57%	3,523,969,203.48
Owner's Equity Attributed to Shareholders of Listed Company(RMB)	1,385,494,874.71	1,379,337,925.55	0.45%	1,348,464,975.33

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

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

Inapplicable

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

Inapplicable

VIII. Financial Data Summary based on Quarters

In RMB Yuan

	1s Quarter	2nd Quarter	3rd Quarter	4th Quarter
Operating revenue	566,558,889.45	568,941,685.88	484,963,005.25	569,948,471.47
Net profit attributable to the Company's shareholders	1,998,535.48	635,100.07	386,046.39	7,163,267.22
Net profit attributable to the Company's shareholders less the non-recurring profit and loss	615,347.36	-2,177,601.67	-5,518,330.61	-6,422,062.16
Net cash flows arising from operating activities	3,495,485.07	-80,101,743.63	35,628,321.88	38,853,117.01

Does there exist significant difference in the foregoing financial data or their total sum from the relevant financial data as disclosed in the quarterly reports and/or semi-annual report.

No

IX. Non-recurring gain/loss items and amounts

In RMB Yuan

Items	Amount of 2017	Amount of 2016	Amount of 2015	Remarks
Gain/loss of non-current assets (includes the neutralized part of the asset impairment provision drawn already)	-728,247.65	51,018,264.75	1,299,449.10	
Gains and losses included in the current period of government subsidies, excluding those government grants which are closely related to normal business and in line with national policy, or in accordance with fixed standards or quantities	7,856,994.07	12,488,720.91	4,867,966.82	
Debt restructuring gains and losses	5,304,472.04	32,573,379.44	32,072,692.54	
Other non-business income and expenditures other than the above	13,120,938.97	9,557,842.80	1,760,549.53	
Influenced amount of income tax	1,868,561.19	16,993,429.46	6,933,993.73	
Total	23,685,596.24	88,644,778.44	33,066,664.26	--

For the Company's non-recurring gain/loss items as defined in the Explanatory Announcement No.1 on Information Disclosure for Companies Offering their Securities to the Public–Non-recurring Gains and Losses and its non-recurring gain/loss items as illustrated in the Explanatory Announcement No.1 on Information Disclosure for Companies Offering their Securities to the Public–Non-recurring Gains and Losses which have been defined as recurring gains and losses, it is necessary to explain the reason.

□Applicable √Inapplicable

Chapter III Business Summary

I Principal Businesses in the Reporting Period

The scope of operation is: manufacture and sales of bearings, bearing components mechanical equipment, bearing maintenance and technology service, automobile parts and fittings and other related products, lease of mechanical equipment and buildings, and inspection of bearings and other related mechanical equipment and measure instruments.

Company has strong manufacturing capability and quality assurance capabilities, extensive services in railway, automobile, metallurgy, mining and other industries and fields.

II.Significant Changes in the Prime Assets

Inapplicable

III.Analysis on Core Competitiveness

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

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

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

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

Chapter IV Discussion and Analysis of the Management

I General

2017 (hereinafter referred to as ") during the reporting period, the company's board of directors in strict accordance with "the company law", "the securities law" and other relevant laws and regulations and "the company's articles of association", "rules of procedure of the board of directors' regulation", in line with the attitude of responsible for the company and all shareholders, diligently and faithfully perform their duties, earnestly implement the resolutions of the board and general meeting of shareholders, further perfect the corporate governance, insisted standardized operation, insist on continuous reasonable return for shareholders, effective maintenance during the reporting period the company and the interests of all shareholders, especially minority shareholders.

During the reporting period, the Company realized operating income of RMB 249,392.66 million, representing an increase of 8.42% from the previous year. The net profit was RMB 30.8730 million, of which the net profit attributable to owners of the parent company was RMB 30.87 million. As of the end of 2017, the company's total assets of 3.554 billion yuan, an increase of 0.85% over the previous year, attributable to shareholders of listed companies net assets of 1.379 billion yuan, an increase of 2.29% over the previous year.

II Analysis on Principal Businesses

1. General

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

2. Revenue and Costs

(1)Revenue

In RMB Yuan

	2017		2016		Year-on-year increase/decrease
	Amount	Proportion in the operating revenue	Amount	Proportion in the operating revenue	
Total operating revenue	2,190,412,052.05	100%	2,493,926,556.67	100%	-12.17%
Classified based on sectors					
export	234,072,205.39	10.69%	376,714,453.52	15.11%	-37.86%
Civil					
Including: Traffic Bearing	528,390,448.84	24.12%	608,516,577.80	24.40%	-13.17%
Special Bearing	498,257,042.55	22.75%	493,212,222.56	19.78%	1.02%
Common Bearing	563,666,702.05	25.73%	533,387,577.75	21.39%	5.68%
Industrial income	98,092,657.93	4.48%	129,457,443.84	5.19%	-24.23%
others	267,932,995.29	12.23%	352,638,281.20	14.14%	-24.02%
Classified based on product					
Bearing	1,824,386,398.83	83.29%	2,011,830,831.63	80.67%	-9.32%
Componment	98,092,657.93	4.48%	129,457,443.84	5.19%	-24.23%
others	267,932,995.29	12.23%	352,638,281.20	14.14%	-24.02%
Classified based on regions					
Civil	1,956,339,846.66	89.31%	2,117,212,103.15	84.89%	-7.60%
export	234,072,205.39	10.69%	376,714,453.52	15.11%	-37.86%

(2) Sector(s), Product(s) or Region(s) Taking over 10% of the Operating Revenue or Operating Profit

In RMB Yuan

	Operating revenue	Operating costs	Gross profit rate	Year-on-year increase/decrease of operating revenue over the previous year	ear-on-year increase/decrease of operating costs over the previous year	Year-on-year increase/decrease of gross profit rate over the previous year
Classified based on sectors						
export	234,072,205.39	205,467,061.62	12.22%	-37.86%	-39.22%	1.95%
Civil						
Including: Traffic Bearing	528,390,448.84	453,145,292.04	14.24%	-13.17%	-21.49%	9.09%
Special Bearing	498,257,042.55	429,351,698.43	13.83%	1.02%	-5.60%	6.04%
Common Bearing	563,666,702.05	455,501,119.96	19.19%	5.68%	4.69%	0.76%
Classified based on product						
Bearing	1,824,386,398.83	1,543,465,172.05	15.40%	-9.32%	-14.49%	5.12%
Classified based on regions						
Civil	1,956,339,846.66	1,681,147,536.83	14.07%	-7.60%	-12.75%	5.08%
export	234,072,205.39	205,467,061.62	12.22%	-37.86%	-39.22%	1.95%

While adjustment of the statistical caliber for the principal business data took place in the reporting period, the principal business data with the statistical caliber adjusted at the end of the reporting period.

Inapplicable

Whether physical sales revenue is greater than the labor income

[V]Yes [ ] No

In RMB Yuan

Business categories	Items	2017	2016	Changed by %YoY
Bearing	Sales	20,891,094	27,956,517	-25.27%
	Output	11,823,014	19,760,618	-40.17%

Causes of the change in the year-on-year data by over 30%

applicable

Because of the company products are mainly used as parts in other industries.The structural features of the product in 2016 is that its variety is relatively large, the individual value is small. The structural features of the product in 2017 is that its variety is relatively small, single value is big.

(4) Implementation of Important Sale Contracts Concluded at the End of the Reporting Period

Inapplicable

(5) Composition of Operating Costs

Classified based on sectors and products

In RMB Yuan

Classified based on sectors	Items	2017		2016		Year-on-year increase/decease
		Amount	Proportion in operating costs	Amount	Proportion in operating costs	
export		205,467,061.62	10.89%	338,030,668.32	14.93%	-4.04%
Civil						

Including: Traffic Bearing		453,145,292.04	24.02%	577,175,148.65	25.48%	-1.46%
Special Bearing		429,351,698.43	22.76%	454,815,982.23	20.08%	2.68%
Common Bearing		455,501,119.96	24.14%	435,077,193.65	19.21%	4.93%
Industrial income		98,510,717.23	5.22%	136,763,458.43	6.04%	-0.82%
others		244,638,709.17	12.97%	323,012,689.52	14.26%	-1.29%

In RMB Yuan

Classified based on products	Item	2017		2016		Year-on-year increase/decease
		Amount	Proportion in operating costs	Amount	Proportion in operating costs	
Bearing	Materials	1,108,764,315.90	58.77%	1,337,635,258.16	59.06%	-0.29%
Bearing	Artificial compensation	153,602,024.31	8.14%	192,356,451.06	8.49%	-0.35%
Bearing	Depreciation	98,002,793.91	5.19%	106,856,445.34	4.72%	0.47%
Bearing	Energy	52,449,481.69	2.78%	54,899,547.22	2.42%	0.36%
Bearing	Transport	3,989,683.45	0.21%	10,475,998.16	0.46%	-0.25%

(6) Is there any change in the consolidation scope in the reporting period

No

(7) Is there any significant change or adjustment related situation take place in the Company's business, products or services in the reporting period

Inapplicable

(8) Major trade debtors and major suppliers

Note: The units of above date is Tao

Main Clients

Total Sales Revenue of Top 5 Clients(RMB)	319,675,911.47
Ratio of sales revenue in 2016(%)	14.59%
Sales of the top five customers in the proportion of total annual sales	7.25%

Information of Top 5 Clients

No.	Client Name	Sales Revenue(RMB)	Ratio of sales revenue(%)
1	Frst	158,904,907.09	7.25%
2	Second	54,919,452.81	2.51%
3	Third	38,618,085.57	1.76%
4	Fourth	37,031,054.68	1.69%
5	Fifth	30,202,411.32	1.38%
Total	——	319,675,911.47	14.59%

Main Clients

Total purchase from top 5 suppliers(RMB)	927,914,419.47
Percentage of purchases from top 5 suppliers on annual total of purchases (%)	30.71%
Purchases of the top five suppliers The proportion of related party purchases in the total amount of annual purchases	28.42%

Profiles of top 5 suppliers

No.	Name of suppliers	Amount of purchase(RMB)	Percentage in total purchase of year(%)
1	Frst （sum of five other Companies controlled by the same controlling share holders）	655,632,205.08	21.70%
2	Second(other related party)	86,387,591.06	2.86%

3	Third(other related party)	69,331,047.53	2.29%
4	Fourth	68,696,140.50	2.27%
5	Fifth(other related party)	47,867,435.30	1.58%
Total	——	927,914,419.47	30.71%

3. Expenses

In RMB Yuan

	2017	2016	Year-on-year increase/decrease	Note to significant changes
Sales expenses	157,721,750.23	177,255,064.35	-11.02%	
Administrative expenses	61,410,304.53	67,216,491.43	-8.64%	
Financial expenses	50,697,810.00	24,005,476.59	111.19%	

4. Investment in R & D

Through the research and development of different areas bearing the project, the company in a host of ancillary areas made breakthrough progress, to achieve a number of bearing domestic alternative, more research and development in the field of the supporting bearing products technology level is reached or exceeded the international level of similar products product also gradually to the international market, achieve high-end enterprise market instead of the increase in demand for imports. Through the integration of the company's technical strength, for the enterprise to provide the opportunity to quickly break through the key technology. With technical project work to further promote and realize the rapid transformation of enterprise development mode and the adjustment of product structure, developed a number of high-end products, formation of a number of high-end manufacturing, to seize a number of high-end market, cultivate a number of high-end customer strategy, comprehensive inventory of enterprise resources, effectively enhance the core competitiveness of enterprises.

Information of Investment in R & D

	2017	2016	Variable proportion
Number of R & D staff (persons)	566	398	42.21%
Proportion of R & D staff in total employees	16.73%	10.15%	6.58%
Amount of investment in R & D, in CNY	94,125,670.89	96,606,620.98	-2.57%
Proportion of investment in R & D in operating revenue	4.30%	3.87%	0.43%
Amount of capitalized investment in R & D (in CNY)	0.00	0.00	0.00%
Proportion of capitalized investment in R & D in the total investment in R & D	0.00%	0.00%	0.00%

5.Cash flow

In RMB Yuan

Item	2017	2016	Year-on-year increase/decrease
Sub-total of cash flow received from operation activities	1,036,265,011.79	1,162,398,465.63	-10.85%
Subtotal of cash flow paid for operating activities	1,038,389,831.46	1,141,878,404.47	-9.06%
Net cash flow arising from operating activities	-2,124,819.67	20,520,061.16	-110.35%
Sub-total of cash flow-in received from investing activities	2,334,016.25	24,091,765.58	-90.31%
Sub-total of cash flow paid for investment activities	11,304,923.42	49,364,988.45	-77.10%
Net cash flow arising from investment activities	-8,970,907.17	-25,273,222.87	-64.50%
Sub-total cash flow received from financing activities	1,306,431,915.89	1,215,744,256.94	7.46%
Sub-total cash flow paid for financing activities	1,377,261,165.73	1,150,442,026.05	19.72%
Net cash flow arising from financing activities	-70,829,249.84	65,302,230.89	-208.46%
Net increase in cash and	-84,189,878.98	63,677,345.96	-232.21%

cash equivalents			

Note to the major influence factors for the significant change in the relevant year-on-year data

1. Net cash flow from operating activities: The decrease in cash inflow resulting from operating activities was less than 22,640,000 yuan, resulting in a decrease in the project.
2. Cash inflow from investing activities Subtotal: mainly due to the "net cash disposal of fixed assets, intangible assets and other long-term assets" in the current cash flow, which decreased by 22.08 million, mainly due to the sale of fixed assets. Increased
3. Cash outflow from investing activities Subtotal: mainly due to the decrease in cash paid for the purchase and construction of fixed assets in the current period,The main part is the payment of the grinding equipment for the same period 40.85 million yuan.
3. 4. Net cash flow from financing activities: The increase in cash inflow generated by financing activities is lower than the increase of cash outflows from the financing activities by 136.13 million yuan, resulting in an decrease in the number of projects.
5. Net increase in cash and cash equivalents: mainly due to the increase in the net cash flow from operating activities,net cash flow from investment activities. and the net cash flow from financing activities less the same period.

Note to the significant difference between cash flow from operating activities and net profit in the report period.

□Applicable √Inapplicable

iii . Analysis on Non-Principal Businesses

In RMB Yuan

Item	Amount	Percent in Total profit	Reason	Whether it is sustainable
Investment income	500,000.00	4.93%		
Impairment of assets	30,468,764.74	300.63%		
Non-operating income	19,009,072.44	187.56%		
Non-operating expenses	583,661.43	5.76%		

IV. Situation of assets and liabilities

1. Major change in asset items

In RMB Yuan

	End of 2017		End of 2016		Percentage of change(%)	Statement on major change
	Amount	Percent in total asset	Amount	Percent in total asset		
Monetary capital	82,860,774.83	2.58%	184,416,042.97	5.19%	-2.61%	
Account receivable	1,128,338,013.69	35.11%	1,249,891,874.39	35.17%	-0.06%	
Inventories	693,836,428.55	21.59%	842,429,282.92	23.70%	-2.11%	
Investment property	136,874,108.05	4.26%			4.26%	
Fixed assets	710,247,969.72	22.10%	785,568,617.02	22.10%	0.00%	
Construction in process	82,689,318.94	2.57%	194,439,963.77	5.47%	-2.90%	
Short term loan	648,000,000.00	20.16%	549,900,000.00	15.47%	4.69%	
Long term loan			50,000,000.00	1.41%	-1.41%	

V. Investment

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

In RMB Yuan

Item	Investment way	Fix asset investment or not	The item's industry	Investment amount in the report peirod	Accumulated investment	Capital source	Progress	Anticipated income	Total income at the end of 2016	Reasons of the dfiirence between plan and actual	Disclose Date	Disclose index

Improve the quality assurance ability of railway road, automobile bearing and spare parts.	other	Yes	Bearing manufactory	1,729.00	1,729.00	Self-raised/bank loan	100.00%	800,000,000.00	820,000,000.00	None		
合计	--	--	--	1,729.00	1,729.00	--	--	800,000,000.00	820,000,000.00	--	--	--

VI. Sales of Significant Assets and Equity

1. Sales of Significant Assets

Inapplicable

2. Sales of Significant Equity

Inapplicable

VII. Analysis on Principal Subsidiaries and Mutual Shareholding Companies

Particulars about the principal subsidiaries and mutual shareholding companies which may affect the Company's net profit by over 10%.

Company name	Company type	Principal business	Leading products and services	Total assets, in CNY	Net assets (CNY)	Turnover in CNY	Operating profit (in CNY)	Net profit (in CNY)
Liaoyang Bearing company	Subsidiary	Product and Sale Bearing and machine-electrical equipment	19,350,000.00	113,624,552.38	-52,685,514.15	135,034,979.25	-5,515,835.93	-5,011,622.13
Dalian Electrical Equipment	Subsidiary	Product and Sale Bearing	10,000,000.00	111,664,487.19	19,591,824.87	159,074,651.41	-2,556,503.12	-2,536,503.12
Wzhou precision spherical roller bearing(Wafangdian) Co.,Ltd.	Subsidiary	Product and Sales Spherical Roller Bearing	194,000,000.00	245,614,590.54	212,944,017.03	116,339,133.97	-16,624,848.47	-16,523,628.66

Viii. Structurized Entities Controlled by the Company

Inapplicable

IX. Development Prospect

The company is currently in the domestic bearing manufacturing leading enterprises,participated in the formulation of industry standards,in recent years, products focus on "high-end" and "specialization",breakthrough the series of high-end product bearing core technical bottleneck.Cooperation with various research institutes and colleges, has added impetus to the company's intelligent manufacturing and high-end manufacturing, as well as a new profit growth point for the company.In 2018, the company will develop in the high-end products, a breakthrough in high-end, drive high quality business growth;implement differentiated management,not only focus on products, technology, market, and to focus more on the core values of customer, improve enterprise core competitiveness;Insist on quality first, enhance the brand influence;To speed up the pace of reform, stimulate the enterprise new vigor.

X. Statement of Such Activities as Reception of Survey, Communications, Interview, etc.

1. Registration Form of the Activities, such as Reception of Survey, Communications, Interviews,etc. in the Reporting Period

Time/date	Place	Way	Type of visitors	Visitors	Main content involved and material provided
2017.01.24	Office	Telephone communication	Private investor	Private investor	The company publishes the performance forecast, verify the

					situation.
2017.02.08	Office	Telephone communication	Private investor	Private investor	The company will be able to recover and take off the hat.
2017.02.23	Office	Telephone communication	Private investor	Private investor	Learn about SKF thawing, the company's second largest shareholder.
2017.02.24	Office	Telephone communication	Private investor	Private investor	The general information of the company
2017.02.27	Office	Telephone communication	Private investor	Private investor	Learn about SKF thawing, the company's second largest shareholder.
2017.07.11	Office	Telephone communication	Private investor	Private investor	The general information of the company
2017.11.15	Office	Telephone communication	Private investor	Private investor	The general information of the company
2017.12.06	Office	Telephone communication	Private investor	Private investor	The general information of the company
times					8
Times for organization investor					0
Times for private investor					8
Times for other investor					0
Whether disclose or reveal any un-publish news					No.

ChapterⅤ Significant Events

I. Profit Distribution for Common Stock and Conversion of Capital Reserve into Share Capital

Preparation, Implementation or Adjustment of the Policy for Common Stock Profit Distribution, Especially the Policy for Cash Dividend Distribution

1.Profit after tax will be rationed among the shareholders upon their shareholding portion after making up of previous losses and providing of common reserves.

2.The Company adopts a continuous and stable dividend policy.The dividend accumulated in latest three years shall not be lower than 30%of the distributable profit in the same three years.

3.The Company distribute dividends once a year except for otherwise decided by the shareholders'meetings.Dividends are distributed upon finanal settlement of each year.The dividend plan shall be announced within 4 months upon completion of each fiscal year,and implemented in the 2nd quarter of the current year.

Cash dividend policy of special statement	
Whether compliance with the provisions of the company's articles of association or resolutions of the shareholders' general meeting requirements:	yes
Whethert he standard of share out bonus and the proportion are clear r:	yes
Whether related decision-making process and mechanism are completeness:	yes
Whether the independent director takes office responsible and play a proper role:	yes
Whether the small and medium-sized shareholders the chance to fully express their views and demands;Whether the legitimate rights and interests were protected fully:	yes
Cash dividend policy to adjust or change，whether Conditions and the program are transparent:	Companies cash dividend policy is not to adjust or change.

Profit distribution or common reserve capitalization in the latest 3 years(including the report year)

	Preplan 2017	Year2016	Year 2015
Common share dividend payable	RMB0.4(tax included)of cash for each 10 shares	RMB0.1(tax included)of cash for each 10 shares	0

Common share dividend transferred to capital share	0	0	0

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

Bonus shares for every 10 shares (share)	0
Dividend for every 10 shares (RMB Yuan) (tax included)	0.40
Number of shares per 10 shares (shares)	0
Total shares as the basis for the allocation preplan (share)	402,600,000
Total cash dividends (RMB Yuan) (tax included)	16,104,000
Distributable profit (RMB Yuan)	362,925,296.98
Percentage of the cash bonus of the total profits dividends	100.00%
Cash dividend situation	
others	
Details about the profit allocation or turning capital reserve into share capital	
According to the audit report ShineWing accounting firm, the company 2017 annual net profit attributable to shareholders of the parent company 10,182,949.16 yuan, With the undistributed profit of 359,603,965.97 yuan at the beginning of the year, the profit for distribution is 369,786,915.13 yuan.According to the 10% of the net profit of the parent company, the legal surplus reserve is 2,835,618.15 yuan, and the total profit for the shareholders is 366,951,296.98 yuan, and the cash dividend paid to the shareholders in 2016 is reduced to 4,026,000.00 yuan.The undistributed profit at the end of the period is 362,925,296.98 yuan.The company decided to the end of 2017 the total share capital of 402 million 600 thousand shares as the base, each of 10 shares were distributed 0.4 yuan (including tax), a total of 16,104,000Yuan.	

III. Implementation of Commitments

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

Inapplicable

2. There existed profit anticipation for the Company's assets or projects while the reporting period was still within the duration of the profit anticipation. The Company made explanation on whether the assets or projects reached the anticipated profit and the cause

Inapplicable

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

Inapplicable

V. Explanation of the Board of Directors, the Supervisory Committee and Independent Directors (if any) on the "Qualified Auditor's Report" issued by the CPAs in the Reporting Period

Inapplicable

VI. Explanation on the Changes in the Accounting Policy, Accounting Estimate, and Accounting Method in Comparison with the Financial Report of the Previous Year

Inapplicable

VII. Explanation on Serious Accounting Errors Occurred in the Reporting Period Necessary to be Restated Retrospectively

Inapplicable

VIII. Explanation on the Changes in the Scope of the Consolidated Statements in Comparison with the Financial Report of the Previous Year.

Inapplicable

IX. Engagement/Disengagement of CPAs

CPAs currently engaged

Names of the Domestic Certified Public Accountants	Shine wing Certified Public Accountants
Reward for of accountants of the Domestic Certified Public Accountants（RMB'0000）	53
Successive Years Offering Auditing Services	13Years
Names of accountants of the Domestic Certified Public Accountants	Sui Guojun Hui Shikui
The consecutive years of auditing services of certified public accountants of domestic accounting firms.	1

Has the CPAs been changed in the current period?

No

X. Listing Suspension or Delisting Possibly to be Confronted with after Disclosure of the Annual Report

Inapplicable

XI. Matters concerning Bankruptcy Reorganization

Inapplicable

XII. Significant Lawsuits and Arbitrations

Inapplicable

XIII. Penalty and Rectification

Inapplicable

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

Inapplicab

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

Inapplicab

VII. Important Related Transactions

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

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

Inapplicable

3. Related transactions concerning joint investment in foreign countries

Inapplicable

4. Current Associated Rights of Credit and Liabilities

Inapplicable

5. Other Major Related Transactions

1, daily related transactions in the company disclosed in the cninfo website on April 26, 2018 "Wafangdian City bearing Limited by Share Ltd on the 2017 annual daily related transactions and related party transactions daily in 2018 plan announcement (AUDIT) and the report of eleventh section of the twelfth part" of related party transactions "(5)" related transactions"

2, the company during the reporting period of major related party transactions have been disclosed in the interim announcement, the index is as follows:

Significant related party transactions interim report disclosure website inquiries

Name	Date	web
The announcement for Liaoyang Bearing Company,the wholly-owned subsidiary of Wafangdian Bearing Company Limitied,intend to transfer the land and land of the former factory to the land reserve trading center of liaoyang city.	2017.06.21	http：//www.cninfo.com.cn
Wafangdian City bearing Limited by Share Ltd on the sell of property related transaction announcement.	2017.08.21	http：//www.cninfo.com.cn

XVII. Important Contracts and Implementation

1. Custody, Contacting and Leases

(1) Custody

Inapplicable

(2) Contracting

Inapplicable

(3) Leases

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

Related lease

The company has associated lease please refer to the company in April 26, 2018 athttp：//www.cninfo.com.cn

disclosed the "Wafangdian City bearing Limited by Share Ltd on the 2017 annual daily related transactions and related party transactions daily in 2018 plan announcement" and the report of the twelfth quarter of 5 (3)

2. Significant Guarantees

Inapplicable

3. Entrusting other Person to Manage the Cash Assets

(1) Finance Management on Commission

Inapplicable

(2) Entrusted Loan

Inapplicable

4. Other Major Contracts

Inapplicable

XVIII. Social Responsibility

1.The situation of fulfilingl the social responsibility

Wazhou as a large state-owned enterprises, actively responded to an appeal by the provincial, city and to carry out the work instructions for poverty alleviation, a special meeting, the deployment of poverty alleviation measures, constantly strengthen poverty alleviation work, innovative methods, with our efforts to do a contribution to society.

2.To perform accurate poverty alleviation and social responsibility

（1）Precise poverty alleviation

Company will be sent to the provincial party committee assigned to our support unit working group information, consultation solution, for poverty alleviation intentionality to establish support way in the next period.If you need technical support, we will provide technical services free of charge, at the same time, according to the company's existing social conditions on legal aid, funds, employment and other support for poverty alleviation.

（2）Annual accurate poverty alleviation summary.

Company formulated the "implementation of accurate solution for poverty alleviation," confirmed the method and the way to work, take advantage of the company's existing conditions for the implementation of employment, vocational skills training, legal aid for poverty alleviation poverty alleviation, medical aid, trade, etc., for poverty alleviation we regularly visit the poverty alleviation unit, grasp objects for poverty alleviation, clear base, formulate corresponding measures for poverty alleviation and actively implemented.

（3）Accurate poverty alleviation

Index	Unit of measure ment	Quantity/The situation of development.
I.overall situation	——	——
2.Supplies deduction value	0.01million	0.63
II.Breakdown into	——	——
1.The industrial development ofpoverty	——	——
2.Transfer of employment of poverty	——	——
3.The change to move out of poverty	——	——
4.Education poverty alleviation	——	——
5.Health poverty alleviation	——	——
6.Ecological protection poverty alleviation	——	——
7.Out to ensure	——	——
7.3The amount invested by the disabled.	0.01million	0.63
7.4Help the number of people living in poverty.	person	23
8.Social poverty alleviation	——	——
8.2Targeted poverty alleviation work input amount.	0.01million	0.63
9.other items	——	——
III.Awards (content, level)	——	——

（4）Follow-up targeted poverty alleviation plan.

Company will be in strict accordance with the foreign donation management requirements, in strict accordance with the budget, do a good job in foreign donations, as always, pay attention to the field of charity, giving full play to the advantages of local state-owned enterprises, the power of public, compassion, realizes the social responsibility of the enterprise and the bear.

3.Environmental protection laws

The listed company and its subsidiaries whether belong to the environmental protection department of key units

No

All dangerous goods, in accordance with the relevant environmental protection laws and regulations to deal with, entrust a qualified disposal unit, add transform waste gas, waste water treatment equipment, all sources of pollution emissions standards all testing on a regular basis by the regulation again.

XIX. Notes to Other Signficiant Events

Inapplicable

XX. Significant Events of the Company's Subsidiaries

Inapplicable

Chapter Ⅵ Change of Shares and Particulars about Shareholders

I. Changes in Capital Stock

	Before Changes		Changes in Shares					After Changes	
	Shares	Ratio	New Shares Issued	Bonus Shares	Conversion of Reserves to Share	Others	Subtotal	Shares	Ratio
1.Non-tradable Shares	244,000,000	60.61%						244,000,000	60.61%
a. Promoters' Shares	244,000,000	60.61%						244,000,000	60.61%
Including：State-owned share	244,000,000	60.61%						244,000,000	60.61%
2.Tradable shares	158,600,000	39.39%						158,600,000	39.39%
b.B shares	158,600,000	39.39%						158,600,000	39.39%
3.Total	402,600,000	100%						402,600,000	100%

Reason of Changes of Shares
□Applicable √ Inapplicable

The basic situation of stock change.
□Applicable √ Inapplicable

The transfer of shares of

□Applicable √ Inapplicable

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

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

II. Issuing and Listing

III. Shareholders and Actual Controlling Shareholder

1. Number of Shareholders and Shares

Unit: Share

Total common shareholders in the reporting period	6,788	Total common shareholders at the end of the month before before the date of disclosing the annual report	6,736	Total preference shareholders withthe voting powerrecovered at theend of the reporting period (if any)	0	Total preference shareholders with the voting power not recovered at the end of the month before the day of disclosingthe annual report	0

Shares held by the shareholders holding over 5% shares or the top ten shareholders								
Shareholder names	Shares held by the top ten shareholders	Shares held by the top ten shareholders (%)	Quantity at the end of the reporting period	the end of the reporting period Increase/decrease in the reporting period	Number ofthe non-restricted shares held	Number ofthe restrictedshares held	Pledging or freezing	
							Status of the shares	Quantity
Wafangdian Bearing Group Corporation	State-owned shareholder	60.61%	244,000,000		244,000,000			
AKTIEBOLAGET SKF	Foreign shareholder	19.70%	79,300,000			79,300,000		
BOCI SECURITIES LIMITED	Foreign shareholder	1.39%	5,601,953			5,601,953		
Huang Junyue	Domestic shareholder	1.01%	4,050,000			4,050,000		
Hu Xiaofeng	Domestic shareholder	0.47%	1,879,277			1,879,277		
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign shareholder	0.37%	1,376,806			1,376,806		
Jin Yunhua	Domestic shareholder	0.33%	1,311,256			1,311,256		
MAN,KWAI WING	Foreign private shareholder	0.18%	713,101			713,101		
Ma Yuancheng	Domestic shareholder	0.15%	596,966			596,966		
Meng Qingliang	Domestic shareholder	0.14%	574,584			574,584		
About the fact that a strategic investor or ordinary corporate became one of the top ten shareholders due to placement of new shares (if any) (Refer to Note 3)		In the report period, the frozen period of the shares purchased by the company's strategic investor AKTIEBOLAGET SKF expired in 1999, and has not dealt with the releasing-procedure in this report period. SKF dealt with the releasing-procedure on February 2017						
Explanation on associated relationship or		There was no relationship and consistent activities between the first big shareholder						

consistent action of the above shareholders	and other shareholders or the top ten common stock holders; The relationship among other shareholders, top ten circulation shareholders, top ten circulation shareholders and other shareholders was not clear.

Shareholding of top 10 shareholders of unrestricted shares			
Shareholder's Name	Quantity of unrestricted shares held at the end of thereporting period	Share type	
		Share type	Quantity
AKTIEBOLAGET SKF	79,300,000	B-shares	79,300,000
BOCI SECURITIES LIMITED	5,601,953	B-shares	5,601,953
Huang Junyue	4,768,300	B-shares	4,768,300
Hu Xiaofeng	1,879,277	B-shares	1,879,277
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	1,376,806	B-shares	1,376,806
Jin Yunhua	1,311,256	B-shares	1,311,256
MAN,KWAI WING	713,101	B-shares	713,101
Ma Yuancheng	596,966	B-shares	596,966
Meng Qingliang	574,584	B-shares	574,584
Zhou Junlin	547,801	B-shares	547,801
Explanation to the associated relationship or consistent action among the top 10 shareholders of non-restricted negotiable shares and that between the top 10 shareholders of non-restricted negotiable shares and top 10 shareholders.	There was no relationship and consistent activities between the first big shareholder and other shareholders or the top ten common stock holders; The relationship among other shareholders, top ten circulation shareholders, top ten circulation shareholders and other shareholders was not clear.		
Note to the top 10 shareholders involved in margin financing & securities lending (if any)			

2. Controlling Shareholder

Nature of the controlling shareholder: State-owned holding directly under the Dalian government

Type of the controlling shareholder: corporate Legal Person

Name of the Controlling Shareholder	Legal Representative/Leader	Date of incorporation	Organization code	Principal business activities
Wafangdian Bearing Group Corporation	Mei Wei	1995.10.22	91210200242386663D	Bearing and bearing parts, bearing special tools, tooling, equipment, machinery and equipment, abrasive, abrasive, casting, auto parts, motorcycle parts and related industrial products manufacturing and sales; bearing design, repair, maintenance and technical services; bearing raw materials and auxiliary materials procurement and sales; housing rental, equipment leasing.
Equity in other domestic and foreign listed companies held by the actual controler by means of control and mutual shareholding in the reporting period	Dalian Heavy industry（002204）、Dalian Port（601880）、DTPC（600719）、DA HUA B（900951）			

Change of Controlling Shareholder in the Report Period

□ Applicable √ Inapplicable

3. Actual Controller

Nature of the actual controller: State-owned assets regulatory agency directly under the Dalian government

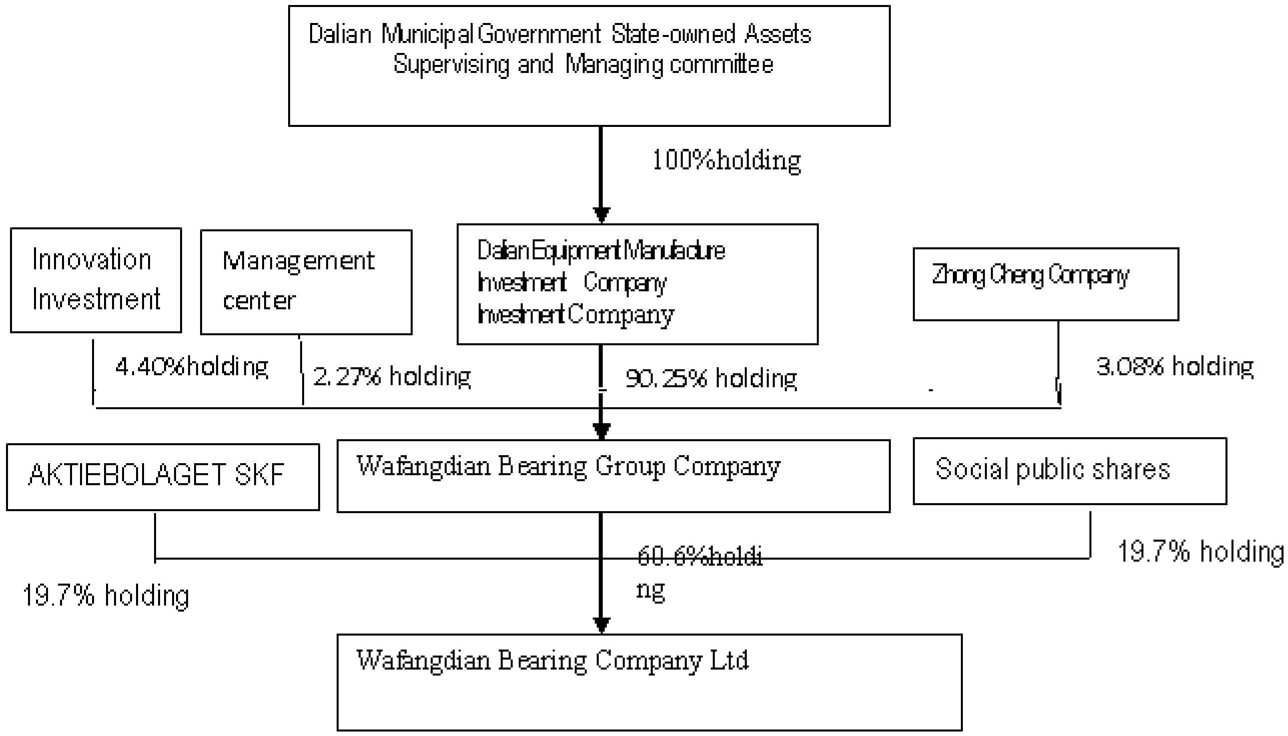
Type of the actual controller: corporate

	Legal Representative	Establishing Date	Organization Code	Register Capital
Dalian Municipal Government State-owned Assets Supervising and Managing committee	Yi Jun	2004.09.30	No	On behalf of the people's government of dalian, the people's government shall perform the functions and responsibilities of the state-owned assets, and supervise and administer the state-owned assets.
Equity in other domestic and foreign listed companies held by the actual controler by means of control and mutual shareholding in the reporting period	Dalian Heavy industry（002204）、Dalian Port（601880）、DTPC（600719）、DA HUA B（900951）			

Change of the actual controller in the reporting period

Inapplicable

Block Diagram of the Ownership and Control Relations between the Company and the Actual Controller



Actual Controller controlled the Company by trust or other asset management method.

□ Applicable √ Inapplicable

4. Other shareholders with more than 10% shares

Name	Legal Representative	Date of establishment	Capital	Main Business

AKTIEBOLAGET SKF	Alrik Danielson	1907.01.01	1，138，000，000(SKR)	Bearings, seals and relative products, and relative services

5. Shareholding Reduction Restriction on the Controlling Shareholder, the Actual Controller, the Reorganizing Party and other Commiting Party

Inapplicable

Chapter Ⅶ. About the Preferred Shares

Inapplicable

Chapter Ⅷ Directors, Supervisors, Senior Executives and Staff

I. Changes of Shares held by Directors, Supervisors and Senior Management

Name Position Office Status Gender Age	Starting Date	Office Status	Gender	Age	Starting Date of Tenure	Expiry Date of Tenure	SharesHeld on Jan 1,2016	Increase	Decrease	Shares Held on Dec 31, 2016	Name Position Office Status Gender Age
Meng Wei	Chairman	Incumbent	Male	50	2015.08.25		0	0	0		0
Zhao Yang	Director/GM	Incumbent	Male	53	2017.03.16		0	0	0	0	0
Sun Maolin	Director	Incumbent	Male	54	2015.09.16		0	0	0	0	0
Sun Nanjuan	General accountant,secrtory of board	Incumbent	Female	50	2013.06.26		0	0	0	0	0
Zhang Xinghai	Director	Incumbent	Male	50	2015.09.16		0	0	0	0	0
Chen Jiajun	Director	Incumbent	Male	51	2013.06.26		0	0	0	0	0
Tang Yurong	Director	Incumbent	Male	56	2015.09.16		0	0	0	0	0
Fang Bo	Director	Incumbent	Female	46	2013.06.26		1,500	0	0	0	1,500
Liu Yuping	Independent Director	Incumbent	Female	62	2016.05.18		0	0	0	0	0
Wan Shouyi	Independent Director	Resignation	Male	63	2015.06.18		0	0	0	0	0
Wen Bo	Independent Director	Incumbent	Male	55	2015.06.18		0	0	0	0	0
Liang Shuang	Independent Director	Incumbent	Female	53							
Sun Shicheng	President of Supervisory Committee	Incumbent	Male	54	2015.09.16		0	0	0	0	0
Li Xiumin	Supervisory	Incumbent	Female	56	2013.06.26		0	0	0	0	0
Wang Fuxing	Supervisory	Incumbent	Male	46	2016.05.18		0	0	0	0	0
Sun Yongsheng	Supervisory	Incumbent	Female	56	2015.03.10		0	0	0	0	0
Wang Lin	Supervisory	Incumbent	Female	37	2013.06.26		0	0	0	0	0
Tan Jianguang	Vice-G.M.	Incumbent	Male	54	2015.01.06		0	0	0	0	0
Zhang Shiyin	Vice-G.M.	Resignation	Male	46	2017.02.24	2018.0420	0	0	0	0	0
Li Shi	Vice-G.M.	Resignation	Male	53	2013.06.26	2017.02.10	0	0	0	0	0
Zhang Li	Independent Director	Resignation	Female	58	2013.06.26	2017.03.14	0	0	0	0	0
Sun Maolin	General Manager, Director	Resignation	Male	54	2015.08.16	2017.02.23	0	0	0	0	0

Wang Longjie	Vice-G.M.	Resignation	Male	56	2013.04.19	2017.02.23	0	0	0	0	0
Total	--	--	--	--	--	--	1,500	0	0	0	1,500

II. Change of Directors, Supervisors and/or Senior Executives

Names	Office Taken	Type	Date	Cause
Li Shi	Director	resignment	2017.02.10	Work change
Sun Maolin	GM	resignment	2017.02.23	Work change
Wang Longjie	Vice-GM	resignment	2017.02.23	Work change
Zhang Li	Independent Director	resignment	2017.03.14	death
Zhang Shiyin	Vice-GM	resignment	2018.04.20	Work change

III. Posts Holding

Work Experience of Directors, Supervisors and Senior Management in Current Office.

(1) Director

Mr.Meng Wei, was born in April 1968, Master Degree Candidate, Bachelor's degree of the university, the master of management, Senior Administration, engineer joined in the work in August, 1990. He has successively held the posts of deputy general manager of WBC, the general manager, the labor Union chairman, secretary of the commission for discipline inspection, the deputy secretary of the party committee and the director of WBGC. Now he work as the secretary of the party committee and the chairman of the board of WBGC, the chairman of WBC from August, 2015.

Mr. Zhao Yang, born in October 1965. 1989 graduated from the HeFei University of Technology of mechanical design and manufacturing expertise, university education, to work in 1989 in ZWZ, senior engineer. Huamei served as quality assurance manager ZWZ bearing company; assistant chief engineer of ZWZ ZWZ Ag; assistant secretary of Department of technology and quality; quality assurance department ZWZ Corporation Deputy Minister and the quality of the office director, general manager of quality assurance department; ZWZ Corporation assistant market sales department minister; ZWZ group deputy general manager of the company and the market sales department minister; director and general manager of marketing headquarters ZWZ group company. Since August 2015, he served as director of ZWZ group company, in charge of the technical quality of the work. now his is the GM.

Mr. Zhang Xinghai, was born in October 1968, university culture, professor senior accountant. Since joining Wazhou in 1991, he has successively held the posts of deputy chief accountant and board secretary of WBC, director, chief accountant and board secretary of WBC, now he is held the post of the chief accountant of WBGC.

Mr. Sun Maolin, was born in December 1964, university culture, researcher professor level senior engineer. Joined in work in August, 1988, he has assumed as minister of manufacturing department, minister of Sales & Marketing Department of WBC, minister of Planning and Development Department, general-manager assistant and deputy director of the Technology Center of WBGC, deputy general-manager of WBGC. Now he work as the general manager of WBGC.

Mr. Chen Jiajun, was born in December, 1967, university culture, economic manager and statistician, joined in work from August, 1990. He worked as section chief, assistant minister deputy minister and minister of operation and managing department, assistant general manager and charger of Operation and managing department of WBGC. Now he works as charger of Operation and managing department and deputy general manager.

Mrs. Sun Najuan, was born in October 1968, professor senior accountant, master degree. joined in work from September, 1990, she worked as accountant in Financial Division, section leader of Checking Division of WBGC, general manager assistant of Material Providing Company of WBC, and the general manager assistant of Sales Company of WBC, the deputy chief accountant of WBGC . Now she works as chief accountant and the secretary of board of directors of WBC.

Mr. Tang Yurong was born in 1962, junior college degree, electrical engineer. He hold the post of Dealer network development manager in SKF since 1989, director and general manager from 1996 to 2004 in SKF China, global marketing director of industry department in SKF from 2004 to 2007, the chairman of arcelor auto in SKF China from 2007 to 2008, the global chairman of one bearing brand in SKF, the senior deputy chairman in SKF Group and the chairman of special enterprise department from January of 2015 to now, the chairman of SKF China and industry market from May of 2015 to now, the chairman of industry market Asia from February, 2016 to now.

Mrs. Fang Bo, was born in June, 1972, bachelor degree. She has served as auditor in PWC Accountant Firm since 1994. She joined the SKF(China) Co.Ltd in 1997, used to be finance manager in its subsidiary company, finance director investment company. Now she occupies the finance manager of SKF(China) Co., Ltd and Consultation Co.Ltd, and capital department manager in SKF China region.

(2)Independent director

Mr.Wen Bo, was born in 1963, granulated the law major in CUPL, he has hold a post in Dalian Justice Bureau, now he is the initiate partner of Liaoning Huaicheng Law Firm, the local legislation expert advisor of Dalian municipal people's congress standing committee, the committee member in expert advisory committee of major issues of the state-owned assets supervision and administration commission in Dalian.

Mr. Wan Shouyi, was born in 1955, granulated in accounting institute of Dongbei University of Finance and Economics, accounting doctor, Certified Public Accountant, he has hold a post of vice-director, director, vice-director and director of teaching and research office, vice-president in accounting institute of Dongbei University of Finance and Economics, now he hold the post of doctor tutor, hold concurrently the post of chief researcher in internal control and risk management research center of Dongbei University of Finance and Economics,

Mr. Liu Yuping, was born in August 1956, professor. After graduation, he has been teaching at Law school of Dongbei University of Finance and Economics. Now he assumed as director of Law school teaching department of University of Finance and Economics and pluralizes the following duties: arbitrator of Dalian Arbitration Committee, Lawyer of Liaoning Zhenghe Law Firm; Law counselor of Liaoning Dafeng Real Estate Company, Liaoning Wuhuan Import and Export Company, Economic and Technological Development Company founded by Dongbei University of Finance and Economics; Vice president of Liaoning Institute of Constitutional and Administrative Law. He has abundant knowledge of law. Now he held the position of the independent director in the Hua Dong Numerical Control Limited Company.

Mrs .Liang Shuang, Born in 1965, Chinese nationality, Ph.D., professor. Since 1990, at the Dongbei University of Finance and Economics, the Dongbei University of Finance and Economics as assistant professor of Materials Department of economic management, lecturer, associate professor, Dongbei University of Finance and Economics School of accounting, Dongbei University of Finance and Economics School of accounting training center serves as the financial department minister. From 2003 to 2007 he served as the Tenth CPPCC member of Dalian City, from 2008 to 2012, he served as the Dalian Municipal Committee of the Eleventh CPPCC, from 2013 to 2017 served as the Dalian Municipal Committee of the CPPCC National Committee of the twelfth. She still served as Dalian Sunasia sixth independent directors.

(3)Supervisor

Mr.Sun Shicheng was born in December 1964, university culture, Senior Administration, joined in work in 1987,he worked as the section chief in organization department and organizer in Party Committee of WBGC, party branch secretary of Xibei sales company, secretary of Huabei sales company, deputy general manager, the minister of organization department, and the chairman of the labor union. Now he work as the labor Union chairman, deputy Secretary of Communist Party of WBGC, staff director and organization department of WBGC.

Ms. Li Xiumin, was born in May 1962, junior college degree, senior accountant. Joined in work in November 1980, she has successively held the posts of accountant in financial audit department, financial inspector, financial section chief, assistant minister, vice minister and so on, now she is held the post of minister in financial audit department of WBGC.

Mrs. Wang Lin, was born in September 1981, university degree, assistant economist. Joined in work in July 2004, she has successively held the posts of the legal counsel，office director, minister assistant，deputy minister and minister in credit management department of WBC. Now she is held the post of general manager of Import and Export Corporation.

Mr. Sun Yongsheng, wad born on July 1962, university degree, engineer. Joined in work August,1987, she has successively held the posts of minister assistant, deputy minister of manufacture engineering department, minister of safety and equipment energy department, the factory manager of the seventh finished product factory, now he work as the factory manager of the second finished product factory.

Mr. Wang Fuxing, was born in June, 1972, university degree. Since joined in work in our company from 1993, has successively held the posts of the minister of financial department of Wazhou Group equipment manufacturing company, financial manager, Deputy Secretary of Party General Branch and chairman of the labor union of Wazhou Group Precision turntable company, now he hold the post of deputy director of general office of WBGC.

(4) Top management

Mr. Tan Jianguang, born in December, 1964, technical secondary school, assistant engineer. Joined in work in August 1986, he has successively held the posts of workshop director in cage branch, salesman, section chief, deputy general manager and genera manager of Marketing Departmen, general manager assistant of WBC, the general manager of railway department, and the general manager of railway bearing sales company. Now he hold the post of deputy general manager of WBC.

Mr. Zhang Shiyin, born in September 1972. Graduated from Taiyuan Heavy Machinery Institute (now Taiyuan University of Science and Technology), served as the company rolling branch deputy general manager, Minister of human resources and promote lean management office director, ZWZ assistant general manager and chief minister of manufacturing engineering. Now he hold the post of deputy general manager of WBC.

Posts in Shareholder's Company

√Applicable □Inapplicable

Name	Company Name	Position	Starting Date of Tenure	Expiry Date of Tenure	Whether receiving remuneration from ther companies
Meng Wei	Wafangdian Bearing Group Corporation	Chairman of Board of Director	2016.04.11		Y
Sun Maolin	Wafangdian Bearing Group Corporation	Director .GM.	2017.02.24		Y
Zhao Yang	Wafangdian Bearing Group Corporation	Director			N
Zhang Xing hai	Wafangdian Bearing Group Corporation	General accountant			Y
Chen Jiajun	Wafangdian Bearing Group Corporation	VGM			Y
Sun Najuan	Wafangdian Bearing Group Corporation	Director			N
Sun Shicheng	Wafangdian Bearing Group Corporation	deputy Secretary of Co mmunist Party of WBG C,the union president,	2017.12.20		Y
Li Xiumin	Wafangdian Bearing Group Corporation	Minister of auditing			Y
Wang Fuxing	Wafangdian Bearing Group Corporation	Financial Manager			Y
Tang	SKF (China) Co,. Ltd.Rgion	President	2015.05.01		Y

Yurong					
Fang Bo	SKF (China) Co,. Ltd.Rgion	Financial Charger	2009.04.01		Y

Other Posts

√Applicable □Inapplicable

Name	Other Company Name	Position	Starting Date of Tenure	Expiry Date of Tenure	Whether receiving remuneration from ther companies
Meng Wei	Wazhou group (USA) bearing co., LTD	Chairman			N
	KRW	Chairman			N
	Wafangdian Bearing High-end Auto Bearing Co., Ltd.	Chairman			N
	Dalian Guangyang Wazhou Auto Bearing Co., Ltd.	Chairman			N
Zhao Yang	Wazhou Group Precision Drive Bearing Co., Ltd.	Chairman			N
Zhang Xinghai	Wafangdian Bearing Wind Power Co., Ltd.	Chairman			N
	Wafangdian Bearing Equipment Technical Engineering Co., Ltd.	Chairman			N
	Liaoning northern metal supply chain company.	Chairman			N
	Dalian Wazhou Fengyuan Machinery Co., Ltd.	Chairman			N
Chen Jiajun	Dalian Wafangdian Bearing Group Equipment Manufacturing Co., Ltd.	Chairman			N
Sun Maolin	Wafangdian Tongda Bearing Manufacturing Co., Ltd.	Chairman			N
Zhang Shiyin	Wafangdian Bearing Precision Rolling Element Co., Ltd.	Chairman			N
	Wafangdian Bearing Group Precision Retainer Co., Ltd.	Chairman			N
Tan Jianguang	Wafangdian Bearing Special Precision Bearing Co., Ltd.	Chairman			N

III. The Remuneration of Directors, Supervisors and Senior Management

Decision-making procedures, basis for determination and actual payment of the remuneration to directors,

supervisors and senior management

Unit:0000'Yuan

Name	Position	Gender	Age	Office Status	Total remuneration received from the Company	Remuneration actually received at the end of the reporting period
Meng Wei	Chairman	Male	50	Incumbent		Y
Sun Maolin	Director	Male	55	Incumbent		Y
Zhao Yang	Director	Male	52	Incumbent	16.65	N
Sun Najuan	Director	Female	50	Incumbent	15	N
Zhang Xinghai	Director	Male	50	Incumbent		Y
Chen Jiajun	Director	Male	51	Incumbent		Y
Tang Yurong	Director	Male	56	Incumbent		Y
FangBo	Director	Female	46	Incumbent		Y
Sun Shicheng	President of Supervisory Committee	Male	53	Incumbent		Y
Li Xiumin	Supervisory	Female	56	Incumbent		Y

Wang Fuxing	Supervisory	Male	46	Incumbent		Y
Sun Yongsheng	Supervisory	Male	56	Incumbent	9.93	N
Wang Lin	Supervisory	Female	37	Incumbent	10.38	N
Tan Jianguang	Vice-G.M.	Male	54	Incumbent	15	N
Zhang Shiyin	Vice-G.M.	Male	46	Resignation	13.75	N
Total	--	--	--	--	80.71	

VI. About Employees
1. Age Structure

The subject of share	2,537
Sub-company Precision Motor Company	832
Total	3,369
Total staff the company shall pay to	3,614
The number of retired workers need company pay the cost is	4,307
professional composition of staff	
type	Member
Production staff	2,534
Sale staff	190
Technology staff	143
Financial staff	59
Administrative staf	443
Total	3,369
education	
type	Member
Master’s degree	14
University graduation	399
Junior college graduation	626
below junior college	2,330
合计	3,369

2.Remuneration Policy for Staff

Company based on relevant laws and regulations of the state and the government labor department a series of related policies, combined with the actual situation of the company, the company developed the company's salary evaluation system. Bingzhe "adhere to the fair, give consideration to efficiency, quality of work, the performance of priority" principle, and constantly improve the salary system, strengthen incentive mechanism, and fully mobilize the enthusiasm of the staff of the company.

3. Training Program

	projcet			Training number			Training shift			Course hours		
item	plan	Done	Rate	plan	Done	Rate	plan	Done	Rate	plan	Done	Rate
First level training	35	31	88.57%	3226	3094	95.91%	72	70	97.22%	988	1102	111.53%
Two level training	38	35	92.11%	22132	20523	92.73%	208	190	91.35%	4454	3902	87.61%
Send out training	11	7	63.64%	117	102	87.18%	22	15	73.33%	566	498	87.99%
Total	84	73	86.90%	25475	23719	93.11%	302	275	91.06%	6008	5502	91.58%

This year, the Ministry of human resources increased training management efforts, innovative training content, training awareness, improve the quality of teaching, strengthen the supervision of training, has made great achievements. Held abroad training institutions, including engineering and technical personnel of "double certificate", "training skills Master Studio" auditorium, bearing and manufacturing technology forum, intensive English training, 3D drawing tools, focusing on the training of project training.

Chapter VIIII. Corporate Governance

I. General

During the report period, the Company had continuously observed Company Law, Securities Law, and Guidelines of Corporate Governance for Listed Company and relevant regulations to improve and enhance its corporate governance.

1.1 The holding of the shareholders, board of directors and board of supervisors, the voting procedures and the formation of the resolutions were totally subject to these regulations.

1.2 The Company has made its internal management systems and regulations for restriction of budgeting, purchasing, logistics and sale, etc, and executed them strictly.

1.3 The company has separated business, personnel, assets, interior organization and finance from its holding shareholder:

(1) The Company had independent operations itself, with its business separated from its holding shareholders;

(2)The Company was independent in terms of its personnel, labor and salary management, and had its own independent labor and personnel management systems. Except the Chairman of Board of Directors of the parent company Wafangdian Bearing Group Corporation who occupies as the Chairman of the Company, the General Manager, Deputy-General Managers and the Finance Controller of the Company were all independent from the controlling shareholder.

(3)The production system, auxiliary production system and supplementary facilities of the Company were independent from the controlling shareholder.

(4)The Company has separated the accounting from the controlling shareholder. The Company carried out independent finance and accounting on its own and paid taxes independently.

(5)The Company has established the organizations independent on the holding shareholder

Does there exist any difference in compliance with the corporate governance, the PRC Company Law and the relevant provisions of CSRC.
Yes √No

II. Independence in Business, Personnel, Assets, Organization, Finance, etc. from the Controlling Shareholders

The company has separated business, personnel, assets, interior organization and finance from its holding shareholder with independent operation ability:(1) The Company had independent operations itself, with its business separated from its holding shareholders;(2)The Company was independent in terms of its personnel, labor and salary management, and had its own independent labor and personnel management systems. Except the Chairman of Board of Directors of the parent company Wafangdian Bearing Group Corporation who occupies as the Chairman of the Company, the General Manager, Deputy-General Managers and the Finance Controller of the Company were all independent from the controlling shareholder. (3)The production system, auxiliary production system and supplementary facilities of the Company were independent from the controlling shareholder. (4)The Company has separated the accounting from the controlling shareholder. The Company carried out independent finance and accounting on its own and paid taxes independently. (5)The Company has established the organizations independent on the holding shareholder.

III. Horizontal Competitions

Inapplicable

IV. Annual General Meeting and Extraordinary Shareholders' Meetings in the Report Period

1. Annual General Meeting in the Report Period

Sessions	Meeting Types	Proportion of investors in total participants	Meeting date	Disclosure date	Disclosure index
20171st Extraordinary shareholders' meeting	Extraordinary shareholders' meeting	80.31%	2017.03.16	2017.03.17	http://www.cninfo.com.cn
2016 Annual General Meeting	Annual General Meeting	80.51%	2017.05.18	2017.05.19	http://www.cninfo.com.cn
2017 2nd Extraordinary shareholders' meeting	Extraordinary shareholders' meeting	80.31%	2017.12.29	2017.12.30	http://www.cninfo.com.cn

2. Request by the Preference Shareholders with the Vote Recovered for an Extraordinary General Meeting

Inapplicable

V. Duty Performance of Independent Directors in the Reporting Period

1. Attendance of Board Meeting and Shareholders' Meeting

Attendance of Board Meeting							
Name	Meetings required to be present	Attendance in person	Attendance by facsimile	The number of directors to attend the board of directors	Absence rate	Non-attendance in person for two consecutive times	Attendance at the general meeting of shareholders.
Zhang Li	1	1	0	0	0	N	0
Wen Bo	6	3	3	0	0	N	0
Liang Shuang	4	2	2	0	0	N	0
Liu Yuping	6	3	3	0	0	N	1
Wan Shouyi	6	3	0	3	0	N	2

Notes to Failure to Personally Attend Board Meetings Successively Twice

Inapplicable

2. Objection of independent directors on some relevant issues

Did any of independent directors put forth any objection on some relevant issues

No

3. Other Note to Duty Performance of Independent Directors

Explanation on acceptance of or failure to accept an independent director's advice to the Company

According to the relevant regulations and requirements of Company Law and Guideline on Establishing Independent Director System in Listed Company, Articles of Association, earnestly fulfilled the obligations of laws and regulations, articles of association and independent director system, actively attended the board meetings and shareholders‘ general meetings, examined and guided the production and operation of the Company, proposed independent opinions on significant events, put forward many valuable and expert advices about internal control and daily operation decisions, fulfilled the duties diligently, faithfully, brought their roles into full play and effectively safeguarded the interests of listed companies and general shareholders.IV. Performance of Special Committees under the Board of Directors in the Report Period

VI Duty Performance of Special Committees under the Board of Directors in the Reporting Period

The board of directors of the company under the nomination, remuneration and appraisal, auditing and strategic committee, the professional committee, according to their respective functions and duties to the development of the company proposed relevant professional opinions and suggestions, to promote the normative development of the company. Especially the Board Audit Committee full participation in the company's annual audit work, including participation in the formulation of the annual audit plan, audit annual audit report draft and eventually formed the draft. Board of directors of the audit committee of the company audit reports, periodic reports for special consideration; the board Nomination Committee for consideration by the company on the election of chairman of the board, board of directors and the general manager bill, and recommended to the board.

VII. Work Summary of the Supervisory Committee

Did the Supervisory Committee find any risk existing in performing the supervision activities in the reporting period

No

VIII. Assessment and Incentive Mechanism for Senior Executives

Company implement "releasing" management approach in which base annual salary plus benefit annual salary for salary of director (not including the independent director), senior management personnel (including supervisor). The remuneration and appraisal committee carry out comprehensive evaluation assessment for performance of the board directors and senior management personnel, determine the assessment principles according to assessment and procedures, carry out individually score, evaluation, summary for the directors and senior managers. Directors, executive officers personal advance monthly salary according to the basic salary, cash out after annual appraisal. Company's performance assessment and incentive mechanism has played a positive role in supervision, spur and motivate for directors, senior management.

IX. Internal Control

1. No particular case found involving material defects in the internal control during the reporting period

No

2. Self-assessment Report of the Internal Control

Date of disclosing the full text of the internal control assessment report	2018.04.24	
Index of disclosure of the full text of the internal control assessment report	http：//www.cninfo.com.cn	
Criteria for affirming the defects		
Categories	Financial Report	Non-financial Report
Qualitative criteria	1.did not achieve the required control objectives; 2, the implementation of the provisions of the control activities; 3, breaking the provisions of the provisions of	1.did not achieve the required control objectives; 2, the implementation of the provisions of the control activities;

	the 4, can not provide timely control of the relevant evidence.	3, breaking the provisions of the provisions of the 4, can not provide timely control of the relevant evidence.
Quantitative criterion	1, control the execution frequency of daily or at any time, the amount of test samples shall not be less than 24, if there are 4 or more samples of the problem, the need to add a test of 24 samples. 2, control execution frequency occurs once a month, the amount of test samples shall not be less than 4, if there are 1 or more samples of the problem, the need to add a test of 4 samples. 3, control the implementation of the frequency of the occurrence of each quarter, the amount of test samples shall not be less than 1, if there is a problem, the other three samples should be tested. 4, the test sample is still a problem, should be identified as the defect	1, control the execution frequency of daily or at any time, the amount of test samples shall not be less than 24, if there are 4 or more samples of the problem, the need to add a test of 24 samples. 2, control execution frequency occurs once a month, the amount of test samples shall not be less than 4, if there are 1 or more samples of the problem, the need to add a test of 4 samples. 3, control the implementation of the frequency of the occurrence of each quarter, the amount of test samples shall not be less than 1, if there is a problem, the other three samples should be tested. 4, the test sample is still a problem, should be identified as the defect
Number of material defects in the financial statements	0	
Number of material defects in the non-financial statements	0	
Number of important defects in the financial report	0	
Number of important defects in the non-financial report	0	

X. Internal Control Audit Report

Review Opinions in the Internal Control Audit Report	
It is our opinion that,as of December 31,2017,the headquarter of Wafangdian Bearing Co., ltd .has maintained efficiency of internal control on financial statements in every material aspect.	
Disclosure of the internal control audit report	Disclosure
Disclosure Date of Internal Control Audit Report	2018.04.26
Disclosure Index of Internal Control Audit Report	http://www.cninfo.com.cn
Type of the onions in the internal control audit report	control audit report Standard unqualified auditor’s report
Are there any material defects in the non-financial report	No

Has the CPAs issued a qualified auditor’s report of internal control.

No

Does the internal control audit report issued by the CPAs agree with the self-assessment report of the Board of Directors

Yes

Chapter X. Corporate Bonds

Inapplicable

ChapterXI. Financial Report (Attachment)

I.Audit Report

Opinion Type of Audit Report	Standard unqualified audit opinion
Date of Audit Report	April24,2018
Name of Audit Organization	ShineWing Certified Public Accountants Dalian Branch
No. of Audit Report	XYZH/2018DLA10198
Name of the auditor	Sui Guojun Hui Shikui

1. Opinion

We have audited the financial statements of Wafangdian Bearing Company Limited ("Wafangdian Bearing Company"), which comprise the consolidated as well as Company's balance sheet as at 31 December 2017, the Company's and the consolidated income statement, cash flow statement and statement of changes in shareholders' equity for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements of Wafangdian Bearing Company present fairly, in all material respects, the Company's and the consolidated financial position as at 31 December 2017, the Company's and the consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

1. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing for Chinese Certified Public Accountants. 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 Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities of the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit.

2. Key Audit Matters

Key audit matters are those matters that we consider, 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 audit opinion thereon, and we do not express a separate opinion on these matters.

1. Inventory impairment	
Key Audit Matter	**How the matter was addressed in the audit**
Up to December31st, 2017, as described in the Note VIII,6 closing balance of inventory is 731.0124Million Yuan, provision for inventory impairment is 37.1759million Yuan, provision for impairment decreased by 29.8123million Yuan, which is the key factor to the gross profit and significantly affect the financial statements. Therefore, we identify the provision for inventory impairment is the key audit matter.	The main audit procedures carried out for addressing the key audit matters are as follows: 1. Together with stock count, inspect the inventory's physical condition so to understand whether the condition is normal. 2. Review the provision recognition basis and whether is consistent with prior period. 3. In accordance with lower of NRV and cost method, evaluate the documents, assumption and accrual method for provision, and examine whether the NRV is based on the conclusive evidence and ensure its reasonableness. 4. Consider the principle of NRV recognition, review whether the calculation is correct(adequate not excessive) 5. Examine the change of provision accrued previously during the year, examine the impairment provision reverse calculation and review accounting whether is reconciled to the accounts in the income statement.
2. Revenue recognition	
Key Audit Matter	**How the matter was addressed in the audit**
Revenue and profit of bear sales has significant effect on profit of Wafangdian Bearing Company. Revenue recognition depends on whether appropriate evaluation is made to whether the sales risk and rewards transfer conditions are in conformity with the terms regulated in the sales contract. Due to the complexity of the commercial contract, significant judgment needs to be made, therefore, we recognized revenue recognition as key audit matters.	The main audit procedures carried out for addressing the key audit matters are as follows: 1. Understand and evaluate effectiveness of design and operation of the management 's internal control over revenue 2. Carried out analytical review and evaluate the reasonableness of sales income and gross profit margin of Wafangdian Bearing Company. 3. Sampling test the sales contracts, evaluate the consistency between the contract price and actual settlement price. 4. Sampling select product sales revenue record, reconcile to sales invoice, contracts, dispatch note, acceptance note and evaluate the recognition of revenue whether is in line with the accounting standards applicable to Wafangdian Bearing Company.

	5. Select key clients for confirmation letter so to ensure the accuracy and authenticity. 6. Sampling select the transactions before and after the balance sheet date, test the dispatch note and other supporting documents so to ensure whether the transaction is recorded into the appropriate accounting period.

3. Other Information

The management of Wafangdian Bearing Company(hereinafter referred to as the “Management”) is responsible for the other information. The other information comprises the information included in the Wafangdian Bearing Company*2017 annual report*, but does not include 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.

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

The Management is responsible for the preparation of the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation; and designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible to overseeing Wafangdian Bearing Company’s financial reporting process.

5. 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 auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

During the course of audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism. We also carry out the following works:

(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 audit. 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 understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control (this sentence would be deleted in circumstance when we are also responsible to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements).

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

(4) Conclude on the appropriateness of the 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 in accordance with the auditing standards or, if such disclosures are inadequate, we shall 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, structure and content of the financial statements, including the disclosures, and also whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient and appropriate audit evidence of financial information from Wafangdian Bearing Company and express our opinion. We are responsible for directing, monitoring and implementing the group audit and take full responsibility for 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 etc., 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 those relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and related safeguards, where applicable.

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 prohibited public disclosure about the matter or when, in 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.

II. Financial Statement

1. Consolidated Balance Sheet.

Unit: RMB Yuan

Item	Opening Balance	Closing Balance
Current assets ：		
Monetary fund	82,860,774.83	184,416,042.97
Financial assets held-for-trading		
Bills receivable	209,923,835.91	109,181,156.69
Account receivable	1,128,338,013.69	1,249,891,874.39
Account paid in advance	39,863,576.53	16,084,843.68
Interest receivable		
Dividend reciivable		
Other receivables	21,895,381.98	19,705,788.69
Inventory	693,836,428.55	842,429,282.92
Non-current assets due within 1 year		
Other current assets	5,386,473.92	7,202,729.14
Total current assets	2,182,104,485.41	2,428,911,718.48
Non-current assets		
Financial assets available-for-sale	2,000,000.00	2,000,000.00
Investments held-to-maturity		
Long-term receivable		

Long-term equity investment		
Investment property	136,874,108.05	
Fixed assets	710,247,969.72	785,568,617.02
Construction in progress	82,689,318.94	194,439,963.77
Construction materials		
Fixed assets disposal		
Biological assets		
Gas and petrol assets		
Intangible assets	87,530,122.26	130,876,465.81
Development expenditure		
Goodwill		
Long-term prepaid expense	700,228.04	521,361.67
Deferred tax assets	11,625,939.19	11,629,100.34
Other non-current assets		
Total non-current assets	1,031,667,686.20	1,125,035,508.61
Total assets	3,213,772,171.61	3,553,947,227.09
Current liabilities		
Short-term loan	648,000,000.00	549,900,000.00
Note payable	299,483,279.00	425,514,610.26
Accounts payable	630,832,287.45	833,899,714.83
Accounts received in advance	31,634,532.72	26,959,477.14
Commission charge payable		
Accrued payroll	16,660,148.64	17,256,851.42
Tax payable	13,849,972.32	19,141,230.94
Interest payable	1,190,100.00	927,000.00
Dividends payable		
Other payables	92,123,093.92	111,790,682.03
Non-current liabilities due within I year	50,000,000.00	90,000,000.00
Other current liabilities	3,967,022.53	4,704,022.50
Total current liabilities	1,787,740,436.58	2,080,093,589.12
Non-current liabilities		
Long-term loan		50,000,000.00
Debenture payable		
Long-term payables	1,597,305.72	1,597,305.72
Special payables	296,698.98	296,698.98
Contingent liabilities		
Deferred income	37,754,771.56	41,682,411.76
Deferred tax liabilities	888,084.06	939,295.96
Other non-current liabilities		
Total non-current liabilities	40,536,860.32	94,515,712.42
Total liabilities	1,828,277,296.90	2,174,609,301.54
Owner’s equity (shareholders’ equity)		
Capital stock	402,600,000.00	402,600,000.00
Capital public reserves	485,691,050.47	485,691,050.47
Less: treasury share		

Surplus reserve	134,278,527.26	131,442,909.11
Undistributed profit	362,925,296.98	359,603,965.97
Difference of foreign currency translation		
Equity attributable to parent company	1,385,494,874.71	1,379,337,925.55
Minority interest		
Total owner's equity	1,385,494,874.71	1,379,337,925.55
Total owner's equity and liabilities	3,213,772,171.61	3,553,947,227.09

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

2. Balance Sheet Of Parent Company

Unit: RMB Yuan

Item	Opening Balance	Closing Balance
Current assets ：		
Monetary fund	78,901,032.57	160,858,258.16
Financial assets held-for-trading		
Bills receivable	203,511,631.58	105,343,542.29
Account receivable	1,113,118,255.50	1,271,216,667.68
Account paid in advance	37,510,877.11	14,150,176.66
Interest receivable		
Dividend receivable		
Other receivables	20,605,278.47	18,675,828.91
Inventory	622,177,633.83	781,029,612.11
Non-current assets due within 1 year		
Other current assets	4,067,326.65	4,853,373.30
Total current assets	2,079,892,035.71	2,356,127,459.11
Non-current assets		
Financial assets available-for-sale	2,000,000.00	2,000,000.00
Investments held-to-maturity		
Long-term receivable		
Long-term equity investment	211,583,897.67	211,583,897.67
Investment property	119,890,581.55	
Fixed assets	490,076,503.07	540,414,895.87
Construction in progress	82,374,150.54	194,408,579.15
Construction materials		
Fixed assets disposal		
Biological assets		
Gas and petrol assets		
Intangible assets	68,788,824.54	111,375,548.98
Development expenditure		
Goodwill		
Long-term prepaid expense	453,531.31	521,361.67
Deferred tax assets	10,350,000.00	10,355,933.09
Other non-current assets		
Total non-current assets	985,517,488.68	1,070,660,216.43

Total assets	3,065,409,524.39	3,426,787,675.54
Current liabilities		
Short-term loan	648,000,000.00	549,900,000.00
Note payable	299,483,279.00	425,514,610.26
Accounts payable	511,083,367.33	754,015,698.35
Accounts received in advance	31,518,509.16	26,840,178.68
Commission charge payable		
Accrued payroll	9,803,431.58	10,295,412.34
Tax payable	10,821,733.56	15,496,981.29
Interest payable	1,190,100.00	927,000.00
Dividends payable		
Other payables	52,910,305.81	72,962,085.99
Non-current liabilities due within I year	50,000,000.00	90,000,000.00
Other current liabilities	3,869,474.53	4,606,474.50
Total current liabilities	1,618,680,200.97	1,950,558,441.41
Non-current liabilities		
Long-term loan		50,000,000.00
Debenture payable		
Special payables	296,698.98	296,698.98
Contingent liabilities		
Deferred income	33,560,207.56	37,390,299.76
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities	33,856,906.54	87,686,998.74
Total liabilities	1,652,537,107.51	2,038,245,440.15
Owner's equity (shareholders' equity)		
Capital stock	402,600,000.00	402,600,000.00
Capital public reserves	485,678,443.26	485,678,443.26
Less: treasury share		
Surplus reserve	134,278,527.26	131,442,909.11
Undistributed profit	390,315,446.36	368,820,883.02
Minority interest		
Total owner's equity	1,412,872,416.88	1,388,542,235.39
Total owner's equity and liabilities	3,065,409,524.39	3,426,787,675.54

3. Consolidated Income Sheet.

Unit: RMB Yuan

Item	Account for the current period	Account for the prior period
1.Total operating income	2,190,412,052.05	2,493,926,556.67
Including: Operating revenue	2,190,412,052.05	2,493,926,556.67
Interest income		
Handling charge and commission income		
2.Total operating cost	2,206,331,311.07	2,567,827,411.68
Including: Operating cost	1,886,614,598.45	2,264,875,140.80

Interest expenses		
Handling charge and commission income		
Tax & surcharges for main operations	19,418,083.12	17,939,779.62
Selling expenses	157,721,750.23	177,255,064.35
Administrative expense	61,410,304.53	67,216,491.43
Financial expense	50,697,810.00	24,005,476.59
Loss of impairment of assets	30,468,764.74	16,535,458.89
Add: Gains of change of fair value of assets(loss with"-")		
Investment income(loss with "-")	500,000.00	240,000.00
Including: Income form investment on associated enterprise and jointly enterprise		
Asset disposal income (loss with "-")	-728,247.65	51,018,264.75
other income	7,856,994.07	
3.Operating profit (loss with"-")	-8,290,512.60	-22,642,590.26
Add: Non-operating revenue	19,009,072.44	58,414,458.73
Including:income on disposal of non-current assets		
Less: Non-operating cost	583,661.43	3,794,515.58
Including: loss on disposal of non-current assets		
4.Total profit(loss with"-")	10,134,898.41	31,977,352.89
Less: Income tax expenses	-48,050.75	1,104,402.67
5. Net profit(Loss with"-")	10,182,949.16	30,872,950.22
(I) continuous operating net profit (net loss is marked with "-")	10,182,949.16	30,872,950.22
(2) termination of net profit (net loss is marked with "-")	10,182,949.16	30,872,950.22
Net profit attributable to shareholders of parent company	10,182,949.16	30,872,950.22
Minority interests		
6. Other comprehensive income net off tax		
Total comprehensive income net off tax attributable to parent Company		
(Ⅰ)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		
(Ⅱ)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.Avaliable-for-sale financial assets fair value movements		
3.Profit/loss on reclassification from held to maturities to avaliable-for-sale financial assets		
4.Cash flow hedges effective portion		
5.Foreign currency translation difference		
6. Others		

Total comprehensive income net off tax attributable to minority shareholders of the Company		
7. Total comprehensive returns	10,182,949.16	30,872,950.22
Total comprehensive returns available for parent company	10,182,949.16	30,872,950.22
Total comprehensive returns available for minority shareholders		
8.Earnings per share		
(1) Basic earnings per share	0.03	0.08
(2) Diluted earnings per share	0.03	0.08

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

4. Income Sheet of Parent Company.

Unit: RMB Yuan

Item	Account for the current period	Account for the prior period
1.Total operating income	2,138,730,061.84	2,539,105,854.39
Less:Total operating cost	1,847,965,184.83	2,330,636,935.86
Tax & surcharges for main operations	16,201,656.03	15,669,728.44
Selling expenses	154,364,032.50	175,139,037.17
Administrative expense	37,320,409.93	42,739,641.08
Financial expense	50,747,589.77	24,123,707.13
Loss of impairment of assets	29,792,760.86	16,275,776.99
Add: Gains of change of fair value of assets(loss with"-")		
Investment income(loss with "-")	500,000.00	240,000.00
Including: Income form investment on associated enterprise and jointly enterprise		
Asset disposal income (loss with "-")	14,622.70	50,931,417.56
other income	7,686,358.23	
2Operating profit (loss with"-")	10,539,408.85	-14,307,554.72
Add: Non-operating revenue	18,374,751.29	46,474,202.75
Less: Non-operating cost	552,045.56	3,244,395.07
3Total profit(loss with"-")	28,362,114.58	28,922,252.96
Less: Income tax expenses	5,933.09	224,166.93
4 Net profit(Loss with"-")	28,356,181.49	28,698,086.03
Minority interests		
5 Other comprehensive income net off tax		
(Ⅰ)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		

(Ⅱ)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.Avaliable-for-sale financial assets fair value movements		
3.Profit/loss on reclassification from held to maturities to avaliable-for-sale financial assets		
4.Cash flow hedges effective portion		
5.Foreign currency translation difference		
6. Others		
6 Total comprehensive returns	28,356,181.49	28,698,086.03
7Earnings per share		
(1) Basic earnings per share	0.07	0.07
(2) Diluted earnings per share		

5. Consolidated Cash Flow Statement.

Unit: RMB yuan

Item	Account for the current period	Account for the prior period
1.Cash from operating activities		
Cash received from sale of goods or rendering of services	998,989,298.82	1,142,969,452.38
Refund of taxes and fares		117,978.34
Other cash received relating to operating activities	37,275,712.97	19,311,034.91
Sub-total of cash inflows	1,036,265,011.79	1,162,398,465.63
Cash paid for goods and services	615,213,585.04	661,898,141.49
Cash paid to or on behalf of the employees	235,991,883.53	288,553,372.72
Tax payments	75,725,151.63	74,477,506.29
Other cash paid relating to operating activities	111,459,211.26	116,949,383.97
Sub-total of cash outflows	1,038,389,831.46	1,141,878,404.47
Net cash flows from operating activities	-2,124,819.67	20,520,061.16
2.Cash flows from investing activities		
Cash received from return of investment	305,344.34	
Cash received from investment incomes	500,000.00	480,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1,528,671.91	23,611,765.58
Proceeds from sale of subsidiaries and other operating units		
Other cash received relating to investing activities		
Sub-total of cash inflows	2,334,016.25	24,091,765.58
Cash paid to acquire fixed assets, intangible assets and other long-term assets	11,304,923.42	49,364,988.45

Cash paid to acquire investment		
Net cash used in acquiring subsidiaries and other operating units		
Other cash paid relating to investing activities		
Sub-total of cash outflows	11,304,923.42	49,364,988.45
Net cash flows from investment activities	-8,970,907.17	-25,273,222.87
3.Cash flows from financing activities		
Cash received from absorbing investment		
Including: Cash received from increase in minority interest		
Proceeds from borrowings	785,000,000.00	716,900,000.00
Other proceeds relating to financing activities	521,431,915.89	498,844,256.94
Sub-total of cash inflows	1,306,431,915.89	1,215,744,256.94
Repayment of borrowings	776,900,000.00	642,000,000.00
Distribution of dividends or profits & interest expenses	37,194,632.90	31,777,026.05
Including: dividends or profit paid to minority interest		
Cash paid for other financing activities	563,166,532.83	476,665,000.00
Sub-total of cash outflows	1,377,261,165.73	1,150,442,026.05
Net cash flows from financing activities	-70,829,249.84	65,302,230.89
4. Effects of foreign exchange rate changes on cash	-2,264,902.30	3,128,276.78
5.Net increases in cash and cash equivalents	-84,189,878.98	63,677,345.96
Add: cash and cash equivalent, at the beginning of year	142,233,376.52	78,556,030.56
6.Cash and cash equivalent at the end of the year	58,043,497.54	142,233,376.52

6. Cash Flow Statement Of Parent Company.

Unit: RMB yuan

Item	Account for the current period	Account for the prior period
1.Cash from operating activities		
Cash received from sale of goods or rendering of services	987,766,383.45	1,098,683,838.29
Refund of taxes and fares		
Other cash received relating to operating activities	33,836,533.17	8,854,409.90
Sub-total of cash inflows	1,021,602,916.62	1,107,538,248.19
Cash paid for goods and services	659,906,982.03	705,080,379.20
Cash paid to or on behalf of the employees	181,332,361.19	229,418,230.29
Tax payments	61,677,022.01	60,273,486.54
Other cash paid relating to operating activities	102,320,046.29	108,452,949.83
Sub-total of cash outflows	1,005,236,411.52	1,103,225,045.86
Net cash flows from operating activities	16,366,505.10	4,313,202.33
2.Cash flows from investing activities		
Cash received from investment incomes	305,344.34	
Obtain the cash received from the investment income.	500,000.00	480,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1,508,577.31	23,611,765.58
Proceeds from sale of subsidiaries and other operating units		
Other cash received relating to investing activities		
Sub-total of cash inflows	2,313,921.65	24,091,765.58

Cash paid to acquire fixed assets, intangible assets and other long-term assets	10,716,219.62	48,982,125.14
Cash paid to acquire investment		
Net cash used in acquiring subsidiaries and other operating units		
Other cash paid relating to investing activities		
Sub-total of cash outflows	10,716,219.62	48,982,125.14
Net cash flows from investment activities	-8,402,297.97	-24,890,359.56
3.Cash flows from financing activities		
Cash received from absorbing investment		
Including: Cash received from increase in minority interest		
Proceeds from borrowings	785,000,000.00	716,900,000.00
Other proceeds relating to financing activities	521,431,915.89	498,844,256.94
Sub-total of cash inflows	1,306,431,915.89	1,215,744,256.94
Repayment of borrowings	776,900,000.00	642,000,000.00
Distribution of dividends or profits & interest expenses	37,104,632.90	31,777,026.05
Cash paid for other financing activities	563,256,532.83	476,665,000.00
Sub-total of cash outflows	1,377,261,165.73	1,150,442,026.05
Net cash flows from financing activities	-70,829,249.84	65,302,230.89
4. Effects of foreign exchange rate changes on cash	-1,726,793.72	3,128,276.78
5.Net increases in cash and cash equivalents	-64,591,836.43	47,853,350.44
Add: cash and cash equivalent, at the beginning of year	118,675,591.71	70,822,241.27
6.Cash and cash equivalent at the end of the year	54,083,755.28	118,675,591.71

7. Consolidated Sheet Of Changes In Shareholder’s Equity

Unit: RMB yuan

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

risks									
3)distribution for owner(shareholders)						-4,026,000.00			-4,026,000.00
4)others									
(5）interior transference of owner's equity									
1)capital (capital stock)transferred by the capital public reserves									
2)capital (capital stock)transferred by the surplus public reserves									
3)loss offset by the surplus public reserves									
4)others									
4. Balance at the end of the current period	402,600,000.00	485,691,050.47		134,278,527.26		362,925,296.98			1,385,494,874.71

Unit: RMB yuan

Item	Amount in previous period								
	Owner's equity attributable to parent company							Minority shareholders' equity	Owner's equity
	Capital stock	Capital public reserves	less：treasure stock	Surplus public reserves	General provision for risk	Undistributed profits	Others		
1.Balance at the end of last year	402,600,000.00	485,691,050.47		131,442,909.11		328,731,015.75			1,348,464,975.33
Add: changes in accounting policies									
Changes in previous errors									
Others									
2.Balance at the beginning of this year	402,600,000.00	485,691,050.47		131,442,909.11		328,731,015.75			1,348,464,975.33
3. The changes in this year						30,872,950.22			30,872,950.22

（decrease with“-”）									
（1）Total of comprehensive income						30,872,950.22			30,872,950.22
（2）Capital contribution and reduction									
1）Ordinary share									
2）Capital contributed by other equity instrument holders									
3）Share-based payments charged to equity									
4）Others									
(4）Profits distribution									
1)Provision for surplus public reserves									
2)provision for general risks									
3)distribution for owner(shareholders)									
4)others									
(5）interior transference of owner’s equity									
1)capital (capital stock)transferred by the capital public reserves									
2)capital (capital stock)transferred by the surplus public reserves									
3)loss offset by the surplus public reserves									
4)others									
4. Balance at the end of the current period	402,600,000.00	485,691,050.47		131,442,909.11		359,603,965.97			1,379,337,925.55

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

Unit: RMB yuan

Item	Amount in current period						
	Owner's equity attributable to parent company						Owner's equity
	Capital stock	Capital public reserves	less：treasure stock	Surplus public reserves	General provision for risk	Undistributed profits	
1.Balance at the end of last year	402,600,000.00	485,678,443.26		131,442,909.11		368,820,883.02	1,388,542,235.39
Add: changes in accounting policies							
Changes in previous errors							
Others							
2.Balance at the beginning of this year	402,600,000.00	485,678,443.26		131,442,909.11		368,820,883.02	1,388,542,235.39
3. The changes in this year（decrease with"-"）				2,835,618.15		21,494,563.34	24,330,181.49
（1）Total of comprehensive income						28,356,181.49	28,356,181.49
（2）Capital contribution and reduction							
1）Ordinary share							
2）Capital contributed by other equity instrument holders							
3）Share-based payments charged to equity							
4）Others							
(4）Profits distribution							
1)Provision for surplus public reserves							
2)provision for general risks							
3)distribution for owner(shareholders)				2,835,618.15		-6,861,618.15	-4,026,000.00
4)others							
(5）interior transference of owner's equity							
1)capital (capital stock)transferred by the capital public reserves							
2)capital (capital stock)transferred by the surplus public reserves							
3)loss offset by the surplus public reserves							

4)others							
4. Balance at the end of the current period	402,600,000.00	485,678,443.26		134,278,527.26		390,315,446.36	1,412,872,416.88

Item	Amount in previous period					
	Owner's equity attributable to parent company					Owner's equity
	Capital stock	Capital public reserves	less：treasure stock	Surplus public reserves	Undistributed profits	
1.Balance at the end of last year	402,600,000.00	485,678,443.26		131,442,909.11	340,122,796.99	1,359,844,149.36
Add: changes in accounting policies						
Changes in previous errors						
Others						
2.Balance at the beginning of this year	402,600,000.00	485,678,443.26		131,442,909.11	340,122,796.99	1,359,844,149.36
3. The changes in this year（decrease with"-"）					28,698,086.03	28,698,086.03
（1）Total of comprehensive income					28,698,086.03	28,698,086.03
（2）Capital contribution and reduction						
1）Ordinary share						
2）Capital contributed by other equity instrument holders						
3）Share-based payments charged to equity						
4）Others						
(4）Profits distribution						
1)Provision for surplus public reserves						
2)provision for general risks						
3)distribution for owner(shareholders)						
4)others						
(5）interior transference of owner's equity						
1)capital (capital stock)transferred by the capital public reserves						
2)capital (capital stock)transferred by the surplus public reserves						
3)loss offset by the surplus public reserves						
4)others						
4. Balance at the end of the current period	402,600,000.00	485,678,443.26		131,442,909.11	368,820,883.02	1,388,542,235.39

I. General Information

Wafangdian Bearing Company Limited (hereinafter referred to as the "Company", together with its subsidiaries as the "Group") is a joint stock limited company established in the People's Republic of China (the "PRC") on 16 July, 1997. In the opinion of the directors, its parent and ultimate holding company is Wafangdian Bearing Group Company Limited ("Wazhou Group").

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

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

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

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

II.Financial Statement Consolidation Scope

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

III. Financial Statements Preparation Basis

The Company's financial statements are prepared on the basis of going concern assumption, according to the actual occurred transactions and events and in accordance with 'Accounting Standards for Business Enterprises' and relevant regulations, and also based on the note IV

"Significant Accounting Policies, Accounting Estimates".

IV. Significant Accounting Policies and Accounting Estimates

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

1. Declaration for compliance with accounting standards for business enterprises

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

2. Accounting period

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

3.Operating cycle

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

4. Funcitonal currency

The Group adopts RMB as functional currency.

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

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

For a business combination not under same control, the asset, liability and contingent liability obtained from the acquirer shall be measured at the fair value on the acquisition date. The combination cost shall be the fair value, on the acquisition date, of the assets paid, the liabilities incurred or assumed and equity securities issued by the acquirer in exchange for the control of the acquire, and sum of all direct expenses(if the combination is achieved in stages, the combination cost shall be the sum of individual transaction). The difference when combination cost exceeds proportionate share of the fair value of identifiable net assets of acquiree should be recognized as goodwill. If the combination cost is less than proportionate share of the fair value of identifiable net assets of acquiree, firstly, fair value of identifiable asset, liability or contingent liability shall be reviewed, and so the fair value of non-monetary assets or equity instruments issued in the combination consideration , after review, still the combination cost is less than proportionate share of the fair value of identifiable net assets of acquire, the difference should be recognized as non-operating income.

6. Method of preparation of consolidated financial statements

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

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

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

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

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

If a subsidiary is acquired not under common control, its operation results and cash flow shall be consolidated since the beginning of the consolidation period. In preparation of the consolidated financial statements, adjustments shall be made to subsidiary's financial statements based on the fair value of its all identifiable assets, liability or contingent liability on the acquisition date.

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

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

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

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

7. Joint arrangement classification and joint operation accounting

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

8. Cash and cash equivalent

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

9. Translation of foreign currency

(1) Foreign currency transaction

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

(2) Translation of foreign currency financial statements

The asset and liability items in the foreign currency balance sheet should be translated at a spot exchange rate at the balance sheet date. Among the ower's equity items except "undistributed profit", others should be translated at the spot exchange rate when they are incurred. The income and expense should be translated at spot exchange rate when the transaction incurs. Translation difference of foreign currency financial statements should be presented separately under the other comprehensive income title. Foreign currency cash flows are translated at the spot exchange rate on the day when the cash flows incur. The amounts resulted from change of exchange rate are presented separately in the cash flow statement.

10. Financial assets and financial liabilities

A financial asset or liability shall be recognised when the entity becomes a party to the contractual provisions of a financial instrument.

(1) Financial assets

1)Classification, recognition and measurement

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

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are subsequently measured at amortised cost using the effective interest method.The amortisation, impairment and any gain or loss from derecognition shall be recognized in the profit and loss for the current year.

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified as financial assets of any other class at initial recognition. This category includes the derivative financial assets that linked to the investments in equity instruments without a quoted price in an active market, no fair value can be reliably measured and must be settled by delivery of such an equity instrument, and shall be measured at cost subsequently. Others have a quoted price in an active market or fair value can be measured reliably although no quoted price available, they shall be measured at fair value. Any change on fair value shall be recognized in other comprehensive income and subsequently be measured at fair value. Except impairment loss and exchange gain or loss arising from foreign currency monetary financial assets, changes in fair value of available-for-sale financial assets are directly recorded in shareholders' equity until such financial assets is derecognized and the accumulated fair value adjustments previously recorded in equity are charged to profit or loss for the period. Interests for the period in which the assets are held as investment in debt instrument is calculated using the effective interest method and is charged to profit or loss for the period as 'Investment income'. Cash dividends declared by the investee company relating to available-for-sale equity instruments are charged to profit or loss for the period as 'Investment income'. Equity instruments that a quoted price is not applicable in an active market and no fair value can be reliably measured, shall be measured at cost.

2)Recognition and measurement of transfer of financial assets

Where an entity neither transfers nor retains substantially all risks and rewards of financial asset and does not give up the control over such financial asset, then the entity recognises such financial asset to the extent of its continuous involvement and recognises the corresponding liabilities. The extent of the continuous involvement represents the extent to which the entity exposes to changes in the value of such financial asset.

In the case where the financial asset as a whole qualifies for the derecognition conditions, the difference between the carrying value of transferred financial asset and the sum of the consideration received for transfer and the accumulated amount of changes in fair value that was previously recorded under other comprehensive income is charged into profit or loss for the period.

In the case where only part of the financial asset qualifies for derecognition, the carrying amount of financial asset being transferred is allocated between the portions that to be derecognised and the portion that continued to be recognised according to their relative fair value. The difference between the amount of consideration received for the transfer and the accumulated amount of changes in fair value that was previously recorded in other comprehensive income of the part qualifies for derecognition and the above-mentioned allocated carrying amount is charged to profit or loss for the period.

3) Impairment of financial assets

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

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

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

(2) Financial liabilities

1) Classification, basis for recognition and measurement

Financial liabilities of an entity are classified at initial recognition as "financial liabilities at fair value through profit or loss" and "other financial liabilities" on initial recognition

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated as fair value through profit or loss on initial recognition （relevant basis for classification shall be disclosed by reference to financial assets）. They are subsequently measured at fair value. The net gain or loss arising from changes in fair value, dividends and interest paid related to such financial liabilities are recorded in profit or loss for the period in which they are incurred.

Other financial liability is measured at amortized cost by adopting the effective rate method.

2) Financial liability derecognition

A financial liability is derecognized when the underlying present obligations or part of it are discharged. Existing financial liability shall be derecognized and new financial liability shall be recognized when the entity sign the agreement with creditor to undertake the new financial liability in replacement of existing financial liability, and the terms of agreement are different in substance. Any significant amendment to the agreement as a whole or part o it is made, then the existing liabilities or part of it shall be derecognized and financial liability after terms amendment shall be recognized as a new financial liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss for the period.

11. Provision for bad debts of receivables

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

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

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

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

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

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

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

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

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

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

12. Inventories

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

The inventories are processed on perpetual inventory system, and are measured at their budgeted cost on acquistion. The raw materials are accounted daily on their bedgeted costs.

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

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

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

13. Long-term equity investment

Long term equity investments are the investment in subsidiary, in associated company and in joint venture.

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

Significant influence exists when the entity directly or indirectly owned 20% or more but less than 50% shares with voting rights in the investee company.If holding less than 20% voting rights, the entity shall also take other facts or circumstances into accounts when judging any significant influences. Factors and circumstances include: representation on the board of directors or equivalent governing body ofthe investee, participation in financial or operating activities policy-making processes,material transactions between the investor and the investee, interchange of managerial personnel or provision of essential technical information.

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

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

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

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

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

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

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

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

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

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

Where the entity has no longer control over the investee company as a result of partially disposal of the investment, the remaining investment will be changed to be accounted for using equity method providing remaining joint control or significant influence over the investee company. The difference between carrying amount of disposed investment and consideration received actually shall be recognised in the profit and loss for the period as investment gain or loss, and investment shall be adjusted accordingly as if it was accounted for under equity model since acquisition. Where the entity has on longer joint control or significant influence in the investee as a result of disposal, the investment shall be changed to be accounted for as available for sale financial assets, and difference between the carrying amount and disposal consideration shall be recognized in profit and loss for the period, and the difference between the fair value of remaining investment at the date of losing control and its carrying amount shall be recognized in the profit or loss for the year as investment gain or loss.

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

14. Investment property

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

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

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

15. Fixed assets

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

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

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

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

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

16. Construction in progress

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

16. Construction in progress

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

17. Borrowing costs

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

The borrowing costs of special borrowings, deducting the interest revenue of unused borrowings kept in the bank or the investment income from transient investment should be capitalized. The capitalized amount of common borrowings should be calculated as follows:

average assets expenditure of the accumulated assets expenditure excess the special borrowing, multiplied by the capital rate. The capital rate is the weighted average rate of the common borrowings.

18. Intangible assets

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

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

19. Impairment of non-financial assets

The Group checks the long-term equity investment, fixed asset, construction-in-progress, intangible asset and others on each balance sheet date. When impairment indicators occur, the Group shall perform impairments test. For goodwill andindefinite life of intangible assets, impairment test shall be performed irrelevant to any impairment indicators, if any at the end of every year.

After impairment test, if the book value exceeds the recoverable amount of the asset, the difference should be recognized as impairment loss. Once any loss of impairment is recognized, it shall not be reversed in the future accounting periods.

20. Long-term deferred expenses

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

21. Employee benefits

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

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

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

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

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

22. Contingent liabilities

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

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

23. Principle of recognition of revenue

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

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

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

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

.**24. Government grants**

A government grant is a monetary asset or non-monetary asset granted by government without consideration. It shall be recognized when the company complies with the conditions attaching to the grant and when the company is able to receive the grant.

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

Government grant are classified as assets-related government grants and income-related grants. Assets-related government grant is the government fund obtained by the company for the purpose of long-term assets purchase and construction or establishment in the other forms. Income-related grants are the grant given by the government apart from the assets-related grants. If no grant objective indicated clearly in the government documents, the company shall judge it according to the principle mentioned above.

Assets-related government grants are recognized as deferred income.

Assets-related government grants are evenly amortized to profit or loss over the useful life of the related asset.

Any assets are sold, transferred, disposed off or impaired earlier than their useful life expired date, the remaining balance of deferred income which hasn't been allocated shall be carried forward to the income statement when the assets are disposed off. Income-related government grants that is a compensation for related expenses or losses to be incurred in subsequent periods are recognized as deferred income and credited to the relevant period when the related expense are incurred. Government grants relating to compensation for related expenses or losses already incurred are charged directly to the profit or loss for the period. Government grants related to daily business, shall be recognized as other income in accordance with business nature, otherwise, shall be recognized as non-operating expenses.

25. Deferred tax assets and deferred tax liabilities

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

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

26. Lease

The leases of the Group refer to operating lease.

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

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

1) Effect of change on accounting policy

In 2017, the Ministry of Finance announced or amended and implemented "Accounting Standards for Business Enterprises No.42-Held for Sale non-current assets, disposal group and discontinued operation" and "Accounting Standards for Business Enterprises No.16-Government Grant". "Notice of amending and issuing financial statements format" is published (Caikuai[2017]No.30). The company has prepared the financial statements for the year ended as of December 31st, 2017 in accordance with the amended accounting standards and notice mentioned above, updated accounting policy has been amended and disclosed in the accounting policy section of the Note. Having adopting these amended accounting standards, there is no significant effect on the financial position and operation results.

2) Effect of change on accounting estimate

None

VI. Taxation

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

Tax	**Tax base**	**Tax rate**
Value-added tax (VAT)	Sales revenue or Purchase	17%,13%,11%,6%,3%
City construction tax	Value-added tax payables, business tax	7%
Education surcharge	Value-added tax payables, business tax	3%
Local education surcharge	Value-added tax payables, business tax	2%
Enterprise income	Current period taxable profit	15%

tax(EIT)		
Real estate tax	70% of cost of own property or revenue from leasing property	1.2% or 12%
Land use tax	Land using right area	RMB 6 per square meter

Notes: EIT rate for different tax payer

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

2. Tax preference

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

VII. Notes to Consolidated Financial Statements

The following disclosure date on this financial statement without special indication, “opening” refers to January 1, 2017; “closing” refers to December 31, 2017; “current period” refers to the period from January 1, 2017 to December 31, 2017; and “last period” refers to the period from January 1, 201 6 to December 31, 2016; with the currency unit RMB.

1. Cash and cash in bank

Item	Closing Balance	Opening Balance
Cash on hand	39,497.23	381,031.91
Cash in bank	58,004,000.31	141,852,344.61
Other cash and cash equivalents	24,817,277.29	42,182,666.45
Total	**82,860,774.83**	**184,416,042.97**
Including: sum of deposits overseas	**-**	**-**

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

2. Notes receivable

(1) Category of notes receivable

Items	Closing Balance	Opening Balance
Bank acceptance notes	113,596,871.36	51,320,019.73
Commercial acceptance notes	96,326,964.55	57,861,136.96
Total	**209,923,835.91**	**109,181,156.69**

(2) Notes receivable endorsed or discounted but not mature at the end of year

Item	Closing amount no more recognized	Closing amount still recognized
Bank acceptance notes	525,048,055.54	
Commercial acceptance notes	246,341,177.46	
Total	**771,389,233.00**	

3. Accounts receivable

(1) Category of accounts receivable

Items	Closing balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Accounts receivable with significant individual amount and separate bad debt provision	5,092,669.00	0.42	5,092,669.00	100.00	-
Accounts receivable with bad debt provision based on the characters of credit risk portfolio					
Accounting receivable age recombination	882,463,038.56	73.34	42,311,385.94	4.79	840,151,652.62
Related party	288,186,361.07	23.95	-	-	288,186,361.07

Accounts receivable with insignificant individual amount and separate bad debt provision	27,541,279.51	2.29	27,541,279.51	100.00	-
Total	**1,203,283,348.14**	**100.00**	**74,945,334.45**	**-**	**1,128,338,013.69**

(Continued)

Items	Opening Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Accounts receivable with significant individual amount and separate bad debt provision	12,810,943.69	0.95	12,810,943.69	100.00	-
Accounts receivable with bad debt provision based on the characters of credit risk portfolio					
Accounting receivable age recombination	1,084,010,932.36	80.27	42,280,892.54	3.90	1,041,730,039.82
Related party	211,556,529.53	15.67	3,394,694.9	1.6	208,161,834.57
Accounts receivable with insignificant individual amount and separate bad debt provision	42,059,327.99	3.11	42,059,327.99	100	-
Total	**1,350,437,733.57**	**100.00**	**100,545,859.18**	—	**1,249,891,874.39**

(1) Accounts receivable with significant individual amount and separate bad debt provision at the end of year

Debtors name	Closing Balance	Age	Proportion	Reasons for provision

	Accounts receivable	Provision for bad debts		(%)	
Wazhou Group Special Steel Co.,	5,092,669.00	5,092,669.00	Over 3 years	100.00	Bankrupt

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

Aging	Closing Balance		
	Accounts receivable	Provision for bad debts	Proportion (%)
Within1 year	650,740,468.93	6,507,404.70	1.
1 to 2 years	151,036,804.11	7,551,840.21	5
2 to 3 years	40,302,472.45	8,060,494.49	20
Over 3 years	40,383,293.07	20,191,646.54	50
Total	**882,463,038.56**	**42,311,385.94**	—

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

Bad debt provision has been accrued at the amount of 13,878,773.82Yuan and no bad debt reversal or withdrawn incurred during the year.

(4) Accounts receivable written off in current period

Item	Written-off Amount
Accounts receivable written off	39,479,298.55

Important account receivable written off situation:

Debtor name	Account Receivable feature	Written-off Amount	Written-off Reason	Written- off Application Procedure	Does the account receivable occurs from related-party transaction
Company A	Bearing fund	3,910,007.43	Debt can not be collected	The internal approval and public announcement	No
Company B	Bearing fund	3,808,267.26	Debt can not be	The internal approval and	No

Debtor name	Account Receivable feature	Written-off Amount	Written-off Reason	Written- off Application Procedure	Does the account receivable occurs from related-party transaction
			collected	public announcement	
Company C	Bearing fund	3,394,694.96	Debt can not be collected	The internal approval and public announcement	Yes
Company D	Bearing fund	2,706,703.13	Debt can not be collected	The internal approval and public announcement	No
Company E	Bearing fund	2,452,138.58	Debt can not be collected	The internal approval and public announcement	No
Company F	Bearing fund	2,352,760.15	Debt can not be collected	The internal approval and public announcement	No
Company G	Bearing fund	2,175,700.92	Debt can not be collected	The internal approval and public announcement	No
Total		**20,800,272.43**			

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

The total amount of top five significant accounts receivable categorized by debtors is 341,055,322.83 Yuan, representing 28.34% of the closing balance of accounts receivable. The bad debt provision of 5,194,097.11 Yuan is provided respectively.

4. Advances to suppliers

(1) Aging of advances to suppliers

Items	**Closing Balance**	**Opening Balance**

	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	36,499,031.46	91.56	14,763,851.69	91.79
1 to 2 years	3,085,092.20	7.74	481,467.40	2.99
2 to 3 years	205,543.10	0.52	270,039.04	1.68
Over 3 years	73,909.77	0.18	569,485.55	3.54
Total	**39,863,576.53**	**100.00**	**16,084,843.68**	**100**

(2) The top five significant advances to suppliers categorized by debtors

The total amount of top five significant advances to suppliers categorized by debtors is 29,391,532.73 Yuan, representing 73.73% of the closing balance of advances to suppliers.

5. Other receivables

(1) The categories of other receivable

Items	Closing Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Other receivables with significant individual amount and separate bad debt provision	-	-	-	-	-
Other receivables identified bad debt provision based on the characters of credit risk portfolio					
Account receivable age combination	13,674,486.90	47.69	1,268,832.89	9.28	12,405,654.01
Risk-free portfolio	9,489,727.97	33.09	-	-	9,489,727.97
Related party	-	-	-	-	-
Other receivables with significant individual amount and separate bad debt provision	5,513,140.92	19.22	5,513,140.92	100.00	-
Total	**28,677,355.79**	**100.00**	**6,781,973.81**	**-**	**21,895,381.98**

(Continued)

Items	Opening Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Other receivables with significant individual amount and separate bad debt provision	–	–	–	–	–
Other receivables identified bad debt provision based on the characters of credit risk portfolio					
Account receivable age combination	14,219,964.84	55.23	1,020,340.40	7.18	13,199,624.44
Risk-free portfolio	5,633,378.92	21.88	-	-	5,633,378.92
Related party	872,785.33	3.39	-	-	872,785.33
Other receivables with significant individual amount and separate bad debt provision	5,020,918.92	19.5	5,020,918.92	100	-
Total	**25,747,048.01**	**100**	**6,041,259.32**	—	**19,705,788.69**

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

Aging	Closing Balance		
	Other receivables	Provision for bad debts	Proportion (%)
Within 1 year	8,944,888.18	89,448.89	1
1-2 years	2,557,049.38	127,852.47	5
2-3 years	115,810.45	23,162.09	20
Over 3 years	2,056,738.89	1,028,369.45	50
Total	**13,674,486.90**	**1,268,832.89**	—

2) Risk –free portfolio of other receivable has not been accrued for bad debts

Aging	Closing Balance		
	Other receivables	Provision for bad debts	Proportion (%)
Prepaid electricity bill	5,512,343.86		

Aging	Closing Balance		
	Other receivables	Provision for bad debts	Proportion (%)
Deposit	6,000.00		
Others	3,971,384.11		
Total	**9,489,727.97**		

(2) Bad debt provision accrued or reversed

During the report period, bad debts are accrued at amounts of 740,714.49 Yuan and no bad debt reversal or withdrawn incurred.

(3) No other receivables were actually written off for the year

(4) Other receivables categorized by nature

Nature	Closing Balance	Opening Balance
Security deposit	4,226,867.84	3,516,300.92
Deposit	229,863.75	411,789.99
Personal petty cash	1,646,497.60	2,072,718.89
Others	22,574,126.60	19,746,238.21
Total	**28,677,355.79**	**25,747,048.01**

(5)Other receivables from the top 5 debtors

Name	Category	Closing Balance	Aging	% of the total OR	Closing Balance of Provision
Unit1	Electricity bill	5,512,343.86	within 1 year	19.22	-
Unit2	Security deposit	2,640,075.20	within 2 year、More than 3 year	9.21	500,000.00
Unit3	Materials payments	2,282,937.93	More than 3 years	7.96	2,282,937.93
Unit4	Equipment payment	1,187,000.00	More than 3 years	4.14	1,187,000.00
Unit5	Materials payments	723,598.86	More than 3 years	2.52	723,598.86
Total	——	**12,345,955.85**	——	——	**4,693,536.79**

6. Inventories

(1) Categories of inventories

Item	Closing Balance

	Book value	Provision for decline	Net book value
Raw materials	56,740,605.63	910,648.85	55,829,956.78
Finished goods	512,690,931.09	36,265,289.07	476,425,642.02
Semi-finished goods	155,827,415.78	-	155,827,415.78
Low-value consumable	5,753,413.97	-	5,753,413.97
Total	**731,012,366.47**	**37,175,937.92**	**693,836,428.55**

(Continue)

Item	Opening Balance		
	Book value	Provision for decline	Net book value
Raw materials	68,526,562.28	974,208.73	67,552,353.55
Finished goods	687,573,834.73	65,411,512.25	622,162,322.48
Semi-finished goods	148,032,177.74	602,496.86	147,429,680.88
Low-value consumable	5,284,926.01	-	5,284,926.01
Total	**909,417,500.76**	**66,988,217.84**	**842,429,282.92**

(2) Provision for decline in the value of inventories

Item	Opening Balance	Increase		Decrease		Closing Balance
		Accrual	Other	Reverse/ Written- off	Others transferred	
Raw materials	974,208.73		-	63,559.88	-	910,648.85
Finished goods	65,411,512.25	16,285,662.17	-	45,431,885.35	-	36,265,289.07
Semi-finished goods	602,496.86		-	602,496.86	-	-
Total	**66,988,217.84**	**16,285,662.17**	**-**	**46,097,942.09**	**-**	**37,175,937.92**

7. Other current assets

Item	Closing Balance	Opening Balance	Nature
VAT to be deducted	3,531,136.36	5,347,391.58	Input VAT
Prepaid income tax	1,855,337.56	1,855,337.56	Company Income Tax
Total	**5,386,473.92**	**7,202,729.14**	—

8. Available-for-sale financial assets

(1) Available-for-sale financial assets

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

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

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

9. Investment property

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

Item	Property	Land use right	Total
(1) Disposal	-	-	-
(2)Transfer to others	75,125,524.13	13,089,088.93	88,214,613.06
4. Closing Balance			
III. Impairment Reserve	-	-	-
1. Opening Balance	-	-	-
2. Increase	-	-	-
3. Decrease	-	-	-
(1) Disposal	-	-	-
(2)Transfer to others	-	-	-
4. Closing Balance	-	-	-
IV. Book Value			
1. Closing book value	97,994,010.76	38,880,097.29	136,874,108.05
2. Opening book value	-	-	-

10. Fixed assets

(1) Fixed assets detail

Item	Property	Machinery Equipment	Transportation Equipment	Electronic Device	Other Equipment	Total
I. Initial Cost	——	——	——	——	——	——
1. Opening Balance	424,373,681.31	1,076,289,314.43	17,262,573.06	64,993,231.80	186,259,094.77	1,769,177,895.37
2. Increase	11,561,239.91	92,544,021.49	1,072,839.36	7,185,960.43	13,491,615.28	125,855,676.47
(1) Purchase	671,171.17	2,642,301.91	177,741.03	576,775.21	8,429,437.03	12,497,426.35
(2) Transferred from construction-in-progress	10,890,068.74	89,901,719.58	895,098.33	6,609,185.22	5,062,178.25	113,358,250.12
(3) Acquired from business combination	-	-	-	-	-	-
3. Decrease	182,271,373.89	4,485,669.24	801,429.90	142,050.88	505,232.99	188,205,756.90
(1) Disposal	9,151,839.00	4,485,669.24	801,429.90	142,050.88	505,232.99	15,086,222.01
(2) Others	173,119,534.89	-	-	-	-	173,119,534.89
4. Closing Balance	253,663,547.33	1,164,347,666.68	17,533,982.52	72,037,141.35	199,245,477.06	1,706,827,814.94
II. Accumulated	——	——	——	——	——	——

Item	Property	Machinery Equipment	Transportation Equipment	Electronic Device	Other Equipment	Total
Depreciation						
1. Opening Balance	213,793,597.48	579,901,988.33	12,980,199.26	49,676,534.36	127,230,685.59	983,583,005.02
2. Increase	13,834,379.94	67,064,251.82	1,141,414.21	3,597,925.34	12,364,822.60	98,002,793.91
(1)Accrued	13,834,379.94	67,064,251.82	1,141,414.21	3,597,925.34	12,364,822.60	98,002,793.91
(2) Other transfer						
3. Decrease	81,551,151.70	2,681,414.00	726,734.44	92,597.89	210,000.00	85,261,898.03
(1) Disposal	6,425,627.57	2,681,414.00	726,734.44	92,597.89	210,000.00	10,136,373.90
(2) Other transfer	75,125,524.13	-	-	-	-	75,125,524.13
4. Closing Balance	146,076,825.72	644,284,826.15	13,394,879.03	53,181,861.81	139,385,508.19	996,323,900.90
III. Impairment Reserve	——	——	——	——	——	——
1. Opening Balance	-	26,273.33				26,273.33
2. Increase	-	229,671.00	-	-	-	229,671.00
3. Decrease	-	0.01				0.01
(1) Disposal	-					
4. Closing Balance	-	255,944.32	-	-	-	255,944.32
IV. Book Value	——	——	——	——	——	——
1. Closing book value	107,586,721.61	519,806,896.21	4,139,103.49	18,855,279.54	59,859,968.87	710,247,969.72
2. Opening book value	210,580,083.83	496,361,052.77	4,282,373.80	15,316,697.44	59,028,409.18	785,568,617.02

(2) Temporary idle fixed assets

Item	Initial Cost	Accumulated Deprecation	Provision	Book Value
Property	15,044,582.23	13,792,424.04	255,944.32	996,213.87
Transportation	584,675.31	569,085.05	-	15,590.26
Other Equipment	370,456.08	358,233.26	-	12,222.82
Total	**15,999,713.62**	**14,719,742.35**	**255,944.32**	**1,024,026.95**

(3) Fixed assets leases out under operating lease

Item	Book Value
Machine equipment	163,268,516.36
Total	**163,268,516.36**

(4) Fixed assets as pending certificate of ownership

Item	Book value	Reason for Pending
Liaoyang Bearing's Main workshop	13,903,128.23	In the process of fire protection
Liaoyang Bearing's Office building	3,846,043.18	In the process of fire protection
Liaoyang Bearing's Processing workshop	1,321,869.07	In the process of fire protection
Liaoyang Bearing's Staff canteen	892,486.21	In the process of fire protection
Auto Bearing Western Industrial Zone workshop (cone)	35,857,769.64	Land certificate will be handled by the Group because the land belongs to the Group
Auto Bearing Western Industrial Zone workshop (column)	18,693,364.64	Land certificate will be handled by the Group because the land belongs to the Group
Dalian machine industry area bearing factory	37,961,095.49	Land certificate is in the process

11. Construction-in-progress

(1) Construction in progress details

Item	Closing Balance			Opening Balance		
	Book Balance	Provision	Book Value	Book Balance	Provision	Book Value
Improvement of seven-finished products	30,689,629.52	-	30,689,629.52	83,614,247.81	-	83,614,247.81
Improvement of precision roller branch	11,340,473.99	-	11,340,473.99	14,497,884.54	-	14,497,884.54
Improvement of railway	10,195,223.88	-	10,195,223.88	3,481,684.10	-	3,481,684.10
Improvement of plant	3,703,419.57	-	3,703,419.57	3,720,604.95	-	3,720,604.95
Crane Project	2,734,957.91	-	2,734,957.91	2,862,369.51	-	2,862,369.51
Improvement	2,220,662.31	-	2,220,662.31	2,410,593.11	-	2,410,593.11

Item	Closing Balance			Opening Balance		
	Book Balance	Provision	Book Value	Book Balance	Provision	Book Value
of special large branch						
Computer Project	2,081,977.04	-	2,081,977.04	2,094,565.47	-	2,094,565.47
Grinding product line	1,960,571.95	-	1,960,571.95	5,282,416.43	-	5,282,416.43
Dalian industry park project	1,922,211.42	-	1,922,211.42	16,060,671.00	-	16,060,671.00
Improvement of second-finished products	1,483,761.06	-	1,483,761.06	2,979,656.30	-	2,979,656.30
Installation of Superfinishing Machine	1,291,421.97	-	1,291,421.97	-	-	-
Improvement of Auto	1,016,610.51	-	1,016,610.51	-	-	-
Overhaul Bainite furnace	846,153.80	-	846,153.80	-	-	-
Epson multi-purpose furnace innovation	832,500.00	-	832,500.00	-	-	-
Overhaul factory reconstruction	472,585.86	-	472,585.86	419,948.26	-	419,948.26
Improvement of grinding machine	414,391.36	-	414,391.36	3,323,612.16	-	3,323,612.16
Folklift 3t	192,307.70	-	192,307.70	-	-	-
Heat treatment product line	160,551.84	-	160,551.84	337,933.74	-	337,933.74
G17-16-01 Eco-Friendly Project	153,153.15	-	153,153.15	-	-	-
Heat treatment product line innovation	140,000.00	-	140,000.00	-	-	-
G17-16-03 Mew plant	130,630.63	-	130,630.63	-	-	-
Sewage Treatment Equipment	94,017.09	-	94,017.09	-	-	-
Improvement of one-finished products	92,820.85	-	92,820.85	26,147,833.86	-	26,147,833.86
low voltage	59,829.06	-	59,829.06	-	-	-

Item	Closing Balance			Opening Balance		
	Book Balance	Provision	Book Value	Book Balance	Provision	Book Value
switch board						
G17-15-07 bear Vibration detector.	31,384.62	-	31,384.62	-	-	-
Cool drying System	7,863.25	-	7,863.25	-	-	-
Improvement of Amerauto	-	-	-	3,568,672.18	-	3,568,672.18
Improvement of liaoyang bearing	-	-	-	2,396,988.69	-	2,396,988.69
Others	8,420,208.60	-	8,420,208.60	17,427,105.92	-	17,427,105.92
Total	**82,689,318.94**	**-**	**82,689,318.94**	**194,439,963.77**	**-**	**194,439,963.77**

(2) Change in the significant construction in progress

Name	Opening Balance	Increase	Decrease		Closing Balance
			Transfer to fixed assets	Other decrease	
Improvement of seven-finished products	83,614,247.81	29,767.41	46,925,790.99	6,028,594.71	30,689,629.52
Improvement of precision roller branch	14,497,884.54	11,737.93	1,593,739.31	1,575,409.17	11,340,473.99
Improvement of railway	3,481,684.10	7,653,675.96	940,136.18	-	10,195,223.88
Improvement of plant	3,720,604.95	7,224.88	24,410.26	-	3,703,419.57
Crane Project	2,862,369.51	549.72	127,961.32	-	2,734,957.91
Improvement of special large branch	2,410,593.11	47.50	189,978.30	-	2,220,662.31
Computer Project	2,094,565.47	-	-	12,588.43	2,081,977.04
Grinding product line	5,282,416.43	289.43	3,322,133.91	-	1,960,571.95
Dalian industry park project	16,060,671.00	856.69	-	14,139,316.27	1,922,211.42
Improvement of second-finished products	2,979,656.30	151,094.01	1,646,989.25	-	1,483,761.06
Installation of SuperfinishingMachine	1,289,007.35	2,414.62	-	-	1,291,421.97
Improvement of Auto	1,678,014.59	314,079.74	975,483.82	-	1,016,610.51
Improvement of	26,147,833.86	1,541.95	22,293,231.91	3,763,323.05	92,820.85

Name	Opening Balance	Increase	Decrease		Closing Balance
			Transfer to fixed assets	Other decrease	
one-finished products					

(Continued)

Name	Budget	Percent of investment against budget(%)	Accumulated capitalized interest	Including: Accumulated capitalized interest	Interest capitalization rate (%)	Source of funds
Improvement of seven-finished products	107,106,101.50	51.99	656,478.24	29,767.41	4.32	Self financing
Improvement of precision roller branch	27,209,771.00	50.10	1,203,099.87	11,737.93	4.32	Loan/Self financing
Improvement of railway	14,472,691.67	77.17	90,837.36	90,837.36	4.32	Loan/Self financing
Improvement of plant	5,019,050.70	74.21	387,121.55	7,224.88	4.32	Loan/Self financing
Crane Project	3,041,975.00	94.23	145,031.18	549.72	4.32	Loan/Self financing
Improvement of special large branch	8,349,300.00	27.10	33,034.11	47.50	4.32	Loan/Self financing
Computer Project	4,843,610.00	42.98	28,152.78	-	4.32	Loan/Self financing
Grinding product line	21,862,000.00	13.56	96,502.35	289.43	4.32	Loan/Self financing
Dalian industry park project	39,164,803.61	21.04	35,839.06	856.69	4.32	Loan/Self financing
Improvement of second-finished products	5,678,872.00	39.06	36,279.86	-	4.32	Loan/Self financing
Installation of SuperfinishingMachine	4,120,996.00	31.34	293,535.85	2,414.61	4.32	Loan/Self financing
Improvement of Auto	2,302,350.00	77.91	435.23	435.23	4.32	Loan/Self financing
Improvement of one-finished products	90,620,449.00	0.17	8,831.44	1,541.95	4.32	Loan/Self financing

12. Intangible assets

(1) Intangible assets list

Item	Land use right	ERP software	Total
1.Initial cost	——	——	——
1). Opening balance	176,189,727.74	6,135,356.44	182,325,084.18
2).Increase	-	137,329.45	137,329.45
(1) Purchase	-	137,329.45	137,329.45
(2) Internal development	-	-	-
(3) Acquired by company combination	-	-	-
3). Decrease	51,969,186.22	-	51,969,186.22
4). Closing balance	124,220,541.52	6,272,685.89	130,493,227.41
2. Amortization	——	——	——
1). Opening balance	45,474,697.69	5,973,920.68	51,448,618.37
2).Increase	4,437,473.08	166,102.63	4,603,575.71
(1)Accrual	4,437,473.08	166,102.63	4,603,575.71
(2)Transfer into	-	-	-
3). Decrease	13,089,088.93	-	13,089,088.93
4). Closing balance	36,823,081.84	6,140,023.31	42,963,105.15
3. **Provision for impairment**	——	——	——
1). Opening balance	-	-	-
2).Increase	-	-	-
3). Decrease	-	-	-
4). Closing balance	-	-	-
4. Book value	——	——	——
1.Closing Book value	87,397,459.68	132,662.58	87,530,122.26
2.Opening Book value	130,715,030.05	161,435.76	130,876,465.81

Note: intangible asset decreased due to land for renting transferred to investment property

(2) At the end of reporting period, there is no intangible asset established by internal development.

13. Long-term repayments

Item	Opening Balance	Increase	Amortization	Other Decrease	Closing Balance
Decoration fees for estate used as office	521,361.67	279,279.28	100,412.91	-	700,228.04
Total	**521,361.67**	**279,279.28**	**100,412.91**	**-**	**700,228.04**

14. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets before offsetting

Item	Closing Balance		Opening Balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	74,103,756.75	11,625,939.19	62,191,502.88	9,837,992.33
Difference due to depreciation of fixed assets	-	-	11,940,720.08	1,791,108.01
Total	**74,103,756.75**	**11,625,939.19**	**74,132,222.96**	**11,629,100.34**

(2) Deferred tax liabilities before offsetting

Item	Closing Balance		Opening Balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Asset evaluation increment in business combination without the same control	5,920,560.37	888,084.06	6,261,973.05	939,295.96
Total	**5,920,560.37**	**888,084.06**	**6,261,973.05**	**939,295.96**

(3) The net value of deferred tax assets and deferred tax liabilities after off setting

Item	Closing Balance of deferred tax assets and liabilities with deduction	Closing Balance of deferred tax assets/deferred tax liabilities	Opening Balance of deferred tax assets and liabilities with deduction	Opening Balance of deferred tax assets/deferred tax liabilities
Deferred tax assets	888,084.06	11,625,939.19	939,295.96	11,629,100.34

(4) Unrecognized deferred tax assets details

Item	Closing Balance	Opening Balance
Deductible temporary difference	54,077,973.39	39,650,564.74
Deductible loss	397,192,964.20	316,824,302.33
Total	**451,270,937.59**	**356,474,867.07**

(5) Unrecognized deductible loss of deferred tax assets expired next period

Year	Closing Balance	Opening Balance	Notes
2017	-	9,471,182.07	
2018	37,140,575.91	37,140,575.91	
2019	167,843,583.34	167,843,583.34	
2020	98,073,685.92	98,073,685.92	
2021	4,295,275.09	4,295,275.09	
2022	89,839,843.94	-	
Total	**397,192,964.20**	**316,824,302.33**	

15. Short-term loan

Loan category	Closing Balance	Opening Balance
Credit loan	648,000,000.00	549,900,000.00
Total	**648,000,000.00**	**549,900,000.00**

16. Notes payable

Notes category	Closing Balance	Opening Balance
Bank acceptance notes	295,396,000.00	382,101,342.21
Commercial acceptance notes	4,087,279.00	43,413,268.05
Total	**299,483,279.00**	**425,514,610.26**

There is no unpaid expired notes payable by the end of the accounting period.

17. Accounts payable

(1) Accounts payable

Item	Closing Balance	Opening Balance
Goods payments	559,579,919.87	685,303,568.62
Project payments	50,109,631.21	74,147,616.34
Others	21,142,736.37	74,448,529.87
Total	**630,832,287.45**	**833,899,714.83**

(2) Accounts payable with age over 1 year

Name of company	Closing Balance	Reason of unpaid or not carried forward
Wafangdian Bearing Packaging Product Co.,Ltd	3,903,639.54	Quality security deposit
Wafangdian Bearing Group	3,552,228.26	Quality security deposit
Wafangdian Longshan Logistic Square Co.,LTd		Quality security deposit

Name of company	Closing Balance	Reason of unpaid or not carried forward
	2,715,437.00	
Liaocheng Hengfeng Rolling Bearing Co.,LTd	2,522,582.00	Quality security deposit
Total	**12,693,886.80**	

18. Received in advance

(1) Received in advance

Item	Closing Balance	Opening Balance
Goods payment	31,634,532.72	26,959,477.14
Total	**31,634,532.72**	**26,959,477.14**

19. Employee's payable

(1) Category of employee's payables

Item	Opening Balance	Increase	Decrease	Closing Balance
Short-term employee's payable	7,914,043.53	206,280,782.36	206,881,007.54	7,313,818.35
Post-employment benefit –defined contribution plan	9,342,807.89	31,236,610.27	31,233,087.87	9,346,330.29
Total	**17,256,851.42**	**237,517,392.63**	**238,114,095.41**	**16,660,148.64**

(2) Short-term employee's payables

Item	Opening Balance	Increase	Decrease	Closing Balance
Salaries, bonus, allowance, and subsidy	261,033.34	156,265,520.43	156,321,733.43	204,820.34
Welfare	31,194.00	14,683,893.45	14,711,887.45	3,200.00
Social insurance	581,422.78	18,311,436.72	18,297,073.45	595,786.05
Include: Medical insurance	292,917.57	13,993,528.09	13,979,591.47	306,854.19
On-duty injury	217,718.51	2,488,014.35	2,487,653.32	218,079.54

Item	Opening Balance	Increase	Decrease	Closing Balance
insurance				
Maternity insurance	70,786.70	1,829,894.28	1,829,828.66	70,852.32
Housing funds	2,342,939.01	15,612,595.14	15,687,879.58	2,267,654.57
Labour union and training expense	4,697,454.40	1,407,336.62	1,862,433.63	4,242,357.39
Total	**7,914,043.53**	**206,280,782.36**	**206,881,007.54**	**7,313,818.35**

(3) Defined contribution plan

Item	Opening Balance	Increase	Decrease	Closing Balance
Pension	9,007,073.27	30,345,632.40	30,342,298.06	9,010,407.61
Unemployment insurance	335,734.62	890,977.87	890,789.81	335,922.68
Total	**9,342,807.89**	**31,236,610.27**	**31,233,087.87**	**9,346,330.29**

20. Tax payable

Item	Closing Balance	Opening Balance
Value-added tax	11,018,297.67	13,306,281.89
Individual income tax	140,904.05	198,040.85
Enterprise income tax	-	771,810.83
City maintenance and construction tax	982,277.76	1,096,098.67
Real estate tax	294,515.16	295,937.17
Land use tax	204,027.14	204,044.62
Stamp duty	109,592.56	165,535.47
Education surcharge	728,270.43	769,209.66
River toll fee	1,486.14	350,272.42
Others	370,601.41	1,983,999.36
Total	**13,849,972.32**	**19,141,230.94**

21. Interest payable

Item	Closing Balance	Opening Balance
Interest for long-term loan with instalments	65,300.00	170,000.00
Interest for short-term loan	1,124,800.00	757,000.00
Total	**1,190,100.00**	**927,000.00**

22.Other accounts payable

(1) Other payables categorized by payments nature

Payments nature	Closing Balance	Opening Balance
Bid security deposits	1,118,409.62	2,011,403.97
Risk deposits from branch manager	259,777.75	22,552,958.00
Trademark fees	10,777,573.08	3,168,065.36
Others	79,967,333.47	84,058,254.70
Total	**92,123,093.92**	**111,790,682.03**

Note: other payable is mainly freight, 6,853,316.11Yuan, intercourse 33,678,456.72Yuan, deposit of distributor 9,254,737.79Yuan.

(2) Significant other payables with age over 1 year

Name of company	Closing Balance	Reason of unpaid or not carried forward
Liaoyang Baolin Estate Development Co.,Ltd	32,000,000.00	In negotiation
Franchise dealer deposit	3,216,648.21	Not reach the return condition of contract
Wafangdian Bearing Group Co.,Ltd	9,012,656.79	Not reach the return condition of contract
Total	**44,229,305.00**	

23.Non-current liabilities due within one year

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

24.Other current liabilities

(1) Category of other current liabilities

Item	Closing Balance	Opening Balance
Government subsidy	3,967,022.53	4,704,022.50
Total	**3,967,022.53**	**4,704,022.50**

(2) Government subsidy

Project	Opening Balance	Increase	Recorded into non -operation income	Other Change	Closing Balance	Related with asset/equity
Technology subsidy from province	736,999.97	-	736,999.97	-	-	asset
Dalian sub-factory remove subsidy	2,704,235.83	-	2,704,235.83	2,704,235.83	2,704,235.83	asset
Intelligent equipment manufacturing development specific subsidy	400,000.00	-	400,000.00	400,000.00	400,000.00	asset
High-end bearing improvement project	472,320.00	-	472,320.00	472,320.00	472,320.00	asset
Liaoyang Bearing Industry subsidy	97,548.00	-	97,548.00	97,548.00	97,548.00	asset
Overhaul bearing project discounting interest subsidy	240,000.00		240,000.00	240,000.00	240,000.00	asset
Technical master studio development subsidy	52,918.70		52,918.70	52,918.70	52,918.70	asset
Total	**4,704,022.50**	**-**	**4,704,022.50**	**3,967,022.53**	**3,967,022.53**	——

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

25.Long-term loan

Category	**Closing Balance**	**Opening Balance**
Guarantee loan		50,000,000.00
Credit loan	-	
Total		**50,000,000.00**

26.Long-term payables

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

27.Special payables

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

28. Deferred income

(1) Category of deferred income

Item	**Opening Balance**	**Increase**	**Decrease**	**Closing Balance**	**Formation Basis**
Government subsidy	**41,682,411.76**	**100,000.00**	**4,027,640.20**	**37,754,771.56**	
Total	**41,682,411.76**	**100,000.00**	**4,027,640.20**	**37,754,771.56**	**—**

(2) Government subsidy project

Government subsidy item	Opening Balance	Increase	Recorded into non -operation income	Other Change	Closing Balance	Related with asset/equity	Note
Liaoyang Bearing Industry subsidy	4,292,112.00	-	-	97,548.00	4,194,564.00	asset	A
Compensation for plants moving	29,746,594.01	-	-	2,704,235.83	27,042,358.18	asset	B
Development of intelligent manufacturing equipment subsidies	2,800,000.00	-	-	400,000.00	2,400,000.00	asset	C
Improvement of high-end bearing production subsidies	2,361,600.00	-	-	472,320.00	1,889,280.00	asset	D
Overhaul bearing project discounting interest subsidy	1,900,000.00	-	-	240,000.00	1,660,000.00	asset	E
Technical master studio development subsidy	582,105.75	100,000.00	-	113,536.37	568,569.38	asset	F
Total	41,682,411.76	100,000.00	-	4,027,640.20	37,754,771.56	-	

(1) A: Deferred income: the RMB 4,877,400.00 of “Industry development subsidies” is distributed by the Liaoyang Economic and Development district Bureau of Finance in 2013. The grant is related to land and amortized over 50 years in accordance with land amortization criteria.

(2) B: Deferred income: the compensation for plants moving is RMB 59,820,000.00 granted from Dalian government-owned assets investment and operating Co., Ltd in 2011. And the amount of making up for the removal loss of the current period is RMB 11,143,755.05；The rest of 48,676,244.95 are recognized as the removal compensation

related with assets, which is amortized 18 years, according to the new fixed assets formed after the Dalian branch removal.

(3) C: Deferred income: the RMB 4,000,000.00 of development of intelligent manufacturing equipment subsidy is distributed by Dalian City Finance Bureau in 2012.The subsidies are used in the project “Grinding vehicle integration and processing digitalization”. Currently, the equipment has been used for production manufacturing and grant is amortized over 10 years.

(4) D: Deferred income: the RMB 4,723,200 interest subsidy of “Improvement of bearing base in high-end equipment sector” is distributed by Wafangdian Finance Bureau in 2013 for the year of 2011. The subsidy is specially used to improve the project of improvement of bearing base in high-end equipment sector. The item is amortized within 10 years.

(5) E: Deferred income: the RMB 2,400,000.00 interest subsidy of “Axle box and bearing technology improvement of grand axle load railway carriages” is granted by Wafangdian Finance Bureau in 2014. The subsidy is now in processing the project “Axle box and bearing technology improvement of grand axle load railway carriages”. Now the equipment has been put into production, the government subsidy is amortized according to the depreciation years of 10 years.

(6) F: Deferred income: the 700,000.00 RMB of the construction of workshop for technology masters subsidy is granted by Dalian Finance Bureau in 2014 according to “Da Cai She (Zhuan) No. [2013]26”, “Da Cai She (Zhuan) No. [2013]37”, “Da Cai She (Zhuan) No. [2013]45”, “Da Cai She (Zhuan) No. [2014]27”, and “Da Cai She (Zhuan) No. [2014]32”. The workingshop equipment has been transferred into fixed asset in December 2016 and being amortised for 12 years, expense related parts are being put into non-operating income directly.

29.Share capital

Shareholders’ name/category	Opening Balance		Change for current period					Closing Balance	
	Amounts	%	Issuing new shares	Distributing shares	Transferring capital reserves to share capital	Others	Subtotal	Amounts	%
Shares under restriction for sale	——	——	——	——	——	—	—	——	——
Domestically legal person	244,000,000.00	60.61	-	-	-	-	-	244,000,000.00	60.61

shares									
Total shares under restriction for sale	**244,000,000.00**	**60.61**	-	-	-	-	-	**244,000,000.00**	**60.61**
Shares without restriction for sale	——	——	——	——	——	—	—	——	——
Domestically listed foreign shares	158,600,000.00	39.39	-	-	-	-	-	158,600,000.00	39.39
Total shares without restriction for sale	**158,600,000.00**	**39.39**	-	-	-	-	-	**158,600,000.00**	**39.39**

30.Capital reserves

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

31.Surplus reserves

Item	**Opening Balance**	**Increase**	**Decrease**	**Closing Balance**
Statutory surplus reserve	110,852,290.20	2,835,618.15	-	113,687,908.35
Discretionary surplus reserve	20,590,618.91	-	-	20,590,618.91
Total	**131,442,909.11**	**2,835,618.15**	-	**134,278,527.26**

32.Undistributed profits

Item	**current year**	**prior year**
Closing balance of prior year	**359,603,965.97**	**328,731,015.75**
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	**359,603,965.97**	**328,731,015.75**
Add: net profit attributable to shareholders of parent company in the year	10,182,949.16	30,872,950.22
Less: Provision for statutory surplus reserves	2,835,618.15	-
Provision for any surplus reserves	-	-
Provision of general risk	-	-
Dividends payable for common shares	4,026,000.00	-
Share dividends	-	-
Closing balance of current year	**362,925,296.98**	**359,603,965.97**

33.Operating revenue and cost

Items	**current year**		**prior year**	
	Sales revenue	**Cost of sales**	**Sales revenue**	**Cost of sales**
Revenue from principle operation	1,922,479,056.76	1,641,975,889.28	2,141,288,275.47	1,941,862,451.28
Revenue from other operation	267,932,995.29	244,638,709.17	352,638,281.20	323,012,689.52
Total	**2,190,412,052.05**	**1,886,614,598.45**	**2,493,926,556.67**	**2,264,875,140.80**

34.Taxes and surcharges

Items	**current year**	**prior year**
Business tax	-	156,469.41
City construction tax	6,680,119.43	7,533,551.22
Education surcharge	4,786,520.63	5,105,672.38
Others	7,951,443.06	5,144,086.61
Total	**19,418,083.12**	**17,939,779.62**

Others: land use tax2,599,596.72Yuan, property tax 3,888,209.25Yuan, stamp duty 1,371,160.98Yuan.

35.Selling expenses

Items	**current year**	**prior year**
Employee benefit	45,704,507.04	44,284,116.30
Transportation expense	38,403,392.31	59,771,760.60
Travel expense	18,920,889.67	21,088,152.48
International freight	12,851,643.01	18,112,345.19
Trademark use fee	8,125,516.72	4,534,964.10
Conference expense	5,659,715.52	10,031,707.81
Others	28,056,085.96	19,432,017.87
Total	**157,721,750.23**	**177,255,064.35**

36.Administrative expenses

Items	**current year**	**prior year**
Employee benefit	36,719,302.57	34,820,557.06
Intangible assets amortization	4,603,575.71	4,490,142.28
Technology development expense	4,065,054.17	5,442,820.87
Depreciation expense	2,255,327.94	2,293,130.22
Guide and fire fighting expense	2,133,591.34	3,290,000.00
Travel expense	906,130.58	811,936.13
Business entertaining expense	811,447.20	610,004.30
Tax expense	-	3,456,645.38
Other expense	9,915,875.02	12,001,255.19
Total	**61,410,304.53**	**67,216,491.43**

37.Financial expenses

Items	**current year**	**prior year**
Interest expenses	49,123,067.63	38,790,199.32
Less: Interest income		

	655,727.60	454,115.99
Add: Exchange loss	1,395,736.41	-9,089,743.42
Add: Others expenditure	834,733.56	-5,240,863.32
Total	**50,697,810.00**	**24,005,476.59**

38. Assets impairment losses

Items	current year	prior year
Loss of bad debts	14,619,488.31	20,586,695.51
Provision for inventory impairment	15,619,605.43	-4,051,236.62
Provision for fixed assets impairment	229,671.00	-
Total	**30,468,764.74**	**16,535,458.89**

39. Investment income

Items	current year	prior year
Long-term equity investment income under equity method	-	-
Available-for-sale financial assets in holding	500,000.00	240,000.00
Gain on fair value remeasurement of share equity held before the acquisition date	-	-
Income transferred into investment income from other comprehensive income in relation to share equity held before the acquisition date	-	-
Total	**500,000.00**	**240,000.00**

40. Gain on assets disposal

Item	current year	prior year	Amounts recognized into current non-recurring profit or loss
Gain on disposal group classified as held for sale			
Gain on non-current assets	-728,247.65	51,018,264.75	-728,247.65

disposal			
Gain on fixed assets disposal	-728,247.65	51,018,264.75	-728,247.65
Total	**-728,247.65**	**51,018,264.75**	**-728,247.65**

41.Other income

Items	current year	prior year
Dalian sub-factory relocation subsidy	2,704,235.83	
Insurance premium subsidy for the 1st important technical equipment	1,460,000.00	
Job stabilization subsidy	1,001,853.90	
Technology innovation subsidy in Liaoniing	736,999.97	
Improvement of high-end bearing production subsidies	472,320.00	
International market development subsidy from Foreign Trade bureau	406,000.00	
Development of intelligent manufacturing equipment subsidies	400,000.00	
Overhaul bearing project discounting interest subsidy	240,000.00	
Technology research and development Fund	209,500.00	
Technical master studio development subsidy	113,536.37	
Liaoyang Bearing Industry Development fund	97,548.00	
Labour union subsidy	15,000.00	
Total	**7,856,994.07**	

42.Non-operating income

(1) Non-operating income list

Item	current year	prior year	Amounts recognized into current non-recurring profit or loss	Memo
Gain from debt restructuring	5,304,472.04	34,146,556.28	5,304,472.04	
Government grants	-	12,488,720.91	-	
Penalty income	11,167,313.00	9,076,739.00	11,167,313.00	**1**
Others	2,537,287.40	2,702,442.54	2,537,287.40	
Total	**19,009,072.44**	**58,414,458.73**	**19,009,072.44**	

Memo1. This year, the group carried out reform of business unit, the old performance appraisal of sales office based on risk deposit was withdrew, and based on the internal audit result, risk deposit would be retained if not up to the expected performance.

(2) Government subsidy list

Item	current year	prior year	Resource and basis	With asset/equity
Improvement subsidy		737,000.00	Bureau of Finance Liaoning Province No.57 [2007]	asset
Compensation for plants moving		2,704,235.83	Compensation deal of Dalian state-owned property investment and operating group Co., LTD	asset
Improvement of high-end bearing production subsidies		472,320.00	Wacaijian[119] (notice about distributing 6th interest subsidy fund for the year of 2011 to the company)	asset
Liaoyang bearing industry development fund		97,548.00	Liaotaicaizhiyu No.656 [2014] (notice about Liaoyang City Taizi River district finance bureau budget indicator)	asset
Special project subsidy for intelligent manufacture equipment development		400,000.00	Dalian Municipal Finance Bureau[2012] 1163	asset
Skill master studio subsidy		3,762.56	Dalian Municipal Finance Bureau[2013] 26	income
Overhaul bearing project subsidy on interest payment		260,000.00	Wacaijian No.179 [2014]	asset
Finance bureau's first important technical equipment insurance subsidy fund		3,160,000.00	DaCaiZhi Qi No. [2016] 66, 677	income
2015 encouragement of foreign trade development special fund		459,501.00		income
Development foster fund in 2015 by Bureau of Finance of Dalian		31,200.00		income
Informatization special fund		25,000.00		income
Dalian job centre steady job subsidy		3,888,153.52	DaRenShe No.183 (2016)	income
Technology research and development fund		250,000.00	〈Notice about 2015 industrial technical research and development special subsidy fund within the	income

Item	current year	prior year	Resource and basis	With asset/equity
			province>	
Total	12,488,720.91	4,867,966.82		

43.Non-operating expenses

Item	current year	prior year	Amounts recognized into non-recurring profit or loss for the year
Loss from debt restructuring	-	1,573,176.84	-
Penalty loss	227,845.64	74,756.67	227,845.64
Others	355,815.79	2,146,582.07	355,815.79
Total	**583,661.43**	**3,794,515.58**	**583,661.43**

44.Income tax expenses

(1) Income tax expenses

Items	current year	prior year
Current income tax expenses	-	929,368.36
Deferred income tax expenses	-48,050.75	175,034.31
Total	**-48,050.75**	**1,104,402.67**

(2) Accounting profit to income tax expense adjustment

Items	Current year
Consolidated total profit this year	10,134,898.41
Income tax expenses at applicable tax rate	1,520,234.76
Effect on subsidiary applied to different tax rate	-3,284,549.04
Effect on prior period income tax	
Effect on non-taxable income	-784,450.83
Effect on non-deductible cost ,expense and loss	545,013.69
Effect on use of deductible loss from unrecognized deferred tax assets in the prior period	-2,759.00
Effect on temporary difference or deductible loss from unrecognised deferred tax assets this year	9,017,884.98
Accelerated R&D expense and disables salary	-7,059,425.32
Income tax expense	-48,050.75

45.Notes to cash flow statement

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

1) Other cash received relating to operating activities

Items	current year	prior year
Interest income	544,059.82	438,425.10
Government subsidy	3,111,967.97	7,813,854.52
AR or AP	4,432,799.24	416,025.46
Return of reserve fund, deposit etc.	318,789.49	821,293.92
Others	28,868,096.45	9,821,435.91
Total	**37,275,712.97**	**19,311,034.91**

Note: others are recollection of restricted capital 17,365,389.16Yuan.

2) Other cash paid relating to operating activities

Items	current year	prior year
Travel expenses	18,692,697.87	23,105,063.81
Conference expense	2,164,337.17	8,958,577.83
Advertising expense	60,660.00	1,157,825.76
Rent expense	3,369,060.08	8,964,981.40
Business promotion expense	12,770,680.62	2,341,946.13
Freight service expense	19,343,375.61	52,247,351.15
Office expense	2,491,567.85	5,655,212.64
Collection and payment for others	11,791,443.11	1,944,544.46
Other expense	13,298,377.25	12,545,610.79
Security deposit transfer	27,477,011.70	28,270.00
Total	**111,459,211.26**	**116,949,383.97**

3) Others cash received relating to financing activities

Items	current year	prior year
Borrowings by presenting received order and other borrowing	521,431,915.89	498,844,256.94
Total	**521,431,915.89**	**498,844,256.94**

4) Others cash paid relating to financing activities

Items	current year	prior year

Repayment of borrowings	563,166,532.83	476,665,000.00
Total	**563,166,532.83**	**476,665,000.00**

(2) Supplementary information of consolidated cash flow statement

Items	current year	prior year
1. Adjusting net profit into cash flows of operating activities:	——	——
Net profit	10,182,949.16	30,872,950.22
Add: Provision for impairment of assets	30,468,764.74	16,535,458.89
Depreciation of fixed assets,Amortization ofmineral resources, and biological assets	98,002,793.91	106,856,445.34
Amortization of intangible assets	4,603,575.71	4,490,142.28
Amortization of long-term deferred expenses	100,412.91	89,994.36
Losses on disposal of fixed assets, intangible assets, and long-term assets (income listed with"-")	728,247.65	-51,018,264.75
Losses on write-off of fixed assets (income listed with"-")	-	-
Change of fair value profit or loss	-	-
Financial expense (income listed with"-")	45,754,969.49	38,790,199.32
Investment loss (income listed with"-")	-500,000.00	-240,000.00
Decrease of deferred tax assets(increase listed with"-")	3,161.15	224,166.93
Increase of deferred tax liabilities(decrease listed with"-")	-51,211.90	-49,132.62
Decrease of inventories (increase listed with"-")	132,973,248.94	236,897,409.72
Decrease of operating receivables (increase listed with"-")	-18,431,088.69	-319,445,695.09
Increase of operating payables (decrease listed with"-")	-305,945,642.74	-43,483,613.44
Others	-15,000.00	
Net cash flows arising from operating activities	-2,124,819.67	20,520,061.16
2. Significant investment and financing activities unrelated to cash income and expenses		——
Liabilities transferred to capital		-
Convertible bonds within 1 year		-
Financing leased fixed assets		-
3. Net increase (decrease) of cash and cash equivalent		——
Closing balance of cash	58,043,497.54	142,233,376.52

Less: Opening balance of cash	142,233,376.52	78,556,030.56
Add: Closing balance of cash equivalent		
Less: Opening balance of cash equivalent		
Net increase of cash and cash equivalent	-84,189,878.98	63,677,345.96

(3) Cash and cash equivalents

Items	**Closing Balance**	**Opening Balance**
Cash	58,043,497.54	142,233,376.52
Including: Cash on hand	39,497.23	381,031.91
Bank deposit used for paying at any moment	58,004,000.31	141,852,344.61
Closing balance of cash and cash equivalents	58,043,497.54	142,233,376.52

Note: The difference between cash and cash equivalent and cash at the end of this year refers to the notes to the financial statementsVI.1.

46. Monetary category of foreign currency

(1) Monetary category of foreign currency

Item	**Closing Balance (foreign currency)**	**Exchange Rate**	**Closing Balance (RMB)**
Cash	-	-	9,564,947.87
Including： USD	1,233,945.90	6.5342	8,062,849.30
EURO	192,377.52	7.8023	1,500,987.12
HKD	60.03	0.8945	53.70
GBP	110.00	9.6159	1,057.75
Accounts receivable	-	-	69,415,468.30
Including: USD	4,362,180.23	6.5342	28,503,358.06
EURO	5,243,596.15	7.8023	40,912,110.24
Accounts payable	-	-	4,754,741.37
Including: USD	278,876.44	6.5342	1,822,234.43
EURO	375,851.60	7.8023	2,932,506.94
Other receivables	-	-	10,721,734.53
Including: USD	1,640,864.15	6.5342	10,721,734.53
Other payables	-	-	4,167,131.67
Including: USD	71,528.64	6.5342	467,382.44
EURO	474,187.00	7.8023	3,699,749.23

VIII. Change of Consolidation Scope

No change

IX. Interest in other entity

1. Equity of subsidiaries

(1) Organization structure of group company

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

X. Risk Related to Financial Instruments

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

1. Objectives and policies of each risk management

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

(1) Market risk

1) Currency risk

The currency risk is referred as the risk caused by the fluctuation of exchange rate. The main currency risk that the company faced with is related to the USD since the main export business is settled by USD. Other than the balance of foreign currency presented in Note VII. 46, all assets and liabilities of company are presented in RMB On December 31, 2017.The balance in foreign currency of assets and liabilities may cause currency risk with influence to operating performance.

2) Interest risk

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

(2) Credit risk

On 31 December, 2017, the Group’s most probable credit risk exposure is from the financial loss primarily due to the failure of fulfilling the obligation by one party of the contract. The impairment losses of company’s financial assets are including:

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

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

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

(3) Liquidity risk

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

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

The Group's main financial resources come from bank loan. By the date of 31 December, 2017, the unencumbered bank loan credit is 1.202 billion Yuan.

VIII. Change of Consolidation Scope

No change

IX. Interest in other entity

2. Equity of subsidiaries

(2) Organization structure of group company

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

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

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

The Group's main financial resources come from bank loan. By the date of 31 December, 2017, the unencumbered bank loan credit is 1.202 billion Yuan.

XI. Disclosure of Fair Value

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

XII. Related Parties Relationship and Transactions

1. Related parties relationship

(1) Parent company and ultimate controller

Parent company	**Registered address**	**Business nature**	**Registered capital**	**Shareholding percentage (%)**	**Voting power percentage (%)**

Wazhou Group	No. 1 North Gongji Street, Wafangdian City, Dalian	Manufacture and sales of bearing and other equipments	47,025,7400.00	60.61	60.61

(2). Subsidiaries

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

(3).Other related parties

Name of related party	Related party relationship
Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Precision Steel Ball Company	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Exact Forge Ltd.,	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group Wind Power Bearing Ltd	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group Exact Transmission Bearing Co., Ltd	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group Equipment Technology Project Co., Ltd.	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group Special Precision Bearing Co., Ltd.	Other entity controlled by the same parent company and ultimate controlling party
Dalian North Metal Materials Trade Centre Co., Ltd	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group (USA) Bearing CO., Ltd.	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group high-end auto bearing limited company	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group Precision Roller limited companu	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group Precision Retainer Limited Company	Other entity controlled by the same parent company and ultimate controlling party
Kugel- und Rollenlagerwerk Leipzig GmbH	Other entity controlled by the same parent company and ultimate controlling party
Wafangdian bearing Power Limited Company	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group National Bearing Engineering	Other entity controlled by the same parent

Name of related party	Related party relationship
Technology Research Centre limited company	company and ultimate controlling party
Wazhou Group Special Steel limited Company	Other entity controlled by the same parent company and ultimate controlling party
Dalian GONA Wazhou Auto Bearings Co., Ltd	Other related party
Dalian Wazhou Jinzhou Machinery Co., Ltd	Other related party
Wafangdian Tongda Bearing Manufacturing Co., Ltd	Other related party
Dalian WazhouFengyuan Machinery Co., Ltd	Other related party

2. Related party transactions

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

1) Purchase of goods/receive labour services

Related party	Content	current year	prior year
Wazhou Exact Forge Ltd.	Purchase of goods	187,065,639.93	151,430,638.73
Wazhou Group Wind Power Bearing Ltd	Purchase of goods	122,374,845.58	38,177,125.30
Wazhou Group high-end auto bearing limited company	Purchase of goods	118,758,305.88	90,736,537.38
Wazhou Group Precision Roller limited company	Purchase of goods	90,287,076.68	38,886,116.28
Dalian Wazhou Fengyuan Machinery Co., Ltd	Purchase of goods	86,387,591.06	93,402,493.13
Wazhou Group Exact Transmission Bearing Co., Ltd	Purchase of goods	81,440,723.44	74,502,975.95
Wafangdian Tongda Bearing Manufacturing Co., Ltd.	Purchase of goods	68,696,140.50	63,331,131.85
Wazhou Group Precision Retainer Limited Company	Purchase of goods	55,705,613.57	20,440,674.89
Dalian Wazhou Jinzhou Machinery Co., Ltd	Purchase of goods	47,867,435.30	98,366,456.59
Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd	Purchase of goods	25,857,056.40	15,815,350.15
Wazhou Group Equipment Technology Project Co., Ltd.	Purchase of equipments	8,132,974.32	67,977,938.11
Wazhou Precision Steel Ball Company	Purchase of goods	3,988,012.34	3,296,344.92
Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd	Purchase of equipments	1,739,557.80	1,072,042.75
Wazhou Group National Bearing Engineering Technology Research Centre limited company	Service accepted	1,683,511.01	-
Wazhou Group Special Precision Bearing Co., Ltd.	Purchase of goods	413,100.98	1,049,770.89

Wafangdian bearing Power Limited Company	Purchase of goods	279,279.28	-
Wazhou Group	Purchase of goods	266,779.20	210,396,314.79
Dalian GONA Wazhou Auto Bearings Co., Ltd	Purchase of goods	-	30,169,678.57
Dalian North Metal Materials Trade Centre Co., Ltd	Purchase of goods	-	9,252,644.93
Kugel- und Rollenlagerwerk Leipzig GmbH	Purchase of goods	-	1,846,450.48
Total		**900,943,643.27**	**1,010,150,685.69**

2) Sales of goods/provide labour services

Related party	Content	current year	prior year
Wazhou Group high-end auto bearing limited company-Liaoyang subsidiary	Sales of goods	232,661,648.00	23,811,646.58
Wazhou Exact Forge Ltd.,	Sales of goods	121,857,408.99	228,761,067.87
Wazhou Group (USA) Bearing CO., Ltd.	Sales of goods	61,217,743.01	109,606,326.68
Wazhou Group Wind Power Bearing Ltd	Sales of goods	42,871,375.77	2,853,483.01
Wazhou Group Exact Transmission Bearing Co., Ltd	Sales of goods	39,309,590.59	35,954,288.33
Wazhou Group Precision Roller limited company	Sales of goods	27,233,293.73	65,239,383.56
Wazhou Group Precision Retainer Limited Company	Sales of goods	17,742,369.18	15,049,938.19
Wazhou Group Precision Roller limited company	provide labour services	14,380,398.00	2,725,454.95
Wafangdian Tongda Bearing Manufacturing Co., Ltd.	Sales of goods	8,985,145.59	932,201.50
Kugel- und Rollenlagerwerk Leipzig GmbH	Sales of goods	5,146,019.15	1,933,106.30
Wazhou Group high-end auto bearing limited company-Liaoyang subsidiary	provide labour services	4,446,741.5	4,833,923.22
Wazhou Precision Steel Ball Company	provide labour services	1,322,406.71	1,798,276.49
Wazhou Precision Steel Ball Company	Sales of goods	1,115,473.34	838,820.97
Wazhou Group Special Precision Bearing Co., Ltd.	Sales of goods	783,624.25	2,045,389.88
Wazhou Group Special Precision Bearing Co., Ltd.	provide labour services	688,836.19	683,460.43

Dalian Wazhou Manufacturing Equipment Co., Ltd	Sales of goods	661,678.65	1,291,714.74
Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd	provide labour services	507,477.05	195,850.89
Wazhou Group	Sales of goods	165,924.39	105,016,067.57
Dalian Wazhou Jinzhou Machinery Co., Ltd	provide labour services	132,357.19	283,333.07
Wazhou Group Exact Transmission Bearing Co., Ltd	provide labour services	68,919.97	467,088.22
Wafangdian Tongda Bearing Manufacturing Co., Ltd.	provide labour services	49,991.80	10,744.68
Dalian Wazhou Jinzhou Machinery Co., Ltd	Sales of goods	45,941.56	858,162.60
Wazhou Group Precision Rentainer Limited Company	provide labour services	106.28	25,158.97
Total		**581,394,470.89**	**605,214,888.70**

(2) Assets rent

1) Assets rent out

Lessor	Lessee	Category of assets rent out	current year Profits	prior year Profits
The Company	Wazhou Exact Forge Ltd.	Land (located in No.1, Phrase1, North Gongji Street, with area of 48,220.82 m^2).	433,987.38	434,000.00
The Company	Wazhou Group Precision Retainer Limited Company	Land (located in No.1, Phrase1, North Gongji Street, with area of 17,543.33m^2)	263,148.30	87,700.00
The Company	Wazhou Exact Forge Ltd.	Land located in No.1, Phrase1, North Gongji Street, steel warehouse	206,670.00	-
The Company	Wazhou Group Precision Roller Limited Company	Land (located in No.1, Phrase1, North Gongji Street, with area of 13,712.49m^2)	205,700.00	68,600.00
The Company	Wazhou Precision Steel Ball Company	Land (located in No.1, Phrase1, North Gongji Street, with area of 13,171 m^2).	197,565.00	197,565.00

Lessor	Lessee	Category of assets rent out	current year Profits	prior year Profits
The Company	Wazhou Exact Forge Ltd.	Land (located in No.1, Phrase1, North Gongji Street, with area of 7,881 m²).	118,215.00	118,200.00
The Company	Wazhou Group Special Precision Bearing Co., Ltd	Land (located in No.1, Phrase1, North Gongji Street, with area of 5,864 .40m²).	87,966.00	88,000.00
The Company	Wazhou Group high-end auto bearing limited company	Buildings	4,559,606.00	908,600.00
The Company	Wazhou Group high-end auto bearing limited company	Buildings	1,019,845.20	594,909.70
The Company	Wazhou Exact Forge Ltd.	Buildings	1,035,620.00	345,500.00
The Company	Dalian Wazhou Jinzhou Machinery Co., Ltd	Buildings	803,160.00	803,100.00
The Company	Wazhou Group Precision Retainer	Buildings	764,023.20	254,700.00
The Company	Wazhou Group	Buildings	600,400.00	1,200,800.00
The Company	Wazhou Group Special Precision Bearing Co., Ltd	Buildings	514,300.00	514,300.00
The Company	Wazhou Group Precision Roller Limited Company	Buildings	489,300.00	175,700.00
The Company	Dalian WazhouFengyuan Machinery Co., Ltd	Buildings	107,460.00	107,500.00
The Company	Wazhou Group Precision Roller Limited Company	Equipments	9,836,420.55	3,278,800.00
The Company	Wazhou Group high-end auto bearing limited company	Equipments	9,210,855.88	-
The Company	Wazhou Group Precision Retainer	Equipments	2,374,585.77	713,600.00
The Company	Wazhou Group high-end auto bearing limited company	Equipments	225,583.21	-
The Company	Wazhou Group Special Precision Bearing Co., Ltd.	Equipments	30,011.97	30,000.00
The Company	Wazhou auto bearing group branch	Equipments	-	2,921,000.00

2) Assets under lease

Lessor	Lessee	Category of assets rent in	current year Lease fees	prior year Lease fees
Wazhou Group	The railway bearing company of the Company	Land (located in No.3 west industrial park with area of 18,185.00 m^2).	2,182,200.00	1,636,650.00
Wazhou Group	Precision bearing branch of the Company	Land (located in Wazhou Group industrial park, with area of 30,380.00 m^2).	455,700.00	455,700.00
Wazhou Group	The precision rolling company (Wafangdian) of the Company	Land (No.2, West Industry Park with area of 29930m^2	449,000.00	449,000.00
Wazhou Group	Special large branch of the Company	Land (located in west industrial park, with area of 29,460.00 m^2).	441,900.00	331,425.00
Wazhou Group	The railway bearing company of the Company	Land (located in No.5 west industrial park with area of 3,245.59 m^2).	389,470.80	389,470.80
Wazhou Group	Special large branch of the Company	Land (located in Wazhou Group industrial park, with area of 19,401.24 m^2).	291,000.00	291,000.00
Wazhou Group	Dalian Wazhou Precision Motor Bering Co.,Ltd	Land (Shishanli, Jinzhou with area of 28210m^2	253,900.00	253,900.00
Wazhou Group	Two finished branch of the Company	Land (located in Wazhou Group industrial park, with area of 14,112.57 m^2).	211,700.00	211,700.00
Wazhou Group	Special large branch of the Company	Land (located in Wazhou Group industrial park, with area of 12,286.33 m^2).	184,300.00	184,300.00
Wazhou Group	Wafangdian Bearing Co., Ltd(logistic department)	Land (Wazhou Group Industry Park with area of 11637m^2	174,600.00	-
Wazhou Group	Wafangdian Bearing Co.,Ltd spare part manufacturing branch	Land (No.2 Plant West Industry Park with area of 11290m^2	169,400.00	126,300.00

Lessor	Lessee	Category of assets rent in	current year Lease fees	prior year Lease fees
Wazhou Group	Special large branch of the Company	Land (located in No.5 west industrial park with area of 5,610.00 m^2.	84,150.00	84,150.00
Wazhou Group	Wafangdian Bearing Co., Ltd(logistic department)	Land (Wazhou Group Industry Park with area of 187.04m^2	32,800.00	-
Wazhou Group	Wafangdian Bearing Co., Ltd(logistic department)	Land (Wazhou Group Industry Park material warehouse with area of 4,773.15m^2	17,899.00	-
Wazhou Group	The company(logistic department)	Land (located in No.1, Phrase1, North Gongji Street, with area of 331.84 m^2.	5,000.00	5,000.00
Wazhou Group	Wafangdian Bearing Co., Ltd(supply chain management department)	Land (Wazhou Group Industry Park with area of 250.87m^2	3,763.05	-
Wazhou Group	The precision rolling company of the Company	Land (located in Wazhou Group industrial park, with area of 6,663.86 m^2.	-	66,600.00
Wazhou Group	The precision rolling company of the Company	Land (located in Pulandian City Fengrong office, with area of 37,768.00 m^2.	-	339,900.00
Wazhou Group	The precision rolling company (Wafangdian) of the Company	Land (located in No.2 west industrial park with area of 29,930.00 m^2.	-	449,000.00
Wazhou Group	Wafangdian Bearing Co., Ltd (logistic department)	Land (located in Wazhou Group industrial park, with area of 16,921.42 m^2.	-	253,900.00
Wazhou Group	The company Wafangdian Bearing Co., Ltd	Land (located in west industrial park, with area of 58,500.00 m^2.	-	367,569.00
Wazhou Group	Two finished branch of the Company	Land (located in No.1, Phrase1,	-	12,000.00

Lessor	Lessee	Category of assets rent in	current year Lease fees	prior year Lease fees
		North Gongji Street, with area of 800.00m³.		
Wazhou Group	The precision rolling company (Wafangdian) of the Company	Buildings	2,259,400.00	2,259,400.00
Wazhou Group	Precision bearing branch of the Company	Buildings	2,339,300.00	2,339,300.00
Wazhou Group	Special large branch of the Company	Buildings	1,653,800.00	1,653,800.00
Wazhou Group	Two finished branch of the Company	Buildings	1,118,000.00	1,118,000.00
Wazhou Group	Special large branch of the Company	Buildings	1,006,800.00	1,006,800.00
Wazhou Group	Wafangdian Bearing Co.,Ltd spare part manufacturing branch	Buildings	783,700.00	587,775.00
Wazhou Group	Wafangdian Bearing Co., Ltd(logistic department)	Building	474,500.00	-
Wazhou Group	Wafangdian Bearing Co., Ltd(supply chain management department)	Buildings	400,245.60	-
Wazhou Group	The company	Buildings	119,400.00	119,400.00
Wazhou Group	Wafangdian Bearing Co., Ltd(logistic department)	Building	30,000.00	-
Wazhou Group	Wafangdian Bearing Co., Ltd(logistic department)	Building	25,190.00	-
Wazhou Group	The company	Buildings	-	90,100.00
Wazhou Group	Wazhou Group Precision Roller Limited Company	Buildings	-	352,500.00
Wazhou Group	The company(logistic department)	Buildings	-	615,800.00
Wazhou Steel Ball Company	Precision bearing branch of the Company	Buildings	-	224,208.00
Wazhou Group	The precision rolling company (Wafangdian) of the Company	Equipment	962,882.89	-
Wazhou Group	The railway bearing company of the	Equipment	930,088.50	11,122.79

Lessor	Lessee	Category of assets rent in	current year Lease fees	prior year Lease fees
	Company			
Wazhou Group	Special large branch of the Company	Equipment	338,049.44	4,836,470.79
Wazhou Group	Two finished branch of the Company	Equipment	225,773.68	347,655.34
Wazhou Group	Wafangdian Bearing Co.,Ltd spare part manufacturing branch	Equipment	123,752.25	92,814.19
Wazhou Group	The precision rolling company of the Company	Equipment	-	2,271,367.52
Wazhou Group	Precision bearing branch of the Company	Equipment	-	912,254.73
Wazhou Group	The company	Equipment	-	12,804.00

(3) Warranty provided by related parties

Warrantor	Warrantee	Amounts warranted	Inception of warranty	Maturity of warranty	Whether the warranty finished (Y or N)
Wazhou Group	The Company	50,000,000.00	17 Mar,2016	17 Mar, 2018	N

The warranty is Wazhou Group guarantying for the Company's loan from Import and Export Bank with the amount of RMB 50 million until Dec 31, 2017.

(4) Related party assets transfer and debt structure reconstruction

Related party	Type of transaction	current year	prior year
Wazhou Group Limited Company	Assets transfer		122,405,057.13
Wazhou Group Precision Roller Limited Company	Assets transfer		10,620,307.18
Wazhou Group Precision Retainer Limited Company	Assets transfer		4,330,064.08
Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd	Assets transfer		6,983,301.06
Wazhou Exact Forge Ltd.,	Assets transfer		4,210,493.05
Wazhou Group Precision Retainer Limited Company	Debt restructuring	617,641.50	

Related party	Type of transaction	current year	prior year
Wazhou Group Precision Roller Limited Company	Debt restructuring	529,396.22	
Wazhou Group Equipment Technology Project Co., Ltd.	Debt restructuring	151,886.78	684,268.70
Wazhou Group high-end auto bearing limited company	Debt restructuring	106,075.91	1,200,000.00
The precision rolling company (Wafangdian) of the Company	Debt restructuring	84,905.66	
Dalian Wazhou Jinzhou Machinery Co., Ltd	Debt restructuring	7,478.33	4,200,000.00
Wazhou Group Exact Transmission Bearing Co., Ltd	Debt restructuring		5,250,000.00
Wafangdian Tongda Bearing Manufacturing Co., Ltd.	Debt restructuring		4,800,000.00
Dalian Wazhou Fengyuan Machinery Co., Ltd	Debt restructuring	-	2,250,000.00
Wazhou Group	Debt restructuring	-	1,100,000.00
Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd	Debt restructuring	-	351,513.00

(5) Management remuneration

Item	current year	prior year
Total	618,000.00	520,700.00

(6) Use of trademark

According to the 'Trade Mark License contract' signed between the Company and the Group on January 1, 2017, within the valid period up to December 31, 2017, the Company shall pay license fees to the Group at 0.5% of net sales by using the trade mark of Wazhou Group for self-manufactured stock. In 2017, the Company shall pay license fees of 8,125,516.72Yuan (excl VAT).

(7) Acceptance of comprehensive service

Other expenses paid to the Group during the year

Item	current year	prior year

Firelight and security	2,260,600.00	3,290,900.00
Technology development	3,611,000.00	5,400,000.00
Advertising	-	780,000.00
Total	**5,871,600.00**	**9,470,900.00**

3. Balances with related parties

(1) Accounts receivable due from related parties

Item	Related party	Closing Balance		Opening Balance	
		Book Balance	Provision	Book Balance	Provision
Accounts receivable	Wazhou Group high-end auto bearing limited company	157,299,071.76	-	3,363,108.99	
Accounts receivable	Wazhou Group Precision Roller Limited Company	68,353,382.34	-	58,601,148.69	-
Accounts receivable	Wazhou Group Precision Retainer Limited Company	24,191,042.68	-	18,984,808.97	-
Accounts receivable	Wazhou Group (USA) Bearing CO., Ltd.	13,686,294.41	-	34,524,492.48	-
Accounts receivable	Wazhou Exact Forge Ltd.,	9,357,030.29	-	72,591,219.00	-
Accounts receivable	Wazhou Group Special Precision Bearing Co., Ltd.	4,724,144.07	-	7,469,459.12	-
Accounts receivable	Wazhou Group Exact Transmission Bearing Co., Ltd	3,714,337.85	-	5,416,555.04	-
Accounts receivable	Kugel- und Rollenlagerwerk Leipzig GmbH	2,843,173.17	-	1,267,310.71	
Accounts receivable	Wazhou Group Limited Company	2,255,928.31	-	5,803,622.51	-
Accounts receivable	Wazhou Special Steel Ball Company	1,127,180.69	-	1,879,073.48	

Item	Related party	Closing Balance		Opening Balance	
		Book Balance	Provision	Book Balance	Provision
Accounts receivable	Dalian Wazhou Jinzhou Machinery Co., Ltd	484,891.17	-	283,037.97	
Accounts receivable	Wafangdian Tongda Bearing Manufacturing Co., Ltd.	149,884.33	-	1,143,547.03	
Accounts receivable	Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd	-	-	229,145.54	
Prepaid	Kugel- und Rollenlagerwerk Leipzig GmbH	3,368,086.16	-	3,793,488.27	
Prepaid	Wazhou bearing Power limited Company	1,340,370.00	-	2,478,663.40	
Prepaid	Dalian North Metal Materials Trade Centre Co., Ltd	-	-	264,405.44	
Prepaid	Wazhou Group Special Precision Bearing Co., Ltd.	-	-	10,097.75	
Other account receivables	Wazhou Group Limited Company	-	-	724,150.65	
Other account receivables	Wazhou Group high-end auto bearing limited company	-	-	148,634.68	

(1) Accounts payable due from related parties

Item	Related party	Closing Balance	Opening Balance
Accounts payable	Wind Power Bearing of Wazhou Group	56,086,707.09	35,376,981.32
Accounts payable	Dalian Wazhou Fengyuan Machinery Co., Ltd	25,856,222.75	15,047,543.52

Item	Related party	Closing Balance	Opening Balance
Accounts payable	Wazhou Group Exact Transmission Bearing Co., Ltd	21,020,328.46	
Accounts payable	Wafangdian Tongda Bearing Manufacturing Co., Ltd.	20,874,853.98	21,632,590.88
Accounts payable	Wazhou Group Equipment Technology Project Co., Ltd.	17,010,528.77	24,330,456.54
Accounts payable	Wazhou Exact Forge Ltd.,	12,760,327.17	16,308,870.51
Accounts payable	Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd	8,447,383.10	17,045,051.43
Accounts payable	Dalian Wazhou Jinzhou Machinery Co., Ltd	6,757,162.31	18,776,204.59
Accounts payable	Wazhou Group Precision Retainer Limited Company	6,692,821.86	9,351,415.46
Accounts payable	Wazhou Group Limited Company	3,552,228.26	29,587,066.15
Accounts payable	Wazhou Precision Steel Ball Company	3,486,892.33	4,181,697.61
Accounts payable	Wazhou Group Precision Roller Limited Company	3,403,327.15	4,441,561.22
Accounts payable	National Bearing Engineering Technology Research Centre of Wazhou Group	2,833,243.49	
Accounts payable	Wazhou bearing power limited company	311,333.62	248,937.24
Accounts payable	Wazhou Group (USA) Bearing CO., Ltd.	147,968.25	205,054.84
Accounts payable	Dalian GONA Wazhou Auto Bearings Co., Ltd	-	12,770,936.20
Accounts payable	Wazhou Group Special Precision Bearing Co., Ltd.	-	114,525.00
Accounts payable	Wazhou Group high-end auto bearing limited company	-	5,687.58
Other payables	Wazhou Group limited company	12,295,652.49	6,512,982.70
Other payables	Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd	431,088.45	431,088.45

Item	Related party	Closing Balance	Opening Balance
Other payables	Wazhou Group Equipment Technology Project Co., Ltd.	953,000.00	952,000.00
Prepaid	Wazhou Group (USA) Bearing CO., Ltd.		-

XIII. Share-Based Payment

There is no share-based payment occurred in the report period.

XIV. Contingency

The Company singed "Plant Exchange Agreement between Liaoyang Bearing Co.,Ltd and Liaoyang Baolin Estate Development Company "with Liaoyang Baolin Estate Development Company in May, 2009. According to the agreement, Liaoyang Bearing Co.,Ltd received the 32million Yuan for land swap from Baolin Estate Development Company. Up to the balance sheet date, the swap hasn't succeeded due to certain procedures matter. After negotiation with Baolin, the land will go auction for bid in public, if Baolin Estate Development Company can win the bid, the agreement will be executed and Liaoyang Bearing Co.,Ltd will return 32million Yuan from land auction to Baolin Estate Development Company for Baolin Estate Development Company's compensation due to the loss before. However, if Baolin Estate Development Company can not win the bid, Baolin Estate Development Company will have the legal recourse to the loss rising from the exchange payment of 32million Yuan.

XV.Commitment

Until 31 December 2017, the Group does not have any other significant commitments.

XVI. Events after the Balance Sheet Date

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

XVII. Other Significant Events

Debt restructuring

In 2017, the Company has signed the 'Debt Restructuring Agreement' with the creditors, through cash or bank notes settlement below the debt carrying value, and implemented the restructuring, which results in the debt restructuring income RMB 5,304,472.04 Yuan and were recognized as non-operating revenue.

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

1. Accounts receivable

(1) Accounts receivable category

Item	Closing Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Accounts receivable with significant individual amount and separate bad debt provision	-	-	-	-	-
Accounts receivable with bad debt provision based on the characters of credit risk portfolio					
Accounts receivable age combination	877,541,532.36	74.73	42,129,550.06	4.80	835,411,982.30
Related party	277,706,273.20	23.65	-	-	277,706,273.20
Accounts receivable with insignificant individual amount and separate bad debt provision	19,049,504.15	1.62	19,049,504.15	100.00	-
Total	**1,174,297,309.71**	**100.00**	**61,179,054.21**	**-**	**1,113,118,255.50**

(Continued)

Item	Opening Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Accounts receivable	7,718,274.69	0.57	7,718,274.69	100	-

Item	Opening Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
with significant individual amount and separate bad debt provision					
Accounts receivable with bad debt provision based on the characters of credit risk portfolio					
Accounts receivable age combination	1,081,032,765.93	79.61	42,129,929.74	3.90	1,038,902,836.19
Related party	235,708,526.45	17.36	3,394,694.96	1.44	232,313,831.49
Accounts receivable with insignificant individual amount and separate bad debt provision	33,489,185.84	2.47	33,489,185.84	100	-
Total	**1,357,948,752.91**	**100.00**	**86,732,085.23**	**-**	**1,271,216,667.68**

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

Aging	Closing Balance

	Accounts receivable	Provision for bad debts	Proportion (%)
Within 1 year	646,473,470.11	6,464,734.71	1.00
1-2 years	150,700,938.17	7,535,046.91	5.00
2-3 years	40,179,312.03	8,035,862.41	20.00
Over 3 years	40,187,812.05	20,093,906.03	50.00
Total	**877,541,532.36**	**42,129,550.06**	**-**

(2) Bad debt provision accrued and reversed (withdraw)

The bad debt provision has been accrued at the amount of 13,893,331.59 Yuan and during the report period no bad debt provision is reversed or withdrawn.

(3) Accounts receivable written off in current period

Item	**Written-off Amount**
Accounts receivable written off	39,446,362.61

Important Account Receivables accrued written down situations:

Debtor name	Account Receivable feature	Written-off Amount	Written-off Reason	Written- off Application Procedure	Does the account receivable occurs from related-party transaction
Company A	Bearing fund	3,910,007.43	Debt can not be collected	The internal approval and public announcement	No
Company B	Bearing fund	3,808,267.26	Debt can not be collected	The internal approval and public announcement	No
Company C	Bearing fund	3,394,694.96	Debt can not be collected	The internal approval and public announcement	Yes
Company D	Bearing fund	2,175,700.92	Debt can not be collected	The internal approval and public announcement	No

Debtor name	Account Receivable feature	Written-off Amount	Written-off Reason	Written- off Application Procedure	Does the account receivable occurs from related-party transaction
Company E	Bearing fund	2,452,138.58	Debt can not be collected	The internal approval and public announcement	No
Company F	Bearing fund	2,706,703.13	Debt can not be collected	The internal approval and public announcement	No

2. Other receivables

(1) The category of other receivables

Items	**Closing Balance**				
	Booking balance		**Provision**		**Booking balance**
	Amount	**%**	**Amount**	**%**	
Other receivables with significant individual amount and separate bad debt provision	-	-	-	-	-
Other receivables with bad debt provision based on the characters of credit risk portfolio					
Accounts receivables age combination	13,075,665.23	49.06	1,000,107.00	7.65	12,075,558.23
Related party	-	-	-	-	-
Risk-free portfolio	8,529,720.24	32.00	-	-	8,529,720.24
Other receivables with insignificant individual amount and separate bad debt provision	5,048,580.92	18.94	5,048,580.92	100.00	-
Total	**26,653,966.39**	**100.00**	**6,048,687.92**	**-**	**20,605,278.47**

(Continued)

Items	Opening Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Other receivables with significant individual amount and separate bad debt provision	-	-	-	-	-
Other receivables with bad debt provision based on the characters of credit risk portfolio					
Accounts receivables age combination	13,403,888.57	55.71	828,459.71	6.18	12,575,428.86
Related party	724,150.65	3.01	-	-	724,150.65
Risk-free portfolio	5,376,249.40	22.34	-	-	5,376,249.40
Other receivables with insignificant individual amount and separate bad debt provision	4,556,358.92	18.94	4,556,358.92	100.00	-
Total	**24,060,647.54**	**100.00**	**5,384,818.63**	**-**	**18,675,828.91**

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

Aging	Closing Balance		
	Other receivables	Provision for bad debts	Proportion (%)
Within 1 year	8,889,612.78	88,896.13	1.00
1-2 years	2,551,049.38	127,552.47	5.00
2-3 years	112,810.45	22,562.09	20.00
Over 3 years	1,522,192.62	761,096.31	50.00
Total	**13,075,665.23**	**1,000,107.00**	**-**

(2) Bad debt provision accrued and reversed (recovered)

The bad debt has been written off at the zero amount and been accrued at the amount of 663,869.29 Yuan during the report period and no bad debt provision is reversed or withdrawn.

(3) Other receivables categorized by nature

Nature	Closing Balance	Opening Balance
Security deposit	4,226,867.84	3,286,300.92

Deposit	196,163.75	395,789.99
Individual petty cash	1,553,070.20	1,965,433.89
Others	20,677,864.60	18,413,122.74
Total	**26,653,966.39**	**24,060,647.54**

(4) Other receivables from the top 5 debtors

Name	Category	Closing Balance	Aging	% of the total OR	Closing Balance of Provision
Unit 1	Electricity bill	5,512,343.86	within 1 year	19.22	-
Unit 2	Materials payments	2,282,937.93	More than 3 years	8.57	2,282,937.93
Unit3	Equipment payment	1,251,210.00	within 1 year	4.69	—
Unit 4	Equipment payment	1,187,000.00	More than 3 years	4.45	1,187,000.00
Unit 5	Materials payments	723,598.86	More than 3 years	2.71	723,598.86
Total	——	**10,754,467.03**	——	——	**4,193,536.79**

3. Long-term equity investments

(1) Category of long-term equity investments

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

(2) Investments into subsidiaries

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

4. Operating revenue and cost

Item	current year		prior year	
	Revenue	Cost	Revenue	Cost
Revenue from main operation	1,880,857,226.54	1,611,146,405.62	2,199,539,012.19	2,017,602,641.49
Revenue from other operation	257,872,835.30	236,818,779.21	339,566,842.20	313,034,294.37
Total	**2,138,730,061.84**	**1,847,965,184.83**	**2,539,105,854.39**	**2,330,636,935.86**

Items	current year	prior year
Income from the available-for-sale financial assets held	500,000.00	240,000.00
Total	**500,000.00**	**240,000.00**

Supplementary Information to the Financial Statements

1. Non-operating profit or loss

Based on No.1 on Non-operating Profit or Loss (2008) of Explanation and Announcement of Information Disclosure and Presentation Rules for Companies Making Public Offering issued by China Securities Regulatory Commission, the Group's Non-operating profit or loss in 2017 is as follows:

Items	current year	Notes
Gain or loss from disposal of non-current assets	-728,247.65	**See the note to the financial statements VII. 40**
Government grants recorded into profit or loss during current period	7,856,994.07	**See the note to the financial statements VI. 41**
Profit or loss from debts restructuring	5,304,472.04	**See the note to the financial statements VI. 42. 43 and XVII**
Others non-operating revenue and expense besides the above items	13,120,938.97	**See the note to the financial statements VI. 42. 43**
Subtotal	25,554,157.43	
Effect on income tax	1,868,561.19	
Total	**23,685,596.24**	

2. Return on equity and earnings per share

Pursuant to Information Disclosure and Presentation Rules for Companies Making Public Offering No.9 computation and disclosure of Return on net assets and earnings per share (revised in 2010) issued by China Securities Regulatory Commission, the weighted average return on net assets, basic earnings per share and diluted earnings per share of the Group for the financial year of 2017 are as follows:

Profit of report period	**Weighted average return on net assets (%)**	**Earnings per share (EPS)**	
		Basic EPS	**Diluted EPS**
Net profit attributable to shareholders of parent company	0.74	0.0253	0.0253
Net profit after deducting non-recurring gains and losses attributable to shareholders of parent company	-0.98	-0.0335	-0.0335

Chapter XII. List of reference documents

1. Accounting statements with the signatures and seals of the legal representative, financial controller and the director of the accounting department of the company;

2. The 2017annual audit report and the financial statement with the seal of the Certified Public Accountants and the personal signature and seal of the certified public accountant.

3. The documents and notices of the company disclosed in newspapers designated by the Security Supervisory Committee of China in the report period.

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