



# **Wafangdian Bearing Company Limited**

## **2021 Annual Report**

**2022-07**

**April 22, 2022**

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

The board of directors, board of supervisors, directors, supervisors and senior managers of the company shall guarantee that the contents of the annual report are true, accurate and complete without false records, misleading statements or major omissions, and shall bear individual and joint legal liabilities.

Statement: Guarantee the truth, accuracy and completeness of the financial report in this annual report.

All directors have attended the board meeting at which this report was considered.

The company describes in detail the possible risks and countermeasures in the operation of the company in section III "Management Discussion and Analysis" and "Xi, The Company's Future Development Outlook". Please pay attention to the relevant contents.

The company plans not to distribute cash dividend, not to send bonus shares, not to increase capital by provident fund

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## **File directory for reference**

1. Financial statements (with the seals of the person in charge of the company, the person in charge of accounting and the person in charge of accounting institutions)
2. Original audit report (with seal of accounting firm and signature of certified public accountant)

## Glossary

Terms	Defined as	Description
Company,the Company	<b>Defined as</b>	Wafangdian Bearing Company Limited
Wazhou Group	<b>Defined as</b>	Wafangdian Bearing Group Company
the report period, the current period, the current year	<b>Defined as</b>	January 1,2021 - December 31,2021
Liaozhou Co.,Ltd	<b>Defined as</b>	Wazhou Liaoyang Bearing Manufacture Co.,Ltd
Dalian motor	<b>Defined as</b>	Dalian motor Bearing Co.,Ltd
The Board of Directors	<b>Defined as</b>	Wafangdian Bearing Company Limited The Board of Directors
The Supervisory Committee	<b>Defined as</b>	Wafangdian Bearing Company Limited The Supervisory Committee
Wafangdian Bearing Company Limited	<b>Defined as</b>	Wafangdian Bearing Company Limited The Shareholders' Meeting
Shen Jiao Suo	<b>Defined as</b>	Shen Zhen Stock Exchange
SRC	<b>Defined as</b>	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	Liu Jun		
Registered address	No. 1 Beigongji Street, Wafangdian City, Liaoning Province, China.		
P.C	116300		
Historical change of registered address of the company	Did not change		
office address	No. 1 Beigongji Street, Wafangdian City, Liaoning Province, China.		
office P.C	116300		
Website	<a href="http://www.zwz-200706.com">http://www.zwz-200706.com</a>		
E-mail	zwz2308@126.com		

### II. Contacts

	Secretary of the Board	Representative of Stock Affairs
Name	Sun Najuan	Ke Xin
Correspondence address	No. 1 Beigongji Street, Wafangdian City, Liaoning Province, China.	No. 1 Beigongji Street, Wafangdian City, Liaoning Province, China.
Consulting telephone	0411-62198008	0411-62198236
Fax	0411-62198333	0411-62198333
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 by CSRC.	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
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	None
Change of controlling shareholder all previous(if any)	None

**V. Other relevant information****The accounting firm employed by the company**

Name of accounting firm	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	Lin Li, Zhang Shizhuo

Sponsoring institution hired by the Company, which is responsible to overseeing the Company' s operation on a continuous basis:

Applicable  Inapplicable

Financial consultancy institution hired by the Company, which is responsible to overseeing the Company' s operation on a continuous basis:

Applicable  Inapplicable

**VI. Main accounting data and financial indicators**

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

Yes  No

	2021	2020	Compare with last year(+/-)	2019
Operating income (yuan)	2,318,704,350.35	1,859,176,415.58	24.72%	1,855,489,141.65
Net profit attributable to shareholders of the listed company (yuan)	-205,737,685.42	-380,228,430.56	45.89%	-123,201,977.73
Net profit attributable to shareholders of the listed company after deducting non-recurring profit and loss (yuan)	-218,739,881.32	-390,440,462.25	43.98%	-135,336,054.17
Net cash flow from operating activities (yuan)	77,678,162.48	61,224,927.73	26.87%	157,914,340.86
Basic earnings per share (yuan/share)	-0.511	-0.94	45.64%	-0.31
Diluted earnings per share (yuan/share)	-0.511	-0.94	45.64%	-0.31
Weighted average return on equity	-28.93%	-36.69%	7.76%	-9.34%
	At the end of 2021	At the end of 2020	More or less at the end of this year than at the end of the previous year	At the end of 2019
Total assets (yuan)	3,220,126,105.01	3,133,942,842.94	2.75%	2,961,477,469.55
Net assets attributable to shareholders of the listed company (yuan)	608,267,282.47	814,004,967.89	-25.27%	1,226,441,398.45

The company's net profit before and after deducting non-recurring gains and losses in the last three fiscal years is negative, and the audit report of the last year shows that the company's ability to continue operating is uncertain

Yes  No

After the net profit before deducting the non-recurrent gains and losses and the net profit after deducting the non-recurrent gains and losses are compared, who is low who is negative

Yes  No

item	2021	2020	note
Operating Income (Yuan)	2,318,704,350.35	1,859,176,415.58	252,619,851.66
Amount of Deduction from Operating Income (Yuan)	252,619,851.66	265,479,347.01	0
Amount of Business Income after Deduction (Yuan)	2,066,084,498.69	1,593,697,068.57	0

## 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

Applicable  Inapplicable

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

Applicable  Inapplicable

## VIII. Financial Data Summary based on Quarters

In RMB Yuan

	In the first quarter	In the second quarter	In the third quarter	In the forth quarter
Operating revenue	413,507,921.87	667,556,931.79	641,570,596.17	596,068,900.52
Net profit attributable to the Company's shareholders	2,486,349.89	1,705,793.35	-8,428,274.25	-201,501,554.41
Net profit attributable to the Company's shareholders less the non-recurring profit and loss	1,463,602.32	-215,132.65	-12,361,343.82	-207,627,007.17
Net cash flows arising from operating activities	-27,699,435.57	59,101,779.06	-36,921,948.24	83,197,767.23

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.

Yes  No

## IX. Non-recurring gain/loss items and amounts

Applicable  Inapplicable

In RMB Yuan

item	Amount of 2021	Amount of 2020	Amount of 2019	instructions
Gains and losses on disposal of non-current assets (including charge-off portion of impairment provisions for assets already provided)	2,349,507.64	-1,221,382.96	1,662,685.28	
Government subsidies included in current profits and losses (except government subsidies that are closely related to the	8,117,365.44	9,520,190.48	9,474,928.76	

business of the enterprise and enjoy in accordance with the unified national standard quota or quantitative amount)				
Debt restructuring gains and losses	1,808,922.83	1,226,811.33	-2,753,960.82	
In addition to the normal business of the company effective hedging related business, tradable financial assets, derivative financial assets, tradable financial liabilities, changes in the fair value of the derivative financial liabilities to generate profits and losses, as well as the disposal of tradable financial assets, derivative financial assets, tradable financial liabilities, derivative financial liabilities and other creditor's rights investment returns	612,813.05	-57,011.50	-13,867.66	
The receivables and contract assets for which the impairment test is conducted separately will be turned back			2,341,773.02	
Other non-operating income and expenses other than those mentioned above	2,694,297.36	3,056,476.10	3,733,384.42	
Minus: income tax impact	2,580,710.42	2,313,051.76	2,310,866.56	
A combined	13,002,195.90	10,212,031.69	12,134,076.44	--

Details of other profit and loss items that meet the definition of non-recurring profit and loss:

Applicable  Inapplicable

The Company does not have any other profit and loss items that meet the definition of non-recurring profit and loss.

Define the non-recurring profit and loss items listed in the Explanatory Notice of Information Disclosure of Companies publicly issuing Securities No. 1 -- Non-recurring Profit and loss items as the statement of the current profit and loss items

Applicable  Inapplicable

The Company does not define the non-recurring profit and loss items listed in the Explanatory Notice of Information Disclosure for Publicly Issued Securities No. 1 -- Non-recurring Profit and loss items as recurring profit and loss items.

## **Chapter III. Management discussion and analysis**

### **I. The industry situation of the company during the reporting period**

As a leading bearing manufacturer in China, the company has participated in the formulation of a number of industry standards. The company faces multiple challenges and new development opportunities in 2021. Under the impact of the epidemic in the 21st century, the century-old changes are accelerating, and the external environment is becoming more complex, severe and uncertain. From the industry level, the high-end bearing market is still occupied by foreign enterprises, and the domestic investment of multinational companies is further grabbing the domestic market share. Structural adjustment and industry reshuffle are opportunities for the industry. Under the epidemic situation, the extension of the import cycle of foreign bearings for China's bearing industry? } has come a rare domestic alternative market. Uncertainties brought by various non-economic laws are increasing at the same time. Bearing products focus on "high-end" and "professional", which also brings great development space to the company.

### **II. Main business of the Company during the reporting period**

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

The company has strong manufacturing capacity and quality assurance ability, widely serve railway, metallurgy, mining and other industries and fields.

### **III. Analysis of core competitiveness**

As the largest bearing technology and product r&d and manufacturing base in China, the company has accumulated years of practical experience in bearing and related fields, established a perfect bearing technology innovation system, and maintained close cooperation with domestic scientific research institutes and universities. As the main drafter of several standards in the bearing industry, it grasps the latest technical trend of the development of the industry. In technology research and development, product manufacturing, marketing and user services have established a significant advantage.

The company's personalized design and manufacturing process for customers can take into account cost, delivery time and customer demand, improve the response ability to market and customer personalized demand.

The company has a complete product service system, with all-weather dynamic service ability for product operation site. And "ten value-added services" by the good image of the majority of customers praise. The company has a strong manufacturing capacity and quality assurance ability, widely serve railway, metallurgy, mining and other industries and fields.

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

#### IV. Analysis of main business

##### 1. overview

See "Overview" in "Management Discussion and Analysis".

##### 2. Revenue and cost

##### (1) Composition of operating revenue

Unit: yuan

Total operating revenue	2021		2020		Year-on-year increase/decrease
	Amount	Proportion in the operating revenue	Amount	Proportion in the operating revenue	
Classified based on sectors	2,318,704,350.35	100%	1,859,176,415.58	100%	24.72%
exit					
Traffic bearing	93,491,561.62	4.03%	149,255,608.09	8.03%	-37.36%
Special bearings	170,285,070.15	7.34%	226,218,965.88	12.17%	-24.73%
General bearing	998,964,768.13	43.08%	543,592,815.95	29.24%	83.77%
Industrial work	751,560,167.01	32.41%	608,812,963.18	32.75%	23.45%
Other business income	51,782,931.78	2.23%	65,816,715.47	3.54%	-21.32%
Classified based on product	252,619,851.66	10.89%	265,479,347.01	14.28%	-4.84%
bearing					
Industrial work	2,014,301,566.91	86.87%	1,527,880,353.10	82.18%	31.84%
Other business income	51,782,931.78	2.23%	65,816,715.47	3.54%	-21.32%
Classified based on regions	252,619,851.66	10.89%	265,479,347.01	14.28%	-4.84%
exit					
domestic	2,225,212,788.73	95.97%	1,709,920,807.49	91.97%	30.14%

Total operating revenue	93,491,561.62	4.03%	149,255,608.09	8.03%	-37.36%
Classified based on sectors					
exit	2,318,704,350.35	100.00%	1,859,176,415.58	100.00%	24.72%

(2) The industry, product, region and sales mode accounting for more than 10% of the company's operating revenue or operating profit

☐ Applicable ● Inapplicable

Unit: yuan

	Operating income	Operating cost	Gross profit margin	Operating income was up or down from a year earlier	Operating costs increased or decreased from a year earlier	Gross margin was up or down from a year ago
divisions						
Traffic bearing	170,285,070.15	124,973,171.93	26.61%	-24.73%	-30.58%	6.19%
Special bearings	998,964,768.13	821,633,854.27	17.75%	83.77%	128.15%	-16.00%
General bearing	751,560,167.01	567,195,432.48	24.53%	23.45%	53.80%	-14.89%
Other Business income	252,619,851.66	205,983,916.30	18.46%	-4.84%	-11.22%	5.85%
Points products						
bearing	2,014,301,566.91	1,595,963,175.85	20.77%	31.84%	51.78%	-10.41%
Other Business income	252,619,851.66	205,983,916.30	18.46%	-4.84%	-11.22%	5.85%
Divided by region						
Domestic	1,972,592,937.07	1,566,369,733.65	20.59%	36.56%	57.72%	-10.65%
Distribution model						

If the statistical caliber of the company's main business data is adjusted during the reporting period, the company's main business data in the recent year shall be adjusted according to the caliber at the end of the report

● Applicable ☐ Inapplicable

(3) Whether the company's income from physical sales is greater than the income from labor service

☐ yes ● no

Industry classification	item	unit	2021	2020	Compared with last year(+/-)
bearing	sales	Set of	37,926,445	14,160,710	167.83%
	production	Set of	28,150,179	14,856,446	89.48%
	inventory	Set of	19,208,935	9,432,669	103.64%

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

Applicable  Inapplicable

The scale of production has expanded.

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

Applicable  Inapplicable

**(5) Composition of Operating Costs**

Classified based on sectors and products

Unit :yuan

Classified based on sectors	item	2021		2020		Year-on-year (+/-)
		Amount	Proportion in operating costs	Amount	Proportion in operating costs	
Bearing		1,595,963,175.85	86.06%	1,051,507,223.37	76.88%	50.52%
Include:raw material		1,137,994,367.05	61.36%	692,709,763.72	50.65%	64.28%
Artificial cost		169,264,570.92	9.13%	158,066,596.06	11.56%	7.08%
depreciation		53,741,418.23	2.90%	57,415,894.73	4.20%	-6.40%
Energy and power		52,798,181.32	2.85%	45,162,110.81	3.30%	16.91%
other		182,164,638.33	9.82%	98,152,858.05	7.18%	72.09%
Industrial income		52,567,274.97	2.83%	84,165,434.46	6.15%	-21.80%
Other business		205,983,916.30	11.11%	232,010,647.05	16.96%	-11.22%
total		1,854,514,367.12	100.00%	1,367,683,304.88	100.00%	35.60%

**Instructions**

none

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

Yes  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

Applicable  Inapplicable

**(8) Major trade debtors and major suppliers**

The company mainly sells customer information

Total Sales Amount of Top 5 Customers (RMB)	515,405,494.20
The total sales sum of the top five customers accounts for the proportion of the total annual sales	22.23%
Sales of related parties in the top five customers accounted for the proportion of total annual sales	17.71%

Company's top 5 major customer information

No.	The customer name	Sales (Yuan)	Percentage of total annual sales
1	Customer controlled by the same actual controller 1	410,720,329.04	17.71%
2	Customer 2	52,160,045.86	2.25%
3	Customer 3	19,061,595.05	0.82%
4	Customer 4	16,846,460.87	0.73%
5	Customer 5	16,617,063.38	0.72%
Total	--	515,405,494.20	22.23%

Other information of major customers

Applicable  Inapplicable

Company's major suppliers

Total Purchase Amount of Top 5 Suppliers (RMB)	1,124,431,584.06
The total purchase amount of the top five suppliers accounts for the proportion of the total annual purchase	62.08%
The proportion of the purchase amount of related parties in the total annual purchase amount of the top five suppliers	52.77%

Profiles of top 5 suppliers

No.	Name of suppliers	Amount of purchase(RMB)	Percentage in total purchase of year(%)
1	Supplier1	955,748,429.05	52.77%
2	Supplier 2	69,314,648.11	3.83%
3	Supplier 3	51,176,870.13	2.83%
4	Supplier 4	25,034,036.51	1.38%
5	Supplier 5	23,157,600.26	1.28%
Total	--	1,124,431,584.06	62.08%

Other information of major suppliers

Applicable  Inapplicable

### 3. Expenses

In RMB Yuan

	2021	2020	Year-on-year increase/decrease	Note to significant changes
Sales expenses	172,118,808.99	210,217,418.49	-18.12%	
Administrative expenses	109,978,729.45	93,959,959.13	17.05%	
Financial expenses	39,397,717.95	43,427,505.67	-9.28%	
R&D expenses	215,803,912.39	227,548,185.54	-5.16%	

### 4. Investment in R & D

☉ Applicable ● Inapplicable

Name of main R&D project	Project purpose	Project progress	Goals to be achieved	The expected impact on the company's future development
Wind power driver bearing	Through technical transformation, a professional production line of medium and large wind power reducer bearings is formed, and the curing process parameters and equipment parameters can reduce the rejection rate and rework rate, and improve the qualified rate of product production.	Optimize the product design, process upgrade stage	The output value will double by 2021	Increase market share
Mining machinery bearing	Optimize product processing technology, improve product nesting rate, improve product processing accuracy through equipment transformation, solve the quality problems such as heat and noise of construction machinery products.	Optimize the product design, process upgrade stage	In 2021, the output value will increase 1.5 times	Increase market share
New rolling mill roller bearing with long life and high reliability	The structure and material of retainer are changed to reduce the finished products of bearing, improve the service life of bearing, solve the quality problems of roller dropping and retainer fracture in the early stage of this type of bearing, and increase the service life of bearing by 20%.	Optimize the product design, process upgrade stage	The output value will double by 2021	Increase market share
Research and development of main reducer bearing of extrusion granulator	Realize localization substitution	At present, customer installation has been completed and use tracking is pending	To meet customer accuracy and life requirements, to meet customer requirements	Increase market share
High end large cylindrical roller bearings	Market prospect is broad, expand market share.	Technical communication, process review	Bearing life and reliability requirements increased, market share increased	Increase market share
High end large tapered roller bearings	It provides guarantee for the independent development of high-power fan bearings and wind power industry	Sample delivery	Greatly improve the design and manufacturing level of fan spindle bearings in	Increase market share

			China, and promote the localization of high-power fan spindle bearings	
High precision and long life cold roll bearing	Solve the problem of long life and reliability of domestic bearings	Assimilation process parameter	Substitute imported bearing	Increase market share
High reliability and long life four-row conical mill work roll bearing	Improve product performance and occupy the market	The machining accuracy of the parts is studied and the process verification of heat treatment is carried out	Improve product performance and occupy the market	Increase market share
Mining card electric wheel bearing development	We will fully open the import substitution market	Electric wheel bearing sample development stage	We will fully open the import substitution market	Increase market share
Research and development of a planetary frame tapered roller bearing	Low mw onshore wind power, wind power market mainstream configuration products	Bearing strength calculation stage	Large megawatt offshore wind will gradually replace low megawatt onshore wind. Subsequently, in the planetary frame, tapered roller bearings that can withstand large axial force will become the mainstream configuration products in the wind power market.	Increase market share
Optimization of ultra-large high pressure roller grinding bearings	Improve bearing life and reliability	Optimize the product design, process upgrade stage	Stable product quality, improve bearing life and reliability	Increase market share

## Company R &amp; D personnel

Number of R&D personnel (persons)	2021	2020	Changes in the proportion
Ratio of R&D personnel	325	355	-8.45%

Educational structure of r&d personnel	14.00%	16.00%	-2.00%
Undergraduate course	---	---	---
A master's degree	33	37	-10.81%
Age composition of r&d personnel	4	2	100.00%
Under the age of 30,	---	---	---
30 ~ 40 years old	26	33	-21.21%
Number of R&D personnel (persons)	50	68	-26.47%

## R&amp;d investment of the company

R&d Investment (YUAN)	2021	2020	Changes in the proportion
R&d as a percentage of revenue	215,803,912.39	227,548,185.54	-5.16%
Amount of capitalization of R&D Investment (YUAN)	9.31%	12.24%	-2.93%
Capitalized R&D as a percentage of R&D spending	0.00	0.00	0.00%
R&d Investment (YUAN)	0.00%	0.00%	0.00%

## Causes and impacts of major changes in the composition of r&amp;d personnel

Applicable  Inapplicable

The reason for the significant change in the proportion of total R&D investment to revenue over the previous year

Applicable  Inapplicable

The reason of the large change of capitalization rate of R&D investment and its rationality explanation

Applicable  Inapplicable

**5.Cash flow**

Unit: yuan

project	2021	2020	Year-on-year (+/_)
Subtotal of cash flows from operating activities	1,280,954,319.22	1,165,069,098.28	9.95%
Subtotal of cash outflow from operating activities	1,203,276,156.74	1,103,844,170.55	9.01%
Net cash flow from operating activities	77,678,162.48	61,224,927.73	26.87%
Subtotal of cash inflow from investment activities	2,097,844.44	2,397,893.92	-12.51%
Subtotal of cash outflow from investment activities	4,753,911.10	3,579,393.58	32.81%
Net cash flow from investment activities	-2,656,066.66	-1,181,499.66	124.80%
Subtotal of cash inflow from financing activities	931,600,000.00	999,000,000.00	-6.75%
Subtotal of cash outflow from financing activities	957,694,735.35	1,029,848,259.00	-7.01%
Net cash flow arising from financing activities	-26,094,735.35	-30,848,259.00	-15.41%
Net increase in cash and cash equivalents	46,119,096.45	26,404,311.44	74.67%

The main influencing factors of the major changes in relevant data compared with the same period

Applicable  Inapplicable

The reason for the significant difference between the net cash flow generated by the company's operating activities during the reporting period and the current year's net profit

☐ Applicable ● Inapplicable

The net cash flow generated by operating activities is based on the cash basis and reflects the net income and expenditure of monetary funds in operating activities.

This year's net profit is prepared on an accrual basis, reflecting the net profit and loss of revenue, profit, cost and expense and various impairment provisions.

## V. Analysis of non-main business

☐ Applicable ● Inapplicable

Unit: yuan

	Amount	Proportion of total profits	Causes of formation	Whether it is sustainable
Return on investment	2,327,743.95	-1.13%	Mainly debt restructuring	no
Change in fair value gain or loss	93,991.93	-0.05%	Changes in stock prices of traded financial assets	no
Asset impairment	-74,369,791.08	36.14%	Provision for inventory depreciation	no
Non-operating income	3,335,370.92	-1.62%	Write-off and fine income of payment that cannot be paid	no
Non-operating expense	1,857,448.96	-0.90%	Loss of destruction and abandonment of non-current assets and expenditure on public welfare donations	no
Credit impairment	-59,114,404.38	28.73%	Prepare expected credit impairment of receivables	no

## VI. Situation of assets and liabilities

### 1. Major change in asset items

Unit: yuan

Monetary fund Accounts receivable	At the end of the year 2021		At the beginning of the year 2021		The proportion (+/_)	Notes on Major Changes
	Amount	Percentage of total assets	Amount	Percentage of total assets		
Contract assets	286,476,701.69	8.90%	194,152,280.08	6.20%	2.70%	
inventory	999,454,308.40	31.04%	975,628,091.12	31.13%	-0.09%	
Investment real estate	3,763,781.55	0.12%		0.00%	0.12%	
Long-term equity investment	710,611,964.20	22.07%	615,656,946.30	19.64%	2.43%	
Fixed assets	68,862,311.38	2.14%	117,516,482.39	3.75%	-1.61%	

Projects under construction		0.00%		0.00%	0.00%	
Right assets	438,220,714.18	13.61%	474,109,923.22	15.13%	-1.52%	
Short-term borrowing	25,929,699.29	0.81%	24,254,985.16	0.77%	0.04%	
Contract liability		0.00%		0.00%	0.00%	
Long-term borrowing	677,000,000.00	21.02%	670,000,000.00	21.38%	-0.36%	
Lease liability	38,426,632.29	1.19%	39,456,304.55	1.26%	-0.07%	
Monetary fund		0.00%		0.00%	0.00%	
Accounts receivable		0.00%		0.00%	0.00%	

Foreign assets account for a relatively high proportion

● Applicable ☉ Inapplicable

## 2.Assets and liabilities measured at fair value

☉ Applicable ● Inapplicable

Unit: yuan

item	Ending balance	Current fair value change profit and loss	Accumulated changes in fair value of equity	Impairment of the current period	Current Purchase Amount	Current Sale Amount	Other changes	The final number
Financial assets								
1. Trading financial assets (excluding derivative financial assets)	228,046.00	93,991.93	-244,995.37					322,037.93
The above total	228,046.00	93,991.93	-244,995.37					322,037.93
Financial liabilities	0.00	0.00	0.00					0.00

Other changes

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

Yes  No

### 3.Limitation of asset rights by the end of the report

By the end of the reporting period there is no limitation on the rights of major assets of the company.

## V. Investment

### 1. General situation

Applicable  Inapplicable

### 2.Significant equity investments obtained during the reporting period3. Major ongoing non-equity investments during the reporting period

Applicable  Inapplicable

### 3.Significant non-equity investment in process in the reporting period

Applicable  Inapplicable

### 4. Financial asset investment

#### (1) securities investment

Applicable  Inapplicable

Unit :yuan

Varieties of securities	Varieties of code	The abbreviation of securities	Initial cost of investment	Accounting measurement model	Initial book value	Current fair value change profit and loss	Accumulated changes in fair value of equity	Current Purchase Amount	Current Sale Amount	Profit and loss during the reporting period	Ending book value	Accounting subject	Sources of funding
Domestic and foreign stocks	601005	Chongqing iron and steel	567,033.30	Fair value measurement	228,046.00	93,991.93	-244,995.37	0.00	0.00	93,991.93	322,037.93	Trading financial assets	debt-for-equity
total			567,033.30	--	228,046.00	93,991.93	-244,995.37	0.00	0.00	93,991.93	322,037.93	--	--
Disclosure date of the announcement of the board of directors for the approval of securities investment													

**(2) derivatives investment**

Applicable  Inapplicable

There is no derivative investment during the reporting period.

**5. Use of the raised funds**

Applicable  Inapplicable

No use of the raised funds during the company's reporting period.

**VIII. Sales of Significant Assets and Equity**

## 1. Sales of Significant Assets

Applicable  Inapplicable

## 2. Sales of Significant Equity

Applicable  Inapplicable

**IX. Analysis on Principal Subsidiaries and Mutual Shareholding Companies**

Applicable  Inapplicable

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

In RMB Yuan

Company name	Company type	Principal business	registered capital	total assets	net asset	Operating income	operating profit	net profit
Liaoyang Bearing company	Subsidiary	Product and Sale Bearing and machine-electrical equipment	19,350,000.00	217,592,198.04	-68,355,993.51	158,709,770.92	-3,210,533.01	-3,238,247.18
Dalian Electrical Equipment	Subsidiary	Product and Sale Bearing and machine-electrical equipment	10,000,000.00	188,798,233.65	-22,279,898.57	206,550,612.85	-16,172,051.52	-15,546,041.43
Wzhou precision spherical roller bearing(Wafangdian) Co.,Ltd.	Subsidiary	Product and Sale Bearing and machine-electrical equipment	194,000,000.00	360,277,942.52	187,431,115.82	336,491,371.56	-13,491,059.46	-13,103,192.65

Acquisition and disposal of subsidiaries during the reporting period

Applicable  Inapplicable

Description of the main holding and shareholding companies

**X.A structured entity controlled by a company**

Applicable  Inapplicable

**XI.The prospect of the company's future development**

Companies face both opportunities and challenges. China's economy is resilient, and its long-term sound fundamentals remain unchanged. China's strategy of strengthening the foundation of the real economy and strengthening itself through scientific and technological innovation remains unchanged. Bearing industry is a national strategic industry and a key policy support industry in China. With the rise of China's manufacturing industry, the continuous breakthrough of bearing core technology and the continuous improvement of industry concentration, domestic replacement opportunities to accelerate the emergence. The future development strategy of the company is as follows: the marketing end drives the company, starting with product application, realizing the differentiation of design, application and price, realizing product differentiation, creating a series of high-end brands, and finally realizing the development of the company.

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

Applicable  Inapplicable

Reception time	Reception site	way	Reception object type	Reception object	The main contents of the discussion and the information provided	Index of the basic facts of the survey
2021.08.24	Shenzhen Exchange Interactive easy platform	other	personal	Individual investor	The nature of the company's shares	Shenzhen Exchange Interactive easy platform
2021.08.27	Shenzhen Exchange Interactive easy platform	other	personal	Individual investor	The nature of the company's shares	Shenzhen Exchange Interactive easy platform
2021.09.14	The office	Telephone communication	personal	Individual investor	Production and operation of the company	There is no

## Chapter IV Corporate Governance

### I. Basic situation of corporate governance

Company in accordance with the "company law", "securities law" and other related regulations established by the general meeting of shareholders, board of directors, board of supervisors, and senior management personnel of the company governance structure, formed the authority and decision-making body, watchdog and senior management responsibilities clear, standardized operation mechanism of mutual coordination and mutual checks and balances. It has established internal systems related to the operation of the "three associations", independent directors, information disclosure, investor protection, related party transactions, and internal control. Through the formulation of the Articles of Association and the implementation of various internal systems, the company has clarified the responsibilities, powers, procedures and obligations of institutions at all levels in decision-making, implementation and supervision.

Whether the actual situation of corporate governance is materially different from laws, administrative regulations and regulations on listed company governance issued by CSRC

yes  no

The actual situation of corporate governance is not significantly different from laws, administrative regulations and regulations on listed company governance issued by the CSRC.

### II. The company's independence from the controlling shareholders and actual controllers in ensuring the company's assets, personnel, finance, institutions and business

In terms of business, personnel, assets, institutions and finance, the Company and the controlling shareholder are independently accounting, undertaking responsibilities and risks independently. There is no situation in which the company and the controlling shareholder cannot guarantee their independence and independent operation ability in terms of business, personnel, assets, institutions and finance.

### III. The situation of industry competition

Applicable  Inapplicable

### IV. Information about the annual and extraordinary general meetings of shareholders held during the reporting period

1. General meeting of shareholders during the reporting period

The meeting time	The meeting type	Investor participation ratio	At the date	Date of disclosure	The meeting resolution
2020 Annual General meeting	Annual general meeting	80.31%	2021.05.19	2021.05.20	2020 Annual General Meeting resolution

2. The reinstated preferred shareholders request an extraordinary general meeting of shareholders

Applicable  Inapplicable

### V. The situation of directors, supervisors and senior managers

1. Basic information

Name	position	Status of employment	Gender	Age	Starting Date of Tenure	Expiry Date of Tenure	Initial number of shares (shares)	Number of shares increased in current period (shares)	Number of shares to be sold at current period (shares)	Other changes (share)	Ending shares (shares)
Liu Jun	Chairman of the board of directors	Incumbent	male	52	2019/9/6		0	0	0		0
Sun Nanjuan	director,General accountant,secretory of board	Incumbent	female	54	2013/6/26		0	0	0		0
Wang Jiyuyan	director,G.M.	Incumbent	male	56	2021/5/19		0	0	0		0
Zhang Xinghai	director	Incumbent	male	54	2015/9/16		0	0	0		0
Chen Jiajun	director	Incumbent	male	55	2013/6/26		0	0	0		0
Tan Jianguang	director	Incumbent	male	58	2019/9/6		0	0	0		0
Tang Yurong	director	Incumbent	male	60	2015/9/16		0	0	0		0
Fang Bo	director	Incumbent	female	50	2013/6/26		1,500	0	0		1,500
Liu Yuping	Independent Director	Incumbent	male	66	2016/5/18		0	0	0		0
Sun Kun	Independent Director	Incumbent	female	64	2018/5/18		0	0	0		0
Wang Yan	Independent Director	Incumbent	female	59	2021/5/19						0
Liang	Independent Director	Incumbent	female	57	2017/5/18		0	0	0		0

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Shuang											
Sun Shicheng	President of Supervisory Committee	Incumbent	male	58	2015/9/16		0	0	0		0
Li Xiumin	Supervisory	Incumbent	female	60	2013/6/26		0	0	0		0
Wang Fuxing	Supervisory	Incumbent	male	50	2016/5/18		0	0	0		
Zhang Fuxiang	Supervisory	Incumbent	male	57	2020/2/28						0
Zhang Yihui	Supervisory	Incumbent	male	50	2021/1/8		0	0	0		0
Li huawei	Vice-G.M	Incumbent	male	48	2019/12/18		0	0	0		0
Gao Ping	Supervisory	Resignation	male	58	2019/8/15	2021/1/7	0	0	0		0
Wen Bo	Independent Director	Resignation	male	59	2015/6/18	2021/5/18	0	0	0		0
Zhao Yang	director,G.M.	Resignation	male	57	2017/3/16	2021/1/8	0	0	0		
Total	--	--	--	--	--	--	1,500	0	0		1,500

During the reporting period, whether any directors or supervisors leave office or senior managers are dismissed

yes  no

Changes of directors, supervisors and senior managers of the company

Applicable  Inapplicable

Names	Office Taken	Type	Date	Cause
Wen Bo	Independent Director	Leave office at the end of term	2021/5/18	He has served as an independent director of the Company for six consecutive years
Zhao Yang	Director,G.M	resignation	2021/1/8	changes

## 2. Position

The professional background, main work experience and main responsibilities of the current directors, supervisors and senior managers of the company

### 1. Resumes of non-independent directors

**Mr. Liu Jun**, born in January 1970, graduated from university with a master's degree. He started to work in August 1992 and joined the COMMUNIST Party of China in December 2000. Deputy General Manager of Crane Group Co.,Ltd., Vice President of Dalian Huarui Heavy Industry Group Co.,Ltd., Chairman and Party Secretary of Dalian Rubber & Plastic Machinery Co.,Ltd., currently secretary of the Party Committee and Chairman of Wafangdian Bearing Group Co.,Ltd.

**Mr. Zhang Xinghai**, born in October 1968, graduated from university. He is a senior accountant at the research level. He started to work in July 1991. He has served as deputy chief Accountant and secretary of the Board of Directors of Wafangdian Bearing Co., LTD., director, chief accountant and secretary of the board of directors of Wafangdian Bearing Co., LTD., and is now deputy Secretary of the Party Committee and general manager of Wafangdian Bearing Group Co., LTD.

**Mr. Chen Jiajun**, born in December 1967, graduated from college, is an economist and statistician. He started to work in August 1990. He used to be the chief, assistant minister, Deputy Minister and minister of economic Operation Department of Wafangdian Bearing Group Co., LTD., assistant general Manager of Wafangdian Bearing Group Co., LTD., and the Head of Economic Operation Department. Deputy General Manager of Wafangdian Bearing Group Co., LTD.

**Mr. Wang Jiyuan** was born in December 1966. Graduated from Liaoning University, majored in industrial economics, university degree. Successively served as vice minister of operation and management Department, Minister of Planning and Finance Department, deputy general manager, assistant general manager of Tile Shaft Group. He is now the director and general manager of the company.

**Ms. Sun Najuan**, born in October 1968, graduated from university with a master's degree. She is a senior accountant at the research level. She started to work in August 1990. Former wafangdian bearing group limited liability company finance department accounting, auditing section chief, Wazhou company supplies company general manager assistant, Wazhou company sales corporation assistant general manager, deputy chief accountant of Wafangdian bearing group co., LTD., the current Wazhou company chief accountant, director, board secretary.

**Mr. Tan Jianguang**, born in December 1964, assistant engineer, began to work in August 1986. Worked as workshop director, salesman, director, Deputy general manager and General manager of the Marketing Department of the Retaining Frame Branch of Tile Shaft Joint-stock Company, assistant general manager of tile Shaft Joint-stock Company and general manager of railway Business Division and Railway Bearing Sales Company; Director and deputy general manager of Tile Shaft Co., LTD.

**Mr. Tang Yurong**, born in 1962, college education, electrical engineer. He joined SKF in 1989 as distribution Network Development Manager and served as managing Director of SKF China Co., Ltd. from 1996 to 2004. From 2004 to 2007 He was the global marketing director of SKF's Industrial division. From 2007 to 2008 He served as president of SKF's China Automotive Division. He has been the global president of a bearing brand of SKF group since 2008. He has served as senior Vice President of SKF Group and President of SKF Special Business Division since January 2015. In addition to serving as senior Vice President of SKF Group and President of SKF Special Business Division, he has served as President of SKF China and President of SKF Industrial Market China since May 2015. President of SKF Industrial Markets Asia in February 2016.

**Ms. Fang Bo**, born in June 1972, has a bachelor's degree. He joined PWC as an auditor in 1994. In 1997, he joined SKF (China) Co., LTD., and worked as the financial manager of the subsidiary of the investment company and the financial director of the investment

company. Now, he is the chief Financial Officer of SKF (China) Co., LTD., and the regional fund manager of SKF China. Since January 2020, he has been the head of SKF Northeast Asia Financial Operations Center.

## 2. Resumes of independent directors

**Ms. Sun Kun**, born in 1958, is a Chinese national. She holds a PhD degree and is a professor of accounting. Since 1982, he has been working in Dongbei University of Finance and Economics as teaching assistant, lecturer, associate professor and professor of accounting School of Dongbei University of Finance and Economics. He has served as deputy of the 9th Liaoning Provincial People's Congress, deputy secretary general of Liaoning Provincial Internal Audit Association, director of Liaoning Provincial Audit Association, moderator of Administrative Penalty Hearing Committee of Certified Public Accountants industry of Liaoning Provincial Finance Department, director of China Internal Audit Association and member of academic Committee. From May 2002 to March 2008 He served as an independent director of Dalian Dayang Trands Co., LTD.

**Mr liu Yuping** , born in August 1956, professor, after graduation to date in northeast university of finance and economics school of law, the northeast university of finance and economics, director of the school of law education in part-time arbitrators of the arbitration commission in dalian, liaoning is law firm lawyers, northeast university of finance and economic and technological development corporation legal adviser, constitution and administrative law, liaoning province, vice President, Have rich legal knowledge.

**Ms. Liang Shuang** , born in 1965, Chinese nationality, doctor of Accounting, professor. Since 1990, HE has been working in Dongbei University of Finance and Economics, successively serving as teaching assistant of Material And Economic Management Department, lecturer, associate professor and professor of Accounting School of Dongbei University of Finance and Economics, and concurrently serving as head of finance Department of Training Center of Accounting School of Dongbei University of Finance and Economics. He was a member of the 10th CPPCC of Dalian from 2003 to 2007, a member of the 11th CPPCC of Dalian from 2008 to 2012, and a member of the 12th CPPCC/Proposals Committee of Dalian from 2013 to 2017. Independent director of the sixth Board of Directors of Dalian Shengya (resigned).

**Ms. Wang Yan**, born in 1963, is a professor and master supervisor of the Law School of Dongbei University of Finance and Economics. In 1981, he graduated from China University of Political Science and Law with a bachelor's degree in Law. In 1988, he graduated from China University of Political Science and Law with a Master's degree in Economic Law. Since 1988, professor of Law School of Dongbei University of Finance and Economics. Ms. Wang Yan served as an independent director of Dalian International Cooperation Group Co., Ltd. (resigned), CGN Nuclear Technology Development Co., Ltd. (resigned), Dalian Liancheng CNC Machine Co., Ltd. (served), and Iceberg Cold and Thermal Technology Co., Ltd. (resigned). Part-time jobs: Director of China Economic Law Society, president of Economic Law Society of Liaoning Province Law Society, academic member of Liaoning Province Law Society; Standing director of the first council of Dalian People's Mediation Association, member of expert Advisory Committee of Dalian Intermediate People's Court, legal adviser of Dalian Consumers Association, Pulandian Municipal Government, Dalian Municipal Government Office of Governing city by Law; Member and arbitrator of expert Advisory Committee of Dalian Arbitration Commission, arbitrator of Anshan, Benxi and Yingkou Arbitration Commission, part-time lawyer; He successively served as the director of economic Law Teaching Department and vice Dean of Law School of Dongbei University of Finance and Economics.

## 3.the supervisors

**Mr. Sun Shicheng**, born in December 1964, bachelor's degree, began to work in August 1987, senior political engineer. He used to be the chief of the Organization Department, the Organizer of the Party Committee, the secretary of the Party Branch of northwest Sales Company, the Secretary and deputy general manager of North China Sales Company, the head of the Organization Department concurrently the Secretary of the Party Committee and chairman of the labor Union of Wazhou Group company, and the deputy secretary of the Party Committee and chairman of the labor Union of Wazhou Group Company.

**Ms. Li Xiumin**, born in May 1962, graduated from junior college and is a senior accountant. She began to work in November 1980. He used to be accountant, financial inspector, chief of financial Section, Assistant minister and Deputy minister of financial

Inspection Department of Wafangdian Bearing Group Co., LTD. Now he is the supervisor of Wafangdian Bearing Group Co., LTD.

**Mr. Wang Fuxing**, born in June 1972, graduated from university, is a senior accountant. He started to work in August 1993. , a former wazhou group bearing equipment manufacturing co., LTD. Comprehensive management department, financial department secretary wazhou group precision turntable bearing co., LTD., deputy secretary of the trade union chairman of the financial manager, minister of human resources, wazhou group co., LTD., director of the office of part-time secretary, wazhou group company financial management department, secretary of the secretary, Director of strategic Purchasing Department of wazhou Group company concurrently held the post of secretary. At present, he is the minister of propaganda Department of The Party Committee of wazhou Group and concurrently the minister and secretary of culture Department of the enterprise.

**Mr. Zhang Fuxiang** was born in August 1965. Deputy Senior Engineer. He joined the company in August 1988 and served as deputy factory director and general manager of Precision Cage Branch of Wafangdian Bearing Co., LTD., and deputy chief engineer of Engineering Center of Wafangdian Group. Now he is the head of quality assurance Department of the company.

**Mr. Zhang Yihui**, born in August 1972, started to work in August 1991, graduated from Liaoning University in June 2000, majoring in business management. He used to be the deputy general manager of bearing parts Branch of the company and general manager of Wafangdian Branch of high-end automobile bearing Company of wazhou Group. Now he is the general manager of medium and large bearing branch of the company.

#### Executives

**Mr. Li Huawei** was born in June 1974. University degree, master degree, senior engineer. He started to work in August 1996 and successively served as deputy director, executive deputy director and director of engineering Research Center of Tile Shaft Group and deputy chief engineer of the group. Now he is the deputy general manager of the company.

#### Holding positions in shareholder units

☞ Applicable ● Inapplicable

Holding positions in shareholder units

☞ Applicable ● Inapplicable

Name of Employee	Name of shareholder	A position held by a shareholder	Term start Date	Term end Date	Whether to receive remuneration allowance in the shareholder unit
Tang Yurong	AKTIEBOLAGET SKF	Senior Vice President			Yes
Fang Bo	SKF (China) LTD	The finance director			Yes
Liu jun	Wafangdian Bearing Group Co. LTD	Secretary of the Party Committee and Chairman of the Board			Yes
Sun Najuan	Wafangdian Bearing Group Co. LTD	director			No
Zhang Xinghai	Wafangdian Bearing Group Co. LTD	Deputy Secretary of the Party Committee and General Manager			Yes
Chen Jiajun	Wafangdian Bearing Group Co. LTD	Deputy general manager			Yes
Sun Shicheng	Wafangdian Bearing Group Co. LTD	Deputy Secretary of the Party Committee, chairman of the trade union, director			Yes

Li Xiumin	Wafangdian Bearing Group Co. LTD	The supervisors			Yes
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Position in other units

☞ Applicable ● Inapplicable

Name of Employee	Name of other units	A position held in another unit	Term start Date	Term end Date	Whether you receive remuneration allowance in other units
Liu jun	Dalian Guangyang wazhou automobile Bearing Co., LTD	Chairman of the board of directors			No
Liu jun	Dalian Diyejikai Wazhou Industry Co., LTD	Chairman of the board of directors			No
Liu jun	China Bearing Industry Association	Vice director of			No
Zhang Xinghai	Wafangdian Bearing Hospital	director			No
Zhang Xinghai	Wazhou Group (Europe) bearing Co., LTD	Managing director,			No
Chen Jiajun	Dalian Zhongcheng Asset Management Co. LTD	director			No
Chen Jiajun	Dalian Guangyang wazhou automobile Bearing Co., LTD	director			No
Chen Jiajun	Dalian Diyejikai Wazhou Industry Co., LTD	director			No
Wang Jiyuan	Dalian Wazhou Fengyuan Machinery Co. LTD	Chairman of the board of directors			No
Sun Najuan	Shanghai Aaimuyi Electromechanical Equipment chain Co., LTD	director			No
Tang Yurong	Beijing Nankou SKF Railway Bearing Co., LTD	director			No
Tang Yurong	SKF (China) LTD	director			Yes
Fang Bo	SKF (China) LTD	Financial officer			Yes
Liu Yuping	Department of Law, Dongbei University of Finance and Economics	The director of the			Yes
Liu Yuping	Dalian Thermoelectric Co. LTD	The independent director			Yes
Liang shuang	Dongbei University of Finance and Economics	professor			Yes

Sun Kun	Dongbei University of Finance and Economics	professor			Yes
Wang Yan	Dongbei University of Finance and Economics	professor			Yes
Wang Yan	Dalian Liancheng CNC Machine Co. LTD	The independent director			Yes
Wen bo	Liaoning Huaicheng Law Firm	The director of the			Yes
Sun Shicheng	Dalian Zhongcheng Asset Management Co. LTD	director			No
Sun Shicheng	Wafangdian Bearing Hospital	Chairman of the board of directors			No
Li Xiumin	Wafangdian Bearing Hospital	The supervisors			No
Li Xiumin	Dalian Zhongcheng Asset Management Co. LTD	Chairman of supervisory Board			No
Li Xiumin	Wafangdian Bearing Hospital	The supervisors			No
Wang Fuxing	Wafangdian Tongda Bearing Manufacturing Co. LTD	director			No
Wang Fuxing	Liaoning North Metal Supply Chain Co. LTD	The supervisors			No

Punishment of current and outgoing directors, supervisors and senior managers by securities regulatory authorities in the past three years during the reporting period

● Applicable ☐ Inapplicable

### 3. Remuneration of directors, supervisors and senior managers

Decision-making procedures, basis for determination and actual payment of remuneration for directors, supervisors and senior managers

The remuneration of independent directors of the company shall be calculated and paid according to the standards determined by the board of directors and the general meeting of shareholders. Other directors and supervisors shall not pay remuneration for their positions as directors and supervisors. The salary of senior executives shall be determined according to the salary level of the heads of dalian state-owned enterprises and the completion of the business objectives determined by the board of directors at the beginning of the year, strictly following the company's salary assessment system.

Remuneration of directors, supervisors and senior managers during the reporting period

Unit:10000yuan

The name	Position	Gender	Age	As state	Total pre-tax compensation received from the company	Whether to obtain remuneration from related parties of the company
Liu jun	Chairman of the board of	male	52	The current		

	directors					
Sun Najuan	Director, secretary of the board	female	54	The current	75.33	
Zhang Xinghai	director	male	54	The current		
Chen Jiajun	director	male	55	The current		
Wang Jiyuan	Director and General Manager	male	56	The current	88.39	
Tan Jianguang	director	male	58	The current	91.04	
Sun Shicheng	Chairman of supervisory Board	male	58	The current		
Li Xiumin	The supervisors	female	60	The current		
Wang Fuxing	The supervisors	male	50	The current		
Zhang Fuxiang	The supervisors	male	57	The current	32.36	
Zhang Yihui	The supervisors	male	50	The current	48.6	
Li Huawei	Deputy general manager	male	48	The current	41.83	
Total	--	--	--	--	377.54	--

## VI. Performance of directors' duties during the reporting period

### 1. The situation of the Board of Directors during this reporting period

The meeting time	At the date	Date of disclosure	The meeting resolution
Seven boards of directors in eight years	2021/1/13	2021/1/14	Seven board resolutions in eight sessions
Eight boards of directors	2021/3/9	2021/3/10	Eight board resolutions in eight sessions
Nine board meetings in eight years	2021/4/23	2021/4/27	Nine board resolutions in eight sessions
Eight and ten boards of directors	2021/8/20	2021/8/24	Ten board resolutions in eight sessions
Eight and eleven board meetings	2021/10/22	2021/10/26	The eleventh session of the eighth board of Directors

### 2. The attendance of directors at the board of Directors and shareholders' meetings

Attendance of directors at the board of directors and general meetings of shareholders							
Director's name	The number of board meetings to	Number of board meetings	Number of board meetings	Number of times entrusted to	Board of Directors absence	Whether two consecutive board	Attendance of shareholders'

	be attended during the reporting period	attended on site	attended by communication	attend board meetings		meetings were not attended in person	meetings
Liu jun	5	5	0	0	0	No	1
Sun Najuan	5	5	0	0	0	No	1
Wang Jiyuan	3	3	0	0	0	No	0
Zhang Xinghai	5	5	0	0	0	No	1
Chen Jiajun	5	5	0	0	0	No	1
Tan Jianguang	5	5	0	0	0	No	0
Tang Yurong	5	0	5	0	0	No	0
Fang Bo	5	0	5	0	0	No	0
Liu Yuping	5	0	5	0	0	No	1
Sun Kun	5	0	5	0	0	No	0
Wang Yan	2	0	2	0	0	No	0
Liang Shuang	5	0	5	0	0	No	0
Wen bo	3	0	3	0	0	No	1

Two consecutive statements of failure to attend board meetings in person

### 3. Objections raised by directors to matters related to the company

Whether directors raise objections to matters related to the company

yes  no

During the reporting period, the directors raised no objection to the company's related matters.

### 4. Other explanations of directors' performance of duties

Whether the directors' suggestions about the company have been adopted

yes  no

A director's statement to the Company that a proposal has been or has not been adopted

Company director according to the company law, the company's articles of association and the provisions of the relevant laws and regulations and requirements, earnestly implement the laws, regulations, the duties given by the company's articles of association and the independent director system, actively attended a meeting of the board and general meeting of shareholders, company check and guide the company production and operation, independent advice about important matters, I put forward a lot of valuable professional suggestions on the improvement of the company's internal control system and daily operation decisions. I was diligent, loyal and responsible in performing my duties. I gave full play to the role of independent directors and effectively safeguarded the interests of listed companies and shareholders.

The company attaches great importance to the opinions of the directors, and the management actively studies and implements them. The opinions of the directors play a positive role in improving the company's management and preventing risks.

## VII. The situation of the special committees under the Board of Directors during the reporting period

Name of committee	Members of the situation	Number of Meetings	At the date	The meeting content	Important comments and suggestions	Other performance of duties	Details of objection (if any)
Audit committee	Sun Kun, Liang Shuang, Sun Najuan	5	2021.03.22	1. Key issues concerning the audit work in 2020; 2. Analysis of losses in 2020; 3. Major problems found in the audit.			
			2021.04.12	1. Summary of internal audit and financial report audit in 2020; 2. The proposal on the renewal of the appointment of the accounting firm in 2021; 3. Report of the Board of Auditors on its performance in 2020; 4. Summary report of the Audit Committee on the audit work of the accounting firm in 2020; 5. Annual Financial And Final Accounts report 2020 (audited), Financial and Final Accounts Report 2021 (unaudited)			
			2021.08.16	1.2021 semi-annual financial and final accounts Report (unaudited); 2.2021 Semi-annual internal audit work Report; 3. Proposals on asset purchase and related party transactions; 4. Proposals on asset leasing and related party transactions.			
			2021.10.18	1. Financial final accounts for the third quarter of 2021 (unaudited); 2. Work summary of the third quarter of 2021			
			2021.11.05	Communication matters in the early stage of 2021 annual audit			
Nominating committee	Wen Bo, Liu Jun, Liu Yuping	2	2021.01.12	Recommend Wang Jiyuan as general manager and director candidate			
			2021.04.12	Ms. Wang Yan was nominated as an independent director candidate of Wafangdian Bearing Co., LTD			

## VIII. Work of the Board of Supervisors

The board of Supervisors shall find out whether the company has risks in its supervision activities during the reporting period

yes  no

The board of Supervisors has no objection to the matters supervised during the reporting period.

## IX. Employee status

### 1. Number of employees, professional composition and education level

Number of working employees of parent company at the end of reporting period (persons)	2,471
Number of employees in major subsidiaries at the end of reporting period (persons)	706
Total number of in-service employees at the end of reporting Period (persons)	3,177
Total number of salaried employees (persons)	3,177
Number of retired employees (persons) to be borne by the parent company and its major subsidiaries	111
Professional composition	
Specialty composition category	Number of Majors (Persons)
Production personnel	2,124
The sales staff	234
Technical personnel	139
Financial personnel	79
Administrative personnel	381
Not on-the-job	107
delegate	113
A combined	3,177
The degree of education	
Education Category	Quantity (person)
A graduate student	33
University degree	502
college	688
Technical secondary school and below	1,954
A combined	3,177

### 2. Salary policy

In accordance with the relevant national laws and regulations and a series of relevant policies of the government labor department, the company has formulated the company's salary assessment system based on the actual situation of the company. Adhering to the principle of "fairness, efficiency, work quality, performance first", we constantly improve the compensation system, enhance the incentive mechanism of employees, and fully mobilize the enthusiasm of employees.

### 3. Training plan

The company accelerates talent training, strengthens training and implements "talent Promotion Project". In 2021, the company has

formulated "talent promotion Project" with "four talent promotion projects" as the core, namely: talent independent promotion project, talent structure optimization project, talent team reserve project and talent knowledge update project. In the whole year, 45 training items were completed, with a completion rate of 107.1%, totaling 662 class hours and more than 5,200 person-times.

#### 4. Labor outsourcing

Applicable  Inapplicable

### X. The company's profit distribution and the conversion of capital reserve fund into capital stock

Formulation, implementation or adjustment of profit distribution policies, especially cash dividend policies during the reporting period

Applicable  Inapplicable

1. When formulating the profit distribution plan, the company pays full attention to the reasonable return of investors and takes into account the long-term interests of the company, the overall interests of all shareholders and the sustainable development of the company.

2. Adhere to the continuity and stability of profit distribution. On the premise that the company is profitable and the cash can meet the company's sustainable operation and long-term development, the accumulated profit distributed by cash in the recent three years shall not be less than 30% of the average annual distributable profit realized in the recent three years.

Special explanation of cash dividend policy	
Whether it conforms to the provisions of the articles of association or the requirements of the resolution of the general meeting of shareholders:	YES
Are dividend standards and ratios clear and clear:	YES
The adequacy of relevant decision-making procedures and mechanisms:	YES
Whether the independent directors have performed their duties and played their due roles:	YES
Whether minority shareholders have sufficient opportunities to express their opinions and appeals, and whether their legitimate rights and interests are fully protected:	YES
If the cash dividend policy is adjusted or changed, the conditions and procedures are compliant and transparent:	YES

The company's profit during the reporting period and the parent company's profit available for distribution to shareholders are positive, but no cash dividend distribution plan has been put forward

Applicable  Inapplicable

Profit distribution and conversion of capital reserve fund into capital stock during the reporting period

Applicable  Inapplicable

The company plans not to distribute cash dividend, bonus shares or increase capital stock by provident fund.

### XI. The implementation of the company's equity incentive plan, employee stock ownership plan or other employee incentive measures

Applicable  Inapplicable

The company has no equity incentive plan, employee stock ownership plan or other employee incentive measures and their implementation during the reporting period.

### XII. Internal control system construction and implementation during the reporting period

**1. Internal control construction and implementation**

In 2021, the company according to the requirements of the company's articles of association and other system adjustment and the actual business needs, 45 a new internal control system, the revision of internal control system of 22, further clarify the responsibility and authority of the institutions, avoid cross function, missing or the over-concentration of power and responsibility form cooperatively, individual and mutual restriction and mutual coordination working mechanism.

The company will compile all internal control systems into books, issue and publicize the new Manual of Internal control System to provide guidance and basis for the establishment, operation, supervision, evaluation and maintenance of the internal control system, and ensure the unity of consciousness and behavior of the internal control system of joint-stock companies.

**2. Details of major internal control defects found during the reporting period**

● Applicable ☉ Inapplicable

**XIII. Management and control of subsidiaries during the reporting period**

The name of the company	Consolidation plan	Integration of the progress	Problems encountered in integration	Solution measures taken	To solve the progress	Follow-up Solution Plan
None	None	None	None	None	None	None

**XIV. Internal control self-evaluation report or internal control audit report****1. Internal control self-evaluation report**

Disclosure date of full internal control evaluation report	2022.04.26	
Index of full-text disclosure of internal control evaluation reports	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>	
The proportion of total assets of units included in the evaluation scope to total assets of the company in consolidated financial statements	100.00%	
The proportion of the operating income of units included in the evaluation scope to the operating income of the company's consolidated financial statements	100.00%	
Defect identification standard		
category	Financial report	Non-financial report
The qualitative standard	The following situations shall be identified as major defects of internal control of financial reporting, and other situations shall be identified as major defects or general defects according to the degree of impact. (1) Senior management fraud, including financial reporting fraud; Improper use of assets; False revenues, expenses and liabilities; Improper acquisition of assets; Tax evasion and	The following situations are identified as non-major defects of internal control of financial reporting, and other situations are identified as major defects or general defects according to the degree of impact. (1) The enterprise lacks democratic decision-making procedure; (2) unscientific decision-making procedures; (3) Violation of national laws and

	<p>high-level fraud;</p> <p>(2) Restatement of the issued financial report for material misstatement to reflect the correction of the wrong statement, and was punished by the regulatory authorities for this matter;</p> <p>(3) Certified public accountants find that there is a material misstatement in the financial report of the current period, while internal control fails to find the misstatement in the operation process;</p> <p>(4) The audit committee of the Company's internal control supervision of the company's financial reports is invalid, including the audit committee is unable to effectively supervise the internal control of the company's financial reports or is not qualified and capable of monitoring the accuracy of financial reports;</p> <p>(5) The defect that the total amount of related transactions exceeds the amount of related transactions approved by the general meeting of shareholders due to the failure of internal decision-making procedures in accordance with relevant provisions.</p>	<p>regulations, such as environmental pollution;</p> <p>(4) Frequent occurrence of negative media news;</p> <p>(5) The results of internal control evaluation, especially major or important defects, have not been corrected;</p> <p>(6) Lack of institutional control or systematic failure of important business.</p>
Quantitative standard	<p>Major defect: direct property loss of more than 10 million yuan;</p> <p>Major defects: direct property loss of 5 million yuan (inclusive)-10 million yuan;</p> <p>General defects: less than 5 million yuan.</p>	<p>Major defects: direct property losses of more than 500,000 yuan;</p> <p>Major defect: direct property loss less than or equal to 500,000 yuan;</p> <p>Defects other than major defects and major defects shall be identified as general defects.</p>
Number of material defects in financial reports (pieces)		0
Number of non-financial report material defects (PCS)		0
Number of significant defects in financial reports (pieces)		0
Number of non-financial report significant defects (PCS)		0

## 2. Internal control audit report

☐ Applicable ● Inapplicable

Review section of internal control audit report	
In our opinion, Waxshaft Corporation maintained effective internal control over financial reporting in all material respects as of December 31, 2021 in accordance with the Basic Practice for Internal Control of Enterprises and relevant provisions.	
Disclosure of internal control audit report	Disclosure of the

Disclosure date of full internal control audit report	April 26, 2022
Index of full-text disclosure of internal control audit reports	<a href="http://www.zwz-200706.com">http://www.zwz-200706.com</a>
Opinion type of internal control audit report	Standard without reservation
Whether there are material deficiencies in the non-financial reports	no

Whether the accounting firm issues the internal control audit report of non-standard opinion

yes  no

Whether the internal control audit report issued by accounting firm is consistent with the self-evaluation report of the board of directors

yes  no

## **XV. Self-inspection and rectification of problems in the special action of governance of listed companies**

For the problems identified by the company, the company will implement and rectify one by one, and actively rectify the issues that do not meet the governance requirements of listed companies to avoid future occurrence. For example, the replacement of the seventh board of directors is postponed. The ninth board of Directors of the company is scheduled to be held in 2022. Since self-investigation, measures have been taken to rectify the situation where some independent directors are not authorized to attend meetings in person. By planning the date of regular board meetings in advance, the interim board of directors provides various channels for independent directors to attend meetings in person by means of on-site communication and other means. The problem that independent directors cannot work on site due to the epidemic situation will be rectified if the epidemic situation permits. For controlling shareholders and the listed company common system, common problems such as trademark, because the company is the first major shareholder, as the state-owned holding company, part of the production workshop and big shareholder in a park, there are some can't solve problems left over by history, the company strictly in accordance with the charge fee, pay the strict management rules in the fair principle, maintenance company interests, avoid the indemnification, And do a good job of information disclosure.

## Chapter V Environmental and social responsibility

### I. Major environmental issues

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

yes  no

Administrative punishment for environmental problems during the reporting period

Name of company or subsidiary	Penalty reason	non-compliance	The penalty	The impact on the production and operation of listed companies	Corrective measures of the company
None	None	None	None	None	None

Refer to other environmental information disclosed by key pollutant discharging units

The company conscientiously implemented the ISO14001 environmental management system standards, through the environmental system internal audit, supervision and audit and external audit, so that the environmental management system effectively run. Conscientiously carry out the implementation of environmental protection rules and regulations, actively cooperate with superior departments to carry out environmental protection supervision and management, strengthen the production site environmental protection self-inspection and self-inspection, strengthen sewage discharge online monitoring, sewage discharge sampling comparison test and effectiveness audit, effectively control the discharge of pollutants. Strengthening waste recycling and utilization, standardized disposal of hazardous waste, promoting the construction of enterprise resource recycling. According to the environmental emergency plan prepared by the company, the fire emergency drill on the fire site was organized, and the operability of the emergency plan was tested to ensure that the emergency team could work quickly, orderly and efficiently in accordance with the emergency plan procedures.

Measures and effects taken to reduce carbon emissions during the reporting period

Applicable  Inapplicable

Carbon peak and carbon neutrality is a major strategic decision made by the CPC Central Committee based on the overall situation at home and abroad, and based on its responsibility to promote the building of a community with a shared future for mankind and the inherent requirements for sustainable development. Tile shaft stock company, also shoulder the "double carbon" task.

#### 1. Strengthening energy infrastructure management

- Improve the energy management system. • Deepen management and control + service management mode.

Second, vigorously implement energy conservation measures

- Green lighting Project (new equipment)

Company in accordance with the catalog of national key energy saving low carbon technology popularization request to industrial and mining lamp of the existing 7500 plant, the new type LED energy-saving industrial and mining lamp replacement, so far 2115 finished lights LED energy-saving lamps and lanterns, replacement, plan to complete all 2030 years ago a new type of energy-saving LED light industrial and mining lamp replacement, To reduce carbon emissions.

- Recycling of waste oil and liquid (new technology)

Cooperate with enterprises with environmental protection qualification, reuse waste oil and waste liquid with new technology, reduce carbon emission and reduce oil purchase and waste oil and liquid environmental treatment cost.

The new technology uses molecular specific gravity separation, neutral polymer material adsorption and other means to recycle and

purify waste oil and liquid, realizing oil recycling and reducing carbon emissions by 998 tons per year.

Optimization and deployment of power transformation and distribution facilities

Transformer scientific deployment. To achieve the purpose of reducing transformer capacity, improving transformer efficiency and reducing carbon emissions, reduce carbon emissions by 200 tons.

Fourth, adjust the energy structure and improve the utilization rate of clean energy

In 2021, according to the requirements of the electricity market trading countries issued by relevant, choose to have qualification, have certain ability to resist risk of the cooperation unit, the "thermal power + clean energy + cross-regional" new organization involved in electricity market mode power trading, trading 10 million KWH wind power, a breakthrough in the company to clean energy "0", At the same time to ensure the company's electricity safety and stability.

### **Reasons for failure to disclose other environmental information**

None

## **II. Social responsibility**

In 2021, the company earnestly fulfills due social responsibilities. While pursuing economic benefits of the company, it actively undertakes the responsibilities for the overall development of the country and society, natural environment and resources, as well as stakeholders such as shareholders, employees, customers, consumers, suppliers and communities, and realizes the social value of the company. It better realizes the win-win cooperation between the state, society and stakeholders, strengthens environmental protection, improves resource efficiency, influences and drives the development of local economy through project construction and effectively promotes the coordinated development between the company and society, nature and other stakeholders.

In strict accordance with relevant national and local laws and regulations and document requirements, the company has handled endowment insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance, housing accumulation fund and large medical mutual aid insurance for employees. Provide timely assistance to employees in need. We have established and improved the employment system, including the salary system and incentive mechanism, to ensure that employees enjoy their labor rights and fulfill their labor obligations in accordance with the law. Establish and improve the labor safety and health system, strictly implements national labor safety and health regulations and standards, undertake to the worker labor safety and hygiene education, occupational protection and health checks for the worker to provide healthy and safe working environment and living environment, maximum limit to prevent accidents during work and reduce occupational hazards.

In business activities, the company adheres to the principle of voluntariness, fairness, equal compensation, honesty and credit, strictly controls the quality target, and guarantees to provide qualified products. The technical department of the company actively develops new products and new materials. The company guarantees that all products or services provided by the company meet the relevant national quality standards or have been certified by the relevant national quality inspection department, and actively applies for all kinds of third-party certification at home and abroad. The company focuses on customer service and properly handles complaints and suggestions from customers and consumers. Strictly review the third-party qualifications of suppliers and conduct on-site inspections, select qualified suppliers, carefully understand the needs of suppliers, and actively build a good cooperation atmosphere.

## **III. Consolidating and expanding poverty alleviation efforts and rural revitalization**

As a large state-owned enterprise, Wazhou Group, the largest shareholder of the company, accepts the unified leadership of poverty alleviation work from the governments of Liaoning Province, Dalian City and Wafangdian City, and the company accepts the leadership of poverty alleviation work from Waaxuan Group. Considering the characteristics of the enterprise and the actual situation of "state-owned" enterprises, the poverty alleviation work of the company is carried out in accordance with the unified deployment of the provincial Party Committee and the Municipal Committee of the CPC, in cooperation with the major shareholder Wazhou Group, so as to jointly establish a unified social responsibility image of "Wazhou people".

In recent years, it has sent village cadres to the surrounding areas of Dalian, with three grassroots cadres serving as the first secretary to support rural construction and assume social responsibilities. In 2021, it invested 30,000 yuan to visit 60 families in Longhe

Village, including five guarantee families, basic living allowance families, special and difficult families due to illness and difficult Party members. Coordinate with the superior government to strive for 600,000 yuan of poverty alleviation funds for Longhe Village, develop the sea cucumber industrial breeding project, and increase the village collective income 50,000 yuan per year; Cooperated with Dalian Rural Commercial Bank to solve the problem of farmers' loan credit, longhe Village entered the first batch of "whole village credit" demonstration villages; Organizing the two village committees to raise funds of 100,000 yuan to repair "Lashan Road" and "Field operation Road" for 12 kilometers; Organized longhe Village "Beibe Pumpkin", "Starry Sky Orange", "Tuo Shan apple" and other self-owned brands, participated in the 12th Dalian Agricultural Fair, Wafangdian Agricultural Fair and the second China Youth Festival of Goods in Liaoning special live broadcast activities.

Under the leadership of the first secretary of Datian Village, to carry out the renovation of the village appearance, do a good job of publicity and supervision, and according to the stock of garbage points, timely organization to clean up the garbage points. In view of the frequent heavy rainfall, in order to protect the safety of villagers' lives and property, according to the warning from the superior, the hidden dangers of power supply lines should be checked in advance, members of the two committees should be organized on duty to pay close attention to the rain situation, inspect key areas, close dangerous road sections, move people in time, and do a good job in the investigation, filing and reporting of the disaster situation. Coordinate insurance company to plant grain big household disaster-hit situation undertakes spot investigation, utmost reduce loss.

Work in combating COVID - 19 outbreak, residency, first secretary of the organization will two committees set up defense spreading into working groups, to mobilize epidemic prevention, and according to the demand of the parent work by hanging banners, Posting notices, WeChat mass forms such as increasing the epidemic prevention and control publicity, improve the prevention and control measures, through the WeChat working group and written form, standardize management of the personnel register put on record, Effectively control the epidemic and play a better role.

## Chapter VI Important items

### I. Performance of commitments

1. Commitments made by the company's actual controller, shareholders, related parties, acquirer and related parties committed by the Company have been fulfilled during the reporting period or have not been fulfilled by the end of the reporting period

Applicable  Inapplicable

During the reporting period, the company does not have commitments that have been fulfilled by the actual controller, shareholders, related parties, acquirers, the company and other committed parties within the reporting period or have not been fulfilled by the end of the reporting period.

2. If there is a profit forecast for the assets or projects of the company and the reporting period is still in the profit forecast period, the company shall explain why the assets or projects meet the original profit forecast

Applicable  Inapplicable

### II. Non-operational appropriation of funds by controlling shareholders and other related parties to the listed company

Applicable  Inapplicable

During the reporting period, there is no non-operational appropriation of funds by controlling shareholders and other related parties to the listed company.

### III. Violation of external guarantee

Applicable  Inapplicable

The company has no violation of external guarantee during the reporting period.

### IV. Explanation of the Board of Directors on the latest "Non-standard audit Report"

Applicable  Inapplicable

### V. Comments of the board of directors, board of supervisors and independent directors (if any) on the "non-standard audit report" of the accounting firm during this reporting period

#### Ming

Applicable  Inapplicable

### Vi. Explanation of changes in accounting policies and estimates or corrections of major accounting errors as compared with the financial report of the previous year

Applicable  Inapplicable

Changes in accounting policies: On December 13, 2018, the Ministry of Finance issued the revised Accounting Standards for Business Enterprises No. 21 -- Leasing (Accounting and Accounting [2018] No. 35), requiring enterprises that are listed both at home and abroad and enterprises that are listed overseas and adopt INTERNATIONAL Financial Reporting Standards or Accounting standards for Business Enterprises to prepare financial statements. Effective from January 1, 2019; The accounting standards for other enterprises shall come into force as of January 1, 2021. In accordance with the above notice and the provisions and requirements of accounting standards for Business Enterprises, the company will make corresponding changes to the original

accounting policy starting from January 1, 2021.

Accounting estimate change: in accordance with the accounting Standards for Enterprises No. 28 - Accounting policy, Accounting estimate change and Error Correction, in order to more accurately measure the financial instruments in the follow-up receivables, in line with the principle of prudent operation, effectively prevent operational risks, and strive for accurate financial accounting. By comparing with similar listed companies, our company has a low proportion of old age combination of bad debt provision for receivables. In addition, the "aging migration rate" and "expected credit loss rate" are calculated according to the historical data of "overdue days", and the ratio of bad debt provision based on the combination of aging accounts receivable of our company needs to be improved. Therefore, in accordance with the Accounting Standards for Business Enterprises and in combination with the actual situation of the company, the company changes the accounting estimate of receivables. The accounting estimate will be implemented from October 2021. According to the relevant provisions of the accounting standards for enterprises, the change of accounting estimates will adopt the future applicable method for corresponding accounting treatment, without retroactive adjustment of the previous year, and will not affect the financial statements disclosed by the company.

## Vii. Explanation of changes in the scope of consolidated statements as compared with the financial statements of the previous year

Applicable  Inapplicable

There is no change in the scope of consolidated statements during the reporting period.

## Viii. Employment and dismissal of accounting firms

Now employed accounting firm

Name of domestic accounting firm	Shine Wing Certified Public Accountants (Special General Partnership)
Remuneration of domestic accounting firm (ten thousand yuan)	53
The number of consecutive years of audit services provided by domestic accounting firms	17
Name of certified public accountant of domestic accounting firm	Lin li Zhang Shizhuo
The number of consecutive years of audit services provided by certified public accountants of domestic accounting firms	1、3

Whether to hire an accounting firm for the current period

yes  no

Internal control of audit and accounting firms, financial consultants or sponsors

Applicable  Inapplicable

## Ix. Delisting after the disclosure of the annual report

Applicable  Inapplicable

## X. Matters related to bankruptcy reorganization

Applicable  Inapplicable

No bankruptcy reorganization related matters occurred during the reporting period.

## Xi. Major litigation and arbitration matters

Applicable  Inapplicable

Litigation (arbitration) basic	Amount involved	Whether an estimated	Progress of	Litigation (arbitration)	Execution of litigation	Date of disclosure	Disclosure index

information	(Ten thousand yuan)	liability is formed	litigation (arbitration)	adjudication result and influence	(arbitration) judgments		
Summary of other litigation matters that fail to meet the disclosure standards for major litigation	217	none	progressing	Inapplicable	Inapplicable		

## Xii. Punishment and rectification

Applicable  Inapplicable

There is no punishment or rectification during the reporting period.

## Xiii. The good faith of the company and its controlling shareholders and actual controllers

Applicable  Inapplicable

## Xiv. Major related Party Transactions Applicable Inapplicable

### 1. Related party transactions related to daily operations

Applicable  Inapplicable

No related transactions related to daily operations occurred during the reporting period.

### 2. Related transactions arising from asset or equity acquisition or sale

Applicable  Inapplicable

No related transaction of asset or equity acquisition or sale occurred during the reporting period.

### 3. Related party transactions of joint overseas investment

Applicable  Inapplicable

During the reporting period, there was no related transaction of joint overseas investment.

### 4. Transactions of related claims and debts

Applicable  Inapplicable

There is no related creditor's rights and debts in the reporting period.

### 5. Contacts with related financial companies

Applicable  Inapplicable

There is no deposit, loan, credit granting or other financial business between the company and the related financial company and the related party.

### 6. Contacts between the financial company controlled by the company and its related parties

Applicable  Inapplicable

There is no deposit, loan, credit granting or other financial business between the financial company controlled by the company and its related parties.

### 7. Other major related party transactions

Applicable  Inapplicable

For the daily related party transactions, please refer to "Wafangdian Bearing Co., LTD. 's Expected Daily Related Party Transactions in 2022" disclosed by the company on Juchao Information network on April 26, 2022 and "Related Party and Related Party Transactions" (5) "Related Party Transactions" in Section 10, Part 12 of this report.

Relevant enquiries on the disclosure website of interim report of major related transactions

Name of Provisional Notice	Provisional announcement date of disclosure	Temporary notice to disclose the name of the website
Notice on the sale of automobile bearing plant and related transactions	March 11, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Notice on Asset Purchase and Related Party Transactions (Real Estate)	April 27, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Announcement on Asset Purchase and Related Party Transactions (Equipment)	August 24, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

## XV. Major contracts and their performance

### 1. Trusteeship, contracting and leasing

#### (1) Custody

Applicable  Inapplicable

There is no custody during the reporting period.

#### (2) Contracting situation

Applicable  Inapplicable

There is no contracting during the reporting period.

#### (3) Lease situation

Applicable  Inapplicable

Lease Information

All leases of the company are associated leases. For details, please refer to the notes.

Projects that bring profit and loss for the company to reach more than 10% of the total profit of the company during the reporting period

Applicable  Inapplicable

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

### 2. Major Guarantee

Applicable  Inapplicable

There is no material guarantee during the reporting period.

### 3. Cash asset management by entrusting others

#### (1) Entrusted financial management

Applicable  Inapplicable

There is no entrusted financial management during the reporting period.

#### (2) Entrusted loans

Applicable  Inapplicable

There is no entrusted loan during the reporting period.

### 4. Other major contracts

Applicable  Inapplicable

There are no other major contracts during the reporting period.

**XVI.Explanation of other important matters**

● Applicable ☉ Inapplicable

There is no other major event that needs to be explained during the reporting period.

**Xvii. Major events of the company's subsidiaries**

● Applicable ☉ Inapplicable

**Chapter VII Share changes and shareholders****I. Changes in shares****1. Changes in shares**

Unit: stocks

	Prior to this change		This change is more or less (+, -)					After this change	
	number	ratio	Issuing new shares	Send shares	Conversion of provident fund	other	total	number	ratio
I.Unlisted and tradable shares	244,000,000	60.61%						244,000,000	60.61%
1. Shares of sponsors	244,000,000	60.61%						244,000,000	60.61%
Among them: the state holds shares	244,000,000	60.61%						244,000,000	60.61%
Domestic legal persons hold shares									
Overseas legal persons hold shares									
other									
2. Raise corporate shares									
3. Internal work unit									
4. Preferred stock or otherwise									
II.Shares already listed and circulating	158,600,000	39.39%						158,600,000	39.39%
1. Renminbi common stock									
2. Domestically listed foreign capital stocks	158,600,000	39.39%						158,600,000	39.39%

3. Foreign capital stocks listed abroad									
4, other									
III. Total number of shares	402,600,000	100.00%						402,600,000	100.00%

Reasons for changes in shares

Applicable  Inapplicable

Approval of changes in shares

Applicable  Inapplicable

Transfer of shares

Applicable  Inapplicable

The impact of share changes on basic and diluted earnings per share, net asset per share attributable to common shareholders of the company and other financial indicators in the latest year and the latest period

Applicable  Inapplicable

Other contents that the company deems necessary or required by the securities regulatory authority

Applicable  Inapplicable

## 2. Changes in the shares limited for sale

Applicable  Inapplicable

## II. Securities issuance and listing

### 1. Securities issuance (excluding preferred stock) during the reporting period

Applicable  Inapplicable

### 2. Description of the changes in the total number of shares and the structure of shareholders, and the structure of assets and liabilities of the company

Applicable  Inapplicable

### 3. Existing internal job shares

Applicable  Inapplicable

## III. Shareholders and Actual Controlling Shareholder

### 1. Number of Shareholders and Shares

Unit: Share

Total common shareholders in the reporting period	5,695	Total common shareholders at the end of the month before the date of disclosing the annual report	5,896	Total preference shareholders with the voting power recovered at the end of the reporting period (if any)(See Note 8)	0	Total preference shareholders with the voting power not recovered at the end of the month before the day of disclosing the annual report(if any)(See Note 8)	0	
Shares held by the shareholders holding over 5% shares or the top ten shareholders								
Shareholder names	Nature of the shareholders	The number of shares in proportion	Number of holdings at the end of reporting period	Changes in the reporting period	The number of unlisted outstanding shares held	The number of outstanding shares held on the market	Pledge or freeze	
							Shares in state	The number of

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	
China merchants securities Hong Kong limited	State-owned shareholder	1.99%	8,010,391			8,010,391	
Huang Junyue	Domestic shareholder	1.74%	7,025,268			7,025,268	
Hu Xiaofeng	Domestic shareholder	0.47%	1,879,277			1,879,277	
BOCI SECURITIES LIMITED	Foreign shareholder	0.33%	1,310,000			1,310,000	
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign shareholder	0.22%	884,511			884,511	
Meng Qingliang	Domestic shareholder	0.21%	846,748			846,748	
Jin Yunhua	Domestic shareholder	0.19%	750,000			750,000	
MAN,KWAI WING 文贵荣	Domestic shareholder	0.18%	713,101			713,101	
Where a strategic investor or general legal person becomes a top 10 shareholder as a result of the placement of new shares (if any) (see Note 3)	none						
A description of such shareholder association or concerted action	Among the top ten shareholders of the company, there is no correlation relationship or concerted action between the largest shareholder and other shareholders, or between the top ten shareholders of tradable shares, while the correlation relationship and concerted action between other shareholders, between the top ten shareholders of tradable shares, or between the top ten shareholders of tradable shares and other shareholders are unknown.						
Explanation of the aforesaid shareholders' involvement in entrustment /fiduciary voting rights and abandonment of voting rights	none						
Special notes for the repo account among the top 10 shareholders (see Note 10)	none						
Shareholding of top 10 shareholders of unrestricted shares							
Shareholder's Name	Quantity of unrestricted shares held at the end of there porting period			Share type			
				Share type	Quantity		
AKTIEBOLAGET SKF	79,300,000			B-shares	79,300,000		
China merchants securities Hong Kong limited	8,010,391			B-shares	8,010,391		
Huang Junyue	7,025,268			B-shares	7,025,268		
Hu Xiaofeng	1,879,277			B-shares	1,879,277		
BOCI SECURITIES LIMITED	1,310,000			B-shares	1,310,000		
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	884,511			B-shares	884,511		
Meng Qingliang	846,748			B-shares	846,748		

Jin Yunhua	750,000	B-shares	750,000
MAN,KWAI WING 文贵荣	713,101	B-shares	713,101
Jiang Guangsen	639,300	B-shares	639,300
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.		
Description of Top 10 Common Shareholders' Participation in Margin and Short Selling Business (if any) (see Note 4)	none		

Whether the top 10 common shareholders of the company and the top 10 common shareholders of the company with unlimited conditions of sale shall carry out the agreed repurchase transaction during the reporting period

Yes  No

## 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	Main Business
Wafangdian Bearing Group Corporation	Liu Jun	1995.10.22	91210200242386663D	Bearing, bearing spare parts, bearing special tools, tooling, equipment, mechanical equipment, abrasives, abrasives, casting, auto parts, locomotive parts and related industrial products manufacturing and sales; Bearing design, repair, maintenance and technical services; Procurement and sales of bearing raw materials and auxiliary materials; House leasing and equipment leasing.
The shareholding of the controlling shareholder of other listed companies at home and abroad during the reporting period	none			

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

Name of the actual controller	Legal Representative	Establishing Date	Organization Code	Register Capital
Dalian Municipal Government State-owned Assets Supervising and Managing committee	Mei Wei	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	Other domestic and foreign listed companies controlled by the actual controller during the reporting period			

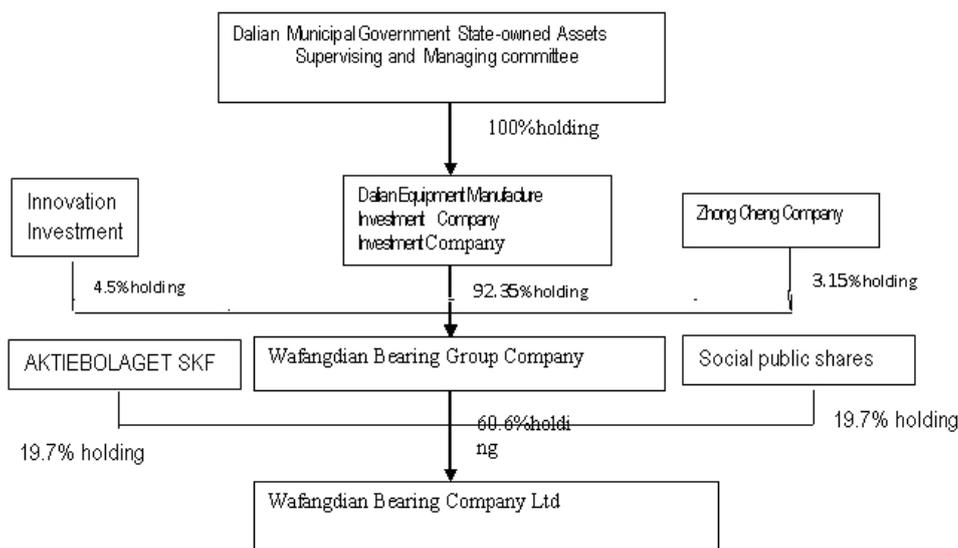
foreign listed companies held by the actual controller by means of control and mutual shareholding in the reporting period	include: Dalian Heavy Industry (002204), Dalian Thermoelectric (600719)
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Actual controller changes during the reporting period

Applicable  Inapplicable

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

A block diagram of the property rights and control relationship between the company and the actual controller



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

Applicable  Inapplicable

**4. The total amount of shares pledged by the controlling shareholder or the largest shareholder and the person acting in concert accounts for 80% of the company's shares held by them**

Applicable  Inapplicable

**5. Other shareholders with more than 10% shares**

Applicable  Inapplicable

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

**6. Shareholding Reduction Restriction on the Controlling Shareholder, the Actual Controller, the Reorganizing Party and other Committing Party**

Applicable  Inapplicable

**Iv. Specific implementation of share repurchase during the reporting period**

The implementation progress of share repurchase

Applicable  Inapplicable

The implementation progress of reducing repurchased shares by means of centralized bidding

Applicable  Inapplicable

## Chapter VIII. About the Preferred Shares

Applicable  Inapplicable

## Chapter IX. Related information of convertible bonds

Applicable  Inapplicable

# Chapter X Financial report

## I. Financial report

Types of Audit opinions	Standard unqualified opinion
Date of audit report signing	22 April 2022
Name of audit institution	Shine Wing Certified Public Accountants (Special General Partnership)
Audit report number	XYZH/2022DLAA20154
Name of CPA	Lin Li Zhang Shizhuo

## Auditor' s Report

### To the shareholders of Wafangdian Bearing Company Limited

#### 1. Opinion

We have audited the financial statements of Wafangdian Bearing Company Limited ( “ Wafangdian Bearing Company ” ), which comprise the consolidated as well as the Company ’ s balance sheet as at 31 December 2021, the consolidated as well as the Company ’ s 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 2021, 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.

#### 2. 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.

#### 3. 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.

<b>1. Inventory impairment</b>	
<b>Key audit matter</b>	<b>How the matter was addressed in the audit</b>
<p>Up to December 31st, 2021, as described in the Note VI, 8 closing balance of inventory is 870.31 million Yuan, provision for inventory impairment is 159.70 million Yuan, provision for impairment increased by 144.23 million Yuan, which is the key factor to the gross profit and significantly affect the financial statements. Therefore, we identify the provision for inventory impairment as the key audit matter.</p>	<p>The main audit procedures carried out for addressing the key audit matters are as follows:</p> <ol style="list-style-type: none"> <li>1. Assess the design of internal control over purchase and payment to ensure whether it is performed effectively, identify significant control deficit and test its effectiveness of performance.</li> <li>2. Together with supervision of stock taking, inspect the inventory's physical condition to understand whether the condition is normal.</li> <li>3. Review the provision recognition basis and whether is consistent with prior period.</li> <li>4. 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.</li> <li>5. Consider the principle of NRV recognition, review whether the calculation is correct(adequate but not excessive)</li> <li>6. 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.</li> </ol>
<b>2. Revenue recognition</b>	
<b>Key audit matter</b>	<b>How the matter was addressed in the audit</b>
<p>As described in the Note VI,33, revenue of Wafangdian Bearing Company in 2021 is 2066.08 million Yuan. Revenue of bearing sales and profit has significant effect on the 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</p>	<p>The main audit procedures carried out for addressing the key audit matters are as follows:</p> <ol style="list-style-type: none"> <li>1. Understand and evaluate effectiveness of design and operation of the management's internal control over revenue</li> <li>2. Carried out analytical review and evaluate the reasonableness of sales income and gross profit margin of Wafangdian Bearing Company.</li> <li>3. Sampling test the sales contracts, evaluate the consistency between the contract price and actual settlement price.</li> <li>4. Sampling select product sales revenue record, reconcile to</li> </ol>

<p>commercial contract, significant judgment needs to be made, therefore, we recognized revenue recognition as key audit matters.</p>	<p>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.</p> <p>5. Select key clients for confirmation letter so to ensure the accuracy and authenticity.</p> <p>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.</p>
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**4. 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 Company2021 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.

**5. 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 Company or 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.

**6. 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.
- (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, 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 statements

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

### 1. Consolidate balance sheets

Compiled by: Wafangdian Bearing Co., LTD<sup>22</sup> April 2022

Unit: yuan

Item	December 31, 2021	31 December 2020
Current assets:		
Monetary fund	286,476,701.69	194,152,280.08
Settlement of provisions		
Lending money,		
Trading financial assets	322,037.93	228,046.00
Derivative financial asset		
Notes receivable	507,971,133.69	416,044,578.48
Accounts receivable	999,454,308.40	975,628,091.12
Receivables financing	28,115,340.20	130,600,545.59
prepayments	46,305,700.50	53,772,465.49
Premiums receivable		
Reinsurance accounts receivable		
Reserve for reinsurance contracts receivable		
Other accounts receivable	9,531,860.12	14,204,144.25
Among them: interest receivable		
Dividends receivable		
Purchase and resell financial assets		
inventory	710,611,964.20	615,656,946.30
Contract assets	3,763,781.55	
Holding assets for sale		
Non-current assets that mature within one year		
Other current assets	5,627,951.08	24,610,448.93
Total current assets	2,598,180,779.36	2,424,897,546.24
Non-current assets:		
Disburse loans and advances		
Creditor's rights investment		
Other debt investments		
Long-term receivables		
Long-term equity investment		

Other equity instrument investments	11,926,856.64	11,926,856.64
Other non-current financial assets		
Investment real estate	68,862,311.38	117,516,482.39
Fixed assets	438,220,714.18	474,109,923.22
Projects under construction	25,929,699.29	24,254,985.16
Productive biological assets		
Oil and gas assets		
Right assets		
Intangible assets	76,812,955.92	80,725,861.18
The development of spending		
goodwill		
Long-term deferred expenses	192,788.24	511,188.11
Deferred income tax assets		
Other non-current assets		
Total non-current assets	621,945,325.65	709,045,296.70
Total assets	3,220,126,105.01	3,133,942,842.94
Current liabilities:		
Short-term borrowing	677,000,000.00	670,000,000.00
Borrowing from the central bank		
Funds borrowed from		
Transactional financial liabilities		
Derivative financial liability		
Notes payable	306,258,189.60	274,654,535.65
Accounts payable	1,248,850,328.84	1,044,801,896.85
Advance payment	0.00	0.00
Contract liability	38,426,632.29	39,456,304.55
Selling repo financial assets		
Taking deposits and interbank deposits		
Buying and selling securities		
Acting as an underwriter of securities		
Employee compensation payable	54,396,857.78	52,677,141.09
Payable taxes	11,585,889.46	3,688,168.68
Other payables	173,782,184.85	129,476,061.47
Including: interest payable	0.00	1,041,600.00

Dividends payable		
Fees and commissions payable		
Reinsurance accounts payable		
Holding liabilities for sale		
Non-current liabilities that mature within one year		
Other current liabilities	4,995,462.19	5,129,319.58
Total current liabilities	2,515,295,545.01	2,219,883,427.87
Non-current liabilities:		
Insurance contract reserve		
Long-term borrowing		
Bonds payable		
Among them: preferred stock		
Sustainable debt		
Lease liability		
Long-term payables	344,974.84	344,974.84
Long-term employee compensation payable		
Estimated debts	41,401,450.14	39,032,270.91
Deferred revenue	54,133,616.10	59,942,753.08
Deferred income tax liabilities	683,236.45	734,448.35
Other non-current liabilities		
Total non-current liabilities	96,563,277.53	100,054,447.18
Total liabilities	2,611,858,822.54	2,319,937,875.05
Owner's equity:		
equity	402,600,000.00	402,600,000.00
Other equity instruments		
Among them: preferred stock		
Sustainable debt		
Capital reserves	485,691,050.47	485,691,050.47
Minus: Inventory stocks		
Other comprehensive income		
The special reserve		
Surplus reserves	136,770,391.01	136,770,391.01
General Risk preparedness		
Undistributed profit	-416,794,159.01	-211,056,473.59

Total owner's equity attributable to parent company	608,267,282.47	814,004,967.89
Minority equity		
Total owner's equity	608,267,282.47	814,004,967.89
Total liabilities and equity	3,220,126,105.01	3,133,942,842.94

Chairman: Liu Jun

General Accountant : Sun Najuan

Accounting charger: Zhang Yajing

**2. Balance Sheet Of Parent Company**

Unit:yuan

Item	December 31, 2021	31 December 2020
Current assets:		
Monetary fund	266,391,019.57	173,606,464.84
Trading financial assets	322,037.93	228,046.00
Derivative financial asset		
Notes receivable	384,127,628.21	325,928,761.07
Accounts receivable	989,131,349.43	1,051,197,353.63
Receivables financing	25,846,597.90	125,606,963.37
prepayments	45,293,827.24	52,961,548.88
Other accounts receivable	216,805,848.85	13,357,080.42
Among them: interest receivable		
Dividends receivable	11,843,105.36	0.00
inventory	432,948,513.08	472,723,348.67
Contract assets	3,763,781.55	
Holding assets for sale		
Non-current assets that mature within one year		
Other current assets	5,578,651.12	17,971,682.31
Total current assets	2,370,209,254.88	2,233,581,249.19
Non-current assets:		
Creditor's rights investment		
Other debt investments		
Long-term receivables		
Long-term equity investment	221,583,897.67	211,583,897.67
Other equity instrument investments	11,926,856.64	11,926,856.64
Other non-current financial assets		
Investment real estate	62,467,475.43	103,505,103.77
Fixed assets	281,860,555.75	309,847,783.81
Projects under construction	16,015,536.23	21,933,710.72

Productive biological assets		
Oil and gas assets		
Right assets		
Intangible assets	60,997,429.59	64,192,377.21
The development of spending goodwill		
Long-term deferred expenses	169,515.71	432,059.78
Deferred income tax assets		
Other non-current assets		
Total non-current assets	655,021,267.02	723,421,789.60
Total assets	3,025,230,521.90	2,957,003,038.79
Current liabilities:		
Short-term borrowing	677,000,000.00	670,000,000.00
Transactional financial liabilities		
Derivative financial liability		
Notes payable	306,258,189.60	274,654,535.65
Accounts payable	998,237,900.39	845,753,616.99
Advance payment	0.00	0.00
Contract liability	38,079,613.90	40,196,130.87
Employee compensation payable	44,664,395.47	43,148,413.71
Payable taxes	6,197,641.73	3,395,991.46
Other payables	154,405,674.18	109,599,140.08
Including: interest payable	0.00	1,041,600.00
Dividends payable		
Holding liabilities for sale		
Non-current liabilities that mature within one year		
Other current liabilities	4,950,349.81	5,225,497.00
Total current liabilities	2,229,793,765.08	1,991,973,325.76
Non-current liabilities:		
Long-term borrowing		
Bonds payable		
Among them: preferred stock		
Sustainable debt		
Lease liability		

Long-term payables	244,974.84	244,974.84
Long-term employee compensation payable		
Estimated debts	41,385,028.44	39,032,270.91
Deferred revenue	24,622,470.31	29,380,833.70
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	66,252,473.59	68,658,079.45
Total liabilities	2,296,046,238.67	2,060,631,405.21
Owner's equity:		
equity	402,600,000.00	402,600,000.00
Other equity instruments		
Among them: preferred stock		
Sustainable debt		
Capital reserves	485,678,443.26	485,678,443.26
Minus: Inventory stocks		
Other comprehensive income		
The special reserve		
Surplus reserves	136,770,391.01	136,770,391.01
Undistributed profit	-295,864,551.04	-128,677,200.69
Total owner's equity	729,184,283.23	896,371,633.58
Total liabilities and equity	3,025,230,521.90	2,957,003,038.79

### 3. Consolidated income statement

Unit: yuan

Item	The year in 2021	The year in 2020
I. Total operating revenue	2,318,704,350.35	1,859,176,415.58
Including: operating income	2,318,704,350.35	1,859,176,415.58
Interest income		
The premium has been made		
Fees and commissions		
Second, total operating cost	2,406,579,255.41	1,957,945,739.22
Including: operating costs	1,854,514,367.12	1,367,683,304.88
The interest payments		
Fees and commissions		
Surrender gold		

Net compensation expenditure		
Draw net reserves for insurance liability contracts		
Policy bonus payout		
Reinsurance expenses		
Taxes and surcharges	14,765,719.51	15,109,365.51
Cost of sales	172,118,808.99	210,217,418.49
Management fees	109,978,729.45	93,959,959.13
Research and development costs	215,803,912.39	227,548,185.54
Finance charges	39,397,717.95	43,427,505.67
Including: interest expense	36,648,536.99	36,840,257.54
Interest income	425,918.49	1,106,147.24
Plus: Other income	8,117,365.44	9,520,190.48
Investment income (loss marked with "-")	2,327,743.95	1,230,774.07
Among them: income from investment in joint ventures and joint ventures		
Financial assets measured at amortized cost cease to recognize earnings		
Exchange gain (loss marked with "-")		
Net exposure hedging gain (loss marked with "-")		
Gain from change in fair value (loss marked with "-")	93,991.93	-57,011.50
Credit impairment loss (loss marked with "-")	-59,114,404.38	-22,443,182.09
Asset impairment loss (loss marked with "-")	-74,369,791.08	-272,535,475.00
Income from asset disposal (loss marked with "-")	3,565,883.04	939,292.08
iii. Operating profit (loss marked with "-")	-207,254,116.16	-382,114,735.60
Plus: non-operating income	3,335,370.92	3,188,770.05
Less: non-operating expenses	1,857,448.96	1,353,676.91
Iv. Total profit (total loss is marked with "-")	-205,776,194.20	-380,279,642.46
Less: income tax expense	-38,508.78	-51,211.90
V. Net profit (net loss marked with "-")	-205,737,685.42	-380,228,430.56
(I) Classified by business continuity		
1. Net profit from continuing operations (net loss marked with "-")	-205,737,685.42	-380,228,430.56
2. Net profit from discontinued operations (net loss marked with "-")		
(ii) Classification according to ownership		
1. Net profit attributable to shareholders of the parent company	-205,737,685.42	-380,228,430.56
2. Profit and loss of minority shareholders		
VI. Net after-tax income of other comprehensive income		

Net after-tax other comprehensive income attributable to the owner of the parent company		
(1) Other comprehensive income that cannot be reclassified into profit and loss		
1. Recalculate the amount of change in the defined benefit plan		
2. Other comprehensive income that cannot be converted to profit or loss under the equity method		
3. Changes in fair value of other equity instrument investments		
4. Changes in fair value of credit risk of the enterprise itself		
5. Other		
(2) Other comprehensive income reclassified into profit and loss		
1. Other comprehensive income transferable to profit and loss under the equity method		
2. Changes in fair value of other creditor's rights investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Provisions for credit impairment of other debt investments		
5. Cash flow hedging reserve		
6. Differences in translation of foreign currency financial statements		
7. Other		
Net after tax of other comprehensive income attributable to minority shareholders		
Vii. Total comprehensive income	-205,737,685.42	-380,228,430.56
Total comprehensive income attributable to the owner of the parent company	-205,737,685.42	-380,228,430.56
Total comprehensive income attributable to minority shareholders		
Viii. Earnings per Share:		
(I) Basic earnings per share	-0.511	-0.94
(ii) Diluted earnings per share	-0.511	-0.94

Chairman: Liu Jun

General Accountant : Sun Najuan

Accounting charger: Zhang Yajing

**4. Income Sheet of Parent Company.****Unit: RMB Yuan**

Item	2,518,951,971.92	1,900,653,498.55
I. Total operating revenue	2,086,765,801.29	1,441,850,953.92
Including: operating income	13,007,475.92	12,468,613.35
Interest income	166,604,019.22	208,157,686.30
The premium has been made	87,397,804.29	71,063,079.09
Fees and commissions	205,960,569.78	221,352,260.63
Second, total operating cost	39,448,674.77	43,762,269.30

Including: operating costs	36,648,536.99	36,840,257.54
The interest payments	350,772.46	754,744.96
Fees and commissions	6,433,236.93	7,415,539.36
Surrender gold	13,352,133.36	1,125,774.07
Net compensation expenditure		
Draw net reserves for insurance liability contracts		
Policy bonus payout		
Reinsurance expenses	93,991.93	-57,011.50
Taxes and surcharges	-58,882,687.88	-22,599,967.68
Cost of sales	-51,706,236.80	-257,590,857.20
Management fees	3,275,529.35	237,250.11
Research and development costs	-167,666,406.46	-369,470,636.88
Finance charges	2,289,494.02	1,464,353.80
Including: interest expense	1,797,734.79	1,321,460.03
Interest income	-167,174,647.23	-369,327,743.11
Plus: Other income	12,703.12	0.00
Investment income (loss marked with "-")	-167,187,350.35	-369,327,743.11
Among them: income from investment in joint ventures and joint ventures	-167,187,350.35	-369,327,743.11
Financial assets measured at amortized cost cease to recognize earnings		
Exchange gain (loss marked with "-")		
Net exposure hedging gain (loss marked with "-")		
Gain from change in fair value (loss marked with "-")		
Credit impairment loss (loss marked with "-")		
Asset impairment loss (loss marked with "-")		
Income from asset disposal (loss marked with "-")		
Iii. Operating profit (loss marked with "-")		
Plus: non-operating income		
Less: non-operating expenses		
Iv. Total profit (total loss is marked with "-")		
Less: income tax expense		
V. Net profit (net loss marked with "-")		
(I) Classified by business continuity		
1. Net profit from continuing operations (net loss marked with "-")		
2. Net profit from discontinued operations (net loss marked with "-")		

(ii) Classification according to ownership	-167,187,350.35	-369,327,743.11
1. Net profit attributable to shareholders of the parent company		
2. Profit and loss of minority shareholders	-0.415	-0.917
VI. Net after-tax income of other comprehensive income	-0.415	-0.917
Net after-tax other comprehensive income attributable to the owner of the parent company	2,518,951,971.92	1,900,653,498.55

**5. Consolidated Cash Flow Statement.**

Unit: yuan

Item	The year in 2021	The year in 2020
I. Cash flow generated from operating activities:		
Cash received from sales of goods and services	1,205,019,220.28	1,110,910,937.52
Net increase in customer deposits and interbank deposits		
Net increase in borrowing from central banks		
Net increase in borrowing from other financial institutions		
The cash obtained by receiving the premium of the original insurance contract		
Net cash received from reinsurance business		
Net increase in insured savings and investment funds		
Cash for interest, fees and commissions		
Net increase in borrowed funds		
Net increase in funds for repurchase operations		
Net cash received from agents buying or selling securities		
Tax refunds received	18,263,068.33	2,574.30
Receipt of other cash related to business activities	57,672,030.61	54,155,586.46
Subtotal cash inflow from operating activities	1,280,954,319.22	1,165,069,098.28
Cash used to pay for goods or services	669,749,953.46	695,692,979.95
Net increase in customer loans and advances		
Net increase in deposits of central bank and interbank funds		
Cash for payment of claims under the original insurance contract		
The net increase in the amount of funds		
Cash to pay interest, fees and commissions		
Cash to pay dividends on a policy		
Cash payments to and for employees	361,349,061.46	271,347,438.50
All taxes paid	55,629,392.66	56,640,317.76
Payment of other cash related to business activities	116,547,749.16	80,163,434.34
Operating activities cash outflow subtotal	1,203,276,156.74	1,103,844,170.55

Net cash flows from operating activities	77,678,162.48	61,224,927.73
<b>Ii. Cash flow generated by investment activities:</b>		
Cash received to recover investments		
Cash received from investment income		
Net cash recovered from the disposal of fixed assets, intangible assets and other long-term assets	2,097,844.44	2,397,893.92
Net cash received from disposal of subsidiaries and other business units		
Receipt of other cash related to investment activities		
Investment activities cash inflow subtotal	2,097,844.44	2,397,893.92
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets	4,753,911.10	3,579,393.58
Investment payments in cash		
Net increase in pledged loans		
Net cash paid by subsidiaries and other business units		
Payment of other cash related to investment activities		
Investment activities cash outflow subtotal	4,753,911.10	3,579,393.58
Net cash flows from investing activities	-2,656,066.66	-1,181,499.66
<b>Iii. Cash flow generated by fundraising activities:</b>		
Absorb cash received from investments	0.00	0.00
Among them: the subsidiary absorbs the cash received by minority shareholders		
Obtain the cash received on the loan	776,000,000.00	829,000,000.00
Receipt of other cash related to fund-raising activities	155,600,000.00	170,000,000.00
Cash inflow subtotal of financing activities	931,600,000.00	999,000,000.00
Cash to pay off debts	769,000,000.00	826,110,200.00
Cash paid to distribute dividends, profits, or interest payments	38,694,735.35	68,738,059.00
Among them: dividends and profits paid by subsidiaries to minority shareholders		
Payment of other cash related to fund-raising activities	150,000,000.00	135,000,000.00
Financing activities cash outflow subtotal	957,694,735.35	1,029,848,259.00
Net cash flows from financing activities	-26,094,735.35	-30,848,259.00
iv. Impact of exchange rate fluctuations on cash and cash equivalents	-2,808,264.02	-2,790,857.63
v. Net increase in cash and cash equivalents	46,119,096.45	26,404,311.44
Plus: starting balance of cash and cash equivalents	163,728,799.97	137,324,488.53
vi. Balance of cash and cash equivalents at the end of the period	209,847,896.42	163,728,799.97

**6. Cash Flow Statement Of Parent Company.****Unit: RMB yuan**

Item	The year in 2021	The year in 2020
I. Cash flow generated from operating activities:		
Cash received from sales of goods and services	1,233,564,395.18	1,107,377,634.72
Net increase in customer deposits and interbank deposits	2,618,037.38	2,574.30
Net increase in borrowing from central banks	56,891,603.48	36,163,080.03
Net increase in borrowing from other financial institutions	1,293,074,036.04	1,143,543,289.05
The cash obtained by receiving the premium of the original insurance contract	755,210,715.68	727,194,098.55
Net cash received from reinsurance business	295,322,493.77	220,769,975.76
Net increase in insured savings and investment funds	51,852,375.21	46,026,886.71
Cash for interest, fees and commissions	104,686,844.59	74,436,186.23
Net increase in borrowed funds	1,207,072,429.25	1,068,427,147.25
Net increase in funds for repurchase operations	86,001,606.79	75,116,141.80
Net cash received from agents buying or selling securities		
Tax refunds received		
Receipt of other cash related to business activities		
Subtotal cash inflow from operating activities	821,400.00	1,896,293.92
Cash used to pay for goods or services		
Net increase in customer loans and advances		
Net increase in deposits of central bank and interbank funds	821,400.00	1,896,293.92
Cash for payment of claims under the original insurance contract	1,340,777.85	1,406,967.83
The net increase in the amount of funds	10,000,000.00	
Cash to pay interest, fees and commissions		
Cash to pay dividends on a policy		
Cash payments to and for employees	11,340,777.85	1,406,967.83
All taxes paid	-10,519,377.85	489,326.09
Payment of other cash related to business activities		
Operating activities cash outflow subtotal		
Net cash flows from operating activities	776,000,000.00	829,000,000.00
Ii. Cash flow generated by investment activities:	155,600,000.00	170,000,000.00
Cash received to recover investments	931,600,000.00	999,000,000.00
Cash received from investment income	769,000,000.00	826,110,200.00
Net cash recovered from the disposal of fixed assets, intangible assets and other long-term assets	38,694,735.35	68,738,059.00
Net cash received from disposal of subsidiaries and other business units	150,000,000.00	135,000,000.00

Receipt of other cash related to investment activities	957,694,735.35	1,029,848,259.00
Investment activities cash inflow subtotal	-26,094,735.35	-30,848,259.00
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets	-2,808,264.02	-2,790,857.63
Investment payments in cash	46,579,229.57	41,966,351.26
Net increase in pledged loans	143,182,984.73	101,216,633.47
Net cash paid by subsidiaries and other business units	189,762,214.30	143,182,984.73

## 7. Consolidated Sheet Of Changes In Shareholder' s Equity

This amount

Unit: RMB yuan

Item	The year in 2021														Minority equity	Total owners' equity
	Owner's equity attributable to parent company															
	Capital stock	Other equity instruments			Capital reserves	Less: inventory stocks	Other comprehensive income	The special reserve	Surplus reserves	General risk provision	Undistributed profit	other	subtotal			
	Preferred stock	Sustainable debt	other													
I. Ending balance of last year	402,600,000.00	0.00	0.00	0.00	485,691,050.47	0.00	0.00	0.00	136,770,391.01	0.00	-211,056,473.59		814,004,967.89		814,004,967.89	
Plus: changes in accounting policies																
Advance error correction																
Merger of enterprises under the same control																
other																
II. Balance at the beginning of the current year	402,600,000.00	0.00	0.00	0.00	485,691,050.47	0.00	0.00	0.00	136,770,391.01	0.00	-211,056,473.59	0.00	814,004,967.89		814,004,967.89	
III. Amount of increase or decrease in current period (marked with "-" for decrease)											-205,737,685.42	0.00	-205,737,685.42		-205,737,685.42	
(1) Total comprehensive income											-205,737,685.42		-205,737,685.42		-205,737,685.42	

(2) capital input or reduction by the owner															
1. Common stock invested by the owner															
2. Capital invested by holders of other equity instruments															
3. Amount of share payments credited to owners' equity															
4. Other															
(3) Profit distribution															
1. Withdraw surplus reserve															
2. Extract general risk provisions															
3. Distribution to owners (or shareholders)															
4. Other															
(4) Internal carryover of owners' equity															
1. Conversion of capital reserves to increased capital (or capital stock)															
2. Conversion															

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of surplus reserves to increased capital (or equity)															
3. The surplus reserves make up the losses															
4. Set changes in benefit plan to carry forward retained earnings															
5. Carry-over of other comprehensive income to retained earnings															
6. Other															
(5) Special reserve															
1. Current extraction															
2. Current use															
(6) Others															
4. Ending balance of current period	402,600,000.00	0.00	0.00	0.00	485,691,050.47	0.00	0.00	0.00	136,770,391.01	0.00	-416,794,159.01	0.00	608,267,282.47		608,267,282.47

The amount of the previous

Unit: RMB yuan

Item	The year in 2020													Minority equity	Total owners' equity
	Owner's equity attributable to parent company														
	Capital	Other equity instruments	Capital	Less:	Other	The	Surplus	Gener	Undistribut	othe	subtotal				

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	stock	Preferr ed stock	Sustaina ble debt	oth er	reserves	invent ory stocks	comprehen sive income	speci al reser ve	reserves	al risk provisi on	ed profit	r				
I.Ending balance of last year	402,600,00 0.00				485,691,05 0.47				136,770,39 1.01		201,379,95 6.97		1,226,441,3 98.45			1,226,441,398.45
Plus: changes in accounting policies																
Advance error correction																
Merger of enterprises under the same control																
other																
II.Balance at the beginning of the current year	402,600,00 0.00				485,691,05 0.47				136,770,39 1.01		201,379,95 6.97		1,226,441,3 98.45			1,226,441,398.45
III. Amount of increase or decrease in current period (marked with "-" for decrease)											-412,436,43 0.56		-412,436,43 0.56			-412,436,430.56
(1) Total comprehensive income											-380,228,43 0.56		-380,228,43 0.56			-380,228,430.56
(2) capital input or reduction by the owner																
1. Common stock invested by the owner																
2. Capital invested by holders of other equity instruments																



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income to retained earnings															
6. Other															
(5) Special reserve															
1. Current extraction															
2. Current use															
(6) Others															
4. Ending balance of current period	402,600,000.00				485,691,050.47				136,770,391.01			-211,056,473.59		814,004,967.89	814,004,967.89

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

This amount

Unit: RMB yuan

Item	2021											Total owners' equity
	Capital stock	Other equity instruments			Capital reserves	Less: inventory stocks	Other comprehensive income	The special reserve	Surplus reserves	Undistributed profit	other	
		Preferred stock	Sustainable debt	other								
I. Ending balance of last year	402,600,000.00				485,678,443.26				136,770,391.01	-128,677,200.69		896,371,633.58
Plus: changes in accounting policies												
Advance error correction												
other												
II. Balance at the beginning of the current year	402,600,000.00				485,678,443.26				136,770,391.01	-128,677,200.69		896,371,633.58
III. Amount of increase or decrease in current period (marked with "-" for decrease)										-167,187,350.35		-167,187,350.35
(1) Total comprehensive income										-167,187,350.35		-167,187,350.35

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(2) capital input or reduction by the owner													
1. Common stock invested by the owner													
2. Capital invested by holders of other equity instruments													
3. Amount of share payments credited to owners' equity													
4. Other													
(3) Profit distribution													
1. Withdraw surplus reserve													
2. Distribution to owners (or shareholders)													
3. The other													
(4) Internal carryover of owners' equity													
1. Conversion of capital reserves to increased capital (or capital stock)													
2. Conversion of surplus reserves to increased capital (or equity)													
3. Surplus reserves to cover losses													
4. Set changes in benefit plan to carry forward retained earnings													
5. Carry-over of other comprehensive income to retained earnings													
6. Other													
(5) Special reserve													
1. Current extraction													

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2. Current use												
(6) Others												
IV. Ending balance of current period	402,600,000.00				485,678,443.26				136,770,391.01	-295,864,551.04		729,184,283.23

The amount of the previous

Unit:yuan

Item	Year2020											
	Capital stock	Other equity instruments			Capital reserves	Less: inventory stocks	Other comprehensive income	The special reserve	Surplus reserves	Undistributed profit	other	Total owners' equity
		Preferr ed stock	Sustainabl e debt	othe r								
I.Ending balance of last year	402,600,000.00				485,678,443.26				136,770,391.01	272,858,542.42		1,297,907,376.69
Plus: changes in accounting policies												
Advance error correction												
other												
II.Balance at the beginning of the current year	402,600,000.00				485,678,443.26				136,770,391.01	272,858,542.42		1,297,907,376.69
III. Amount of increase or decrease in current period (marked with "-" for decrease)										-401,535,743.11		-401,535,743.11
(1) Total comprehensive income										-369,327,743.11		-369,327,743.11
(2) capital input or reduction by the owner												
1. Common stock invested by the owner												
2. Capital invested by holders of other equity instruments												
3. Amount of share payments												

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credited to owners' equity												
4. Other												
(3) Profit distribution										-32,208,000.00		-32,208,000.00
1. Withdraw surplus reserve												
2. Distribution to owners (or shareholders)										-32,208,000.00		-32,208,000.00
3. The other												
(4)Internal carryover of owners' equity												
1. Conversion of capital reserves to increased capital (or capital stock)												
2. Conversion of surplus reserves to increased capital (or equity)												
3. Surplus reserves to cover losses												
4. Set changes in benefit plan to carry forward retained earnings												
5. Carry-over of other comprehensive income to retained earnings												
6. Other												
(5) Special reserve												
1. Current extraction												
2. Current use												
(6) Others												
IV. Ending balance of current period	402,600,000.0				485,678,443.2				136,770,391.0	-128,677,200.69		896,371,633.58
	0				6				1			

### III. General Information

Wafangdian Bearing Company Limited (the “Company”, the “Group” is referred to “Company” together with its subsidiaries) is a joint stock limited company established in the People’s Republic of China (the “PRC”) on 16 July, 1996. In the opinion of the directors, its parent and ultimate holding company is Wafangdian Bearing Group Company Limited (“Wazhou Group”).

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

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

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

The Company's B shares were officially listed on the Shenzhen Stock Exchange on March 25, 1997, raising funds of 406.58 million yuan. After the issuance, the Company's registered capital was 330 million yuan.

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

The parent company is Wazhou Group. General shareholders meeting is the company’s authority and have the resolution power over company’s business policy, financing, investment and profit appropriation etc. significant events in accordance with relevant law. Board of directors is responsible for general meeting and has the power over the company’s decision making. Management is in charge of implementation of resolution made by general meeting and board meeting and is responsible for operation management. Wholly owned

subsidiaries of the Company include Wazhou Liaoyang Bearing Manufacturing Co., Ltd, Dalian Wazhou Precision Electric Motor Car Bearing, and Wazhou Precision of Spherical Roller Bearings (Wafangdian) Co., Ltd.

The company belongs to the bearing manufacturing industry, mainly engaged in the production and sales of various types of bearings. The addresses of the registered office and principal place of business of the Company are No.1, Phrase 1, North Gongji Street, Wafangdian, Liaoning Province, and the PRC Legal representative is Liu Jun. Registered according to law, the business scope of the company is as follows: Licensed items: inspection and testing services, import and export of goods, import and export of technologies (for items subject to approval according to law, business activities can only be carried out after approval by relevant departments, and the specific business items shall be subject to the approval result) Bearing manufacturing, bearings, gears and transmission components manufacturing, high speed precision heavy-duty bearing sales, sales bearings, gears and transmission parts, bearing sales, general equipment manufacturing (excluding special equipment manufacturing), high-speed rail equipment, parts manufacturing, machinery and equipment sales, rail transportation equipment, key system and parts sales, sales of lubricating oil, high-speed rail equipment and accessories sales, Wind generators and spare parts sales, machinery parts, spare parts sales, railway locomotive vehicle accessories manufacturing, railway locomotive vehicle accessories sales, auto parts and accessories manufacturing, auto parts wholesale and retail auto parts, metal products repair, sales metal materials, metal products sales, metal surface treatment and heat treatment processing, quenching process, machinery parts and spare parts processing, land use right leasing, housing leasing, non-residential real estate leasing, mechanical equipment leasing, computer and communication equipment leasing, transportation equipment leasing service, office equipment leasing service, storage equipment leasing service, special equipment leasing, labor services (excluding labor dispatch), Technology service, technology development, technology consultation, technology exchange, technology transfer, technology popularization (with the exception of the projects subject to approval according to law, independently carry out business activities according to law with the business license).

#### **Financial Statement Consolidation Scope**

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

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

#### **IV. Financial Statements Preparation Basis**

- (1) Basis of preparation

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

(2) Going concern

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

## **V. Significant Accounting Policies and Accounting Estimates**

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

### **1. Declaration for compliance with Accounting Standards for Business Enterprises**

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

### **2. Accounting period**

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

### **3. Operating cycle**

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

### **4. Functional currency**

The Group adopts RMB as functional currency.

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

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

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

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

When the Group partially disposes of the long-term equity investment in subsidiary and lose the control over it, in preparation of consolidated financial statements, remaining share of interest in the subsidiary shall be remeasured on the date of losing control. Sum of the share disposal consideration and fair value of remaining portion of shareholding minus the share of the net assets in the subsidiary held based on the previous shareholding percentage since the

acquisition date or combination date, the balance of above is recognized as investment gain/loss for the period and goodwill shall be written off accordingly. Other comprehensive income relevant to share investment in subsidiary shall be transferred to investment gain /loss for the period on the date of losing control.

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

## **7. Cash and cash equivalent**

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

## **8. Translation of foreign currency**

### **(1) Foreign currency transaction**

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

### **(2) Translation of foreign currency financial statements**

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

## **9. Financial assets and financial liabilities**

The Group shall recognize a financial asset or a financial liability when the Group becomes party to the contractual provisions of the instrument.

(1) Financial assets

1) Classification, recognition and measurement

The Group shall classify financial assets as measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

A financial asset shall be measured at amortized cost if both of the following conditions are met: ①the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;②the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. At initial recognition, the Group shall measure the financial asset at its fair value and take any transaction costs that are directly attributable to the financial asset into account. After initial recognition, the Group shall measure the financial asset at amortized cost. A gain or loss on a financial asset that is measured at amortized cost and is not a hedged item shall be recognized in profit or loss when the financial asset is derecognized, impaired, involved in foreign exchange or amortized for any difference arising between the initial recognized amount and due amount by applying effective interest method.

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met: ①the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and ②the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. At initial recognition, the Group shall measure this financial asset at its fair value and take any transaction costs that are directly attributable to the financial asset into account. A gain or loss on a financial asset that is measured at fair value through other comprehensive income and is not a hedged item shall be recognized in other comprehensive income apart from a gain or loss on credit loss, foreign exchange and interest of the financial asset calculated by effective interest method. Accumulated gain or loss previously in the other comprehensive income shall be out of it and accounted in the profit or loss account when the financial asset is derecognized.

The Group recognized interest revenue based on effective interest method. Interest revenue shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for: ①purchased or originated credit-impaired financial assets. For those financial assets, the Group shall apply the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. ②financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group shall apply the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

The Group designates an investment as fair value measured through other comprehensive income if an equity instrument held is not for trading. Once the decision is made, it is an irrevocable election. At initial recognition, the Group shall measure the equity instrument investment not for trading at its fair value and take any transaction costs that are directly attributable to the financial asset into account. Any other gain or loss (including foreign exchange gain or loss) shall be accounted in other comprehensive income and shall not be subsequently transferred to profit or loss, unless the dividend received is accounted in profit or loss (excluding the recovered investment cost). Accumulated gain or loss previously in the other comprehensive income shall be out of it and into retained earnings when the financial asset is derecognized.

Apart from classified as the amortized cost financial assets and as fair value through other comprehensive income financial assets, a financial asset is classified as fair value through profit or loss. At initial recognition, the Group shall measure this financial asset at its fair value and take any transaction costs that are directly attributable to the financial asset into account.

A financial asset shall be classified as fair value through profit or loss if it is recognized contingent consideration through business combination, which is not under same control situation.

## 2) Recognition and measurement of transfer of financial assets

A financial asset is derecognized when any one of the following conditions is satisfied: ① the rights to receive cash flows from the asset is terminated, ② the financial asset has been transferred and the Group transfers substantially all risks and rewards relating to the financial assets to the transferee, ③ the financial asset has been transferred to the transferee, the Group has given up its control of the financial asset although the Group neither transfers nor retains all risks and rewards of the 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 in respect of the amount of partial derecognition (the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding), that was previously recorded under other comprehensive income is transferred 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 for the asset partially qualified for derecognition (the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding) and the above-mentioned allocated carrying amount is charged to profit or loss for the period.

(2) Financial liabilities

1) Classification, basis for recognition and measurement

Financial liabilities of the Group 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. 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 liabilities shall be subsequently measured at amortized cost by applying effective interest method. The Group shall classify a financial liability as a liability measured at amortized cost except the followings: ① financial liability measured at fair value through profit or loss including tradable financial liability (derivative instrument of financial liability included) and designated as financial liability measured at fair value through profit or loss ② financial assets transfers that do not qualify for derecognition or financial liability is formed from continuing involvement in transferred assets ③ financial guarantee contract not in the above category of ① or ② and loan commitment which is not in the category ① at the below the market loan rate.

The Group shall account the financial liability as it measured at fair value through profit or loss if the financial liability is formed by contingent consideration recognized by the buyer through business combination that is not under common control.

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 Group signs 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 of 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.

(3) Fair value measurement of financial asset and financial liability

The Group uses the price in the primary market for financial assets and liability fair value measurement, if no primary market exists, the price in the most advantageous market shall be used for fair value measurement and applicable valuation techniques which enough data is available for and supported by other information shall be adopted. Input for fair value measurement has 3 levels: level 1 input is the unadjusted quoted price for identical asset or liability available at the active market on the measurement date; level 2 input is the directly or indirectly observable input for relevant asset or liability apart from level 1 input; level 3 input is the unobservable input for relevant asset or liability. The Group preferentially uses level 1 input and level 3 input at last. The level where the result of FV measurement is decided by the primary level of input which has significant effect on the FV as a whole.

The Group's equity instrument investment is measured at FV. But within the restricted circumstances, there is lack of information for FV measurement recently or probable estimate of FV spreads widely, the cost represents the best estimate of FV and the appropriate estimate within the scope.

#### (4) Financial asset and financial liability offset

Financial asset and financial liability shall be presented in the balance sheet separately and cannot be offset, unless the following conditions are all met: ①the Group has the legal right to recognized offset amount and the right is enforceable. ②the Group plans to receive or a legal obligation to pay cash at net amount.

#### (5) Distinguishment between financial liability and equity instrument and accounting

Financial liability and equity instrument shall be distinguished in accordance with the following standards: ① if the Group cannot unconditionally avoid paying cash or financial asset to fulfil a contractual obligation, the contractual obligation is qualified or financial liability. For certain financial instrument, although there are no clear terms and conditions to include obligation of paying cash or other financial liability, contractual obligation may indirectly be formed through other terms and conditions. ② the Group's own equity instrument shall also be considered whether it is the substitute of cash, financial asset or it is the remaining equity, after the issuer deducts liability, enjoyed by the equity holder, if it must or can be used to settle a financial asset. If the former, the instrument is a financial liability of the issuer, otherwise it is an equity instrument of the issuer. In certain circumstances, financial instrument contract is classified as financial liability, if financial instrument contract specifies the Group must or can use its own equity to settle the financial instrument, the contractual amount of right or obligation equals to that of the numbers of own equity instrument available or to be paid multiplied by fair value when settling, nevertheless the amount is fixed, or varied partially or fully based on the its own equity's market price(such as interest rate, certain commodity's or financial instrument's price variance).

When classifying a financial instrument (or its component) in the consolidated statements, the

Group takes all terms and conditions agreed by the group member and instrument holder into consideration. If the group due to the instrument, as a whole, bears settlement obligation by paying cash, other financial asset or other means resulted in financial liability, the instrument shall be classified as financial liability.

If a financial instrument or its component is financial liability, any gain or loss, interest, dividend, and any gain or loss from buy back or refinancing shall be accounted in profit or loss.

If a financial instrument or its component is an equity instrument, when it was issued(including refinancing), bought back, sold or withdrawn, any change shall be regarded as equity change and no fair value change shall be recognized.

#### (6) Financial asset impairment

Based on expected credit loss, a financial asset measured at amortized cost, a debt instrument investment measured at FVTOCI and a contractual asset shall all be subject to impairment accounting and be recognized for impairment loss allowance if any impairment.

A credit loss herein is referred to as the present value, at original effective rate, of the difference between the contractual cash flows that are due to the Group under the contract; and the cash flows that the Group expects to receive, that's the present value of the total cash shortage. A financial asset shall be the present value, at credit adjusted effective rate, if it is a purchased or originated credit -impaired asset.

The Group adopts simplified approach for trade receivables, contract assets that do not contain a significant financing component, and shall always measure the loss allowance at an amount equal to lifetime expected credit losses.

Impairment requirements is to assess whether credit risk has been significantly increased since initial recognition at each reporting date, if there have been significant increases in credit risk, the Group shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses, at the reporting date, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Group shall measure the loss allowance for that financial instrument at an amount equal to 12 - month expected credit losses.

When assessing expected credit losses, the Group considers all reasonable and supportable information, including that which is forward-looking.

The Group directly lowers the book value of the financial asset when contractual cash flow cannot be fully or partially recollected within rational expectation any longer.

The Group also assesses the expected credit loss of financial asset measured at amortized cost based on aging portfolio, other than pastdue credit loss assessment based on individual item.

Based on the credit risk characteristics, notes receivable, receivable and othe receivable is

divided into different portfolio and determined for expected credit loss according to the portfolio s as follows:

Note receivable 1	Bank acceptance note
Note receivable 2	Trade acceptance note form related party
Note receivable 3	Trade acceptance note form non-related party
Receivable 1	Related party portfolio
Receivable 2	Aging protfolio

For receivable as a portfolio, the Group prepares the comparison table between receivables aging and expected credit loss rate within lifetime and work out the expected credit loss by reference to historical credit loss experience in combination with current situation and future forecast of economy condition.

Based on the credit risk characteristics, other notes receivable is divided into different portfolio and determined for expected credit loss according to the portfolio s as follows:

Other receivable 1	Related party portfolio
Other receivable 2	Aging protfolio
Other receivable 3	Risk free protfolio (according to couterparty ' s credit, nature of the payment and transactions secure facility)

For other receivable as a portfolio, the Group work out the expected credit loss through default risk exposure and expected credit loss rate within lifetime by reference to historical credit loss experience in combination with current situation and future forecast of economy condition.

## 10. Notes receivable

Please refer to Note IV.9(6) for impairment.

## 11. Receivable

Please refer to Note IV.9(6) for impairment.

## 12. Financing receivable

The management model of notes receivabel is not only for receiving the contractual cashfolw for purpose but also for selling the financial asset, therefore it is classified into financial assets

menasure at fair value through profit and loss and shall be presented under financing receivable.

### **13. Other receivable**

Please refer to Note IV.9(6) for impairment.

### **14. Inventories**

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

The inventories are processed on perpetual inventory system, and are measured at their budgeted cost on acquisition. The raw materials are accounted daily on their 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 raw materials 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 proportion of inventory in stock and dispatched, and finally 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 classification 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.

## 15. Contract asset

### (1) Recognition and criterion

Contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time. Contract asset and contract liability originated from same contract shall be listed at net amount.

### (2) Expected credit loss recognition and accounting of contract asset

Expected credit loss recognition of contract asset is referred to the Note IV.10 (6) . Provision for Impairment of Financial Instrument.

On the balance sheet date, expected credit loss of contract asset shall be calculated and the difference shall be recognized as the impairment loss if the loss figure worked out is bigger than the carrying amount of the provision for impairment of contract asset, and debit "asset impairment loss" , credit "provision for impairment of contract asset" . On the contrary, the Company shall recognize the difference as impairment profit and keep the opposite accounting record.

If the actual credit loss incurred and the contract asset is unable to be collected with confirmation, after the approval is given, the loss shall be written off based on the approved amount and debit "provision for impairment of contract asset" , credit "contract asset" . If the amount to be written is greater than the provision, the difference shall be debited to "asset impairment loss" .

## 16. Contract cost

### (1) Assets recognition methods in relation to contract cost

Assets relevant to contract cost in the company include cost to fulfill the contract and cost to obtain a contract.

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard, an entity shall recognize an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria: the costs relate directly to a contract or to an anticipated contract, including direct labor, direct materials and overheads which is clearly stated to be borne by the client and any other cost in line with the contract; the costs enhance resources of the entity that will be used in performance obligations in the future; and the costs are expected to be recovered.

An entity shall recognize an asset as the incremental costs of obtaining a contract with a customer if the entity expects to recover those costs. an entity may recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the

asset t is one year or less. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained (for example, a sales commission). Costs to obtain a contract that would have been incurred rather than the incremental cost expected to be recovered shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained

(2) Amortization of asset relevant to contract cost

An asset recognized in accordance with contract cost shall be amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

(3) Impairment of asset relevant to contract cost

When determining the impairment loss of the assets related to the contract cost, the Company shall firstly determine the impairment loss of the assets related to the contract that are recognized in accordance with the other accounting standards. If the book value of the asset is higher than the remaining consideration expected to be obtained by the Company for the transfer of the goods related to the asset and the estimated cost to be incurred for the transfer of the goods related to the asset, the excess part shall be withdrawn as an impairment provision and recognized as an impairment loss of the asset.

An entity shall recognize in profit or loss a reversal of some or all of an impairment loss previously recognized when the impairment conditions no longer exist or have improved. The increased carrying amount of the asset shall not exceed the amount that would have been determined (net of amortization) if no impairment loss had been recognized previously.

## 17. Long-term equity investment

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

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

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

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

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

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

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

Apart from the long-term equity investments acquired through business combination mentioned above, the cost of investment for the long-term equity investments acquired by cash payment is the amount of cash paid. For long-term equity investment acquired by issuing equity instruments, the cost of investment is the fair value of the equity instrument issued. For

long-term equity investment injected to the entity by the investor, the investment cost is the consideration as specified in the relevant contract or agreement.

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

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

Long-term equity investment subsequently measured under equity method shall be adjusted for its carrying amount according to the share of equity increase or decrease in the investee. The entity shall recognize its share of the investee's net profits or losses based on the fair value of the investee's individual identifiable assets at the acquisition date, after making appropriate adjustments thereto in conformity with the accounting policies and accounting period, and offsetting the unrealized profit or loss from internal transactions entered into between the entity and its associates and joint ventures according to the shareholding attributable to the entity and accounted for as investment income and loss based on such basis. On disposal of a long-term equity investment, the difference between the carrying value and the consideration actually received is recognised as investment income for the period. For long-term investments accounted for under equity method, the movements of shareholder's equity, other than the net profit or loss, of the investee company, previously recorded in the shareholder's equity of the Company are recycled to investment income for the period on disposal.

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

Where the entity has no longer control over the investee company as a result of partially disposal of the investment, the remaining investment will be changed to be accounted for using equity method providing remaining joint control or significant influence over the investee company. The difference between carrying amount of disposed investment and consideration received actually shall be recognised in the profit and loss for the period as investment gain or loss, and investment shall be adjusted accordingly as if it was accounted

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

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

## 18. Investment property

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

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

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

## 19. Fixed assets

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

Fixed assets shall be recognized when the economic benefit probably flows into the Group

and its cost can be measured reliably. Fixed assets include: building, machinery, transportation equipment, electronic equipment and others.

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

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

The company 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.

## **20. 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.

## **21. 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.

## 22. Right-of-use assets

An asset that represents a lessee's right to use an underlying asset for the lease term.

### (1) Initial recognition

At the commencement date, a lessee shall measure the right-of-use asset at cost.

The cost of the right-of-use asset shall comprise:

- ① the amount of the initial measurement of the lease liability,
- ② any lease payments made at or before the commencement date, less any lease incentives received, which is the incremental cost for the lease
- ③ any initial direct costs incurred by the lessee; and
- ④ an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

### (2) Subsequent measurement

After the commencement date, a lessee shall measure the right-of-use asset applying a cost model. To apply a cost model, a lessee shall measure the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability specified in the lease standard

#### Depreciation of right-of-use asset

Since the commencement date, the Company shall depreciate the right-of-use asset. Depreciation shall be made in the month of lease commencement and shall be accounted in the cost of related asset or profit and loss.

When determining the depreciation method, straight line method is used for depreciation based on the expected way of consuming of economic benefit related to the right-of-use asset.

The company shall follow the following principles when determining the depreciation life of the use-right asset: If the ownership of the leased asset can be reasonably determined at the end of the lease term, depreciation shall be calculated and deducted during the remaining service life of the leased asset; Where it is not certain that the ownership of the leased asset can be acquired at the end of the lease term, depreciation shall be calculated during the period of the shorter of the lease term and the remaining service life of the leased asset.

#### Impairment

The Company shall depreciate the right-of-use asset subsequently based on the book value

after impairment loss deduction if impairment is applicable.

### **23. Intangible assets**

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

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

### **24. Impairment of long term assets**

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

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

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

### **25. Long-term unamortized expenses**

Long-term unamortized 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 (excluding 1 year). The expenses should be amortized evenly over the beneficial period. If the unamortized expense cannot take benefit for the future accounting period, the unamortized

balance of the unamortized expenses should be transferred into the current profit or loss.

## **26. Contract liability**

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

## **27. Employee benefits**

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

Employee's short-term benefits 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.

## **28. Lease obligation**

### **(1) Initial measurement of the lease liability**

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date.

#### **1)The lease payments**

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date: ① fixed payments (including in-substance fixed payments) less any lease incentives receivable; ② variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; ③ the exercise price of a purchase option if the lessee is reasonably certain to exercise that option ④ payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. ⑤ amounts expected to be payable by the lessee under residual value guarantees;

#### **2)Discount rate**

When calculating the present value of the lease payments, interest rate implicit in the lease shall be used. The rate of interest that causes the present value of the lease payments and the unguaranteed residual value to equal the sum of the fair value of the underlying asset and any initial direct costs of the lessor. If the rate cannot be readily determined, the Company shall use the lessee's incremental borrowing rate, which is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The implicit interest rate is relevant to the followings: ① the company's own situation: solvency and creditability ② "borrow term": lease term ③ "borrowed fund" amount: lease liability amount ④ "pledge condition": nature and quality of underlying assets ⑤ economic environment includes the jurisdiction in which the lessee is located, the currency of denomination, and when the contract was signed. The Incremental borrowing rate is derived by the Company based on the bank lending rate and adjusted for the above factors.

## (2) Subsequent measurement

After the commencement date, the Company shall measure the lease liability by: ① increasing the carrying amount to reflect interest on the lease liability; ② reducing the carrying amount to reflect the lease payments made; ③ remeasuring the carrying amount to reflect any reassessment or lease modifications.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability and be recognized as in profit or loss unless its capitalization. A constant periodic rate of interest is the discounting rate used for initial measurement of lease liability, or revised discounting rate for lease liability remeasurement because of the lease payment or lease change.

## (3) Remeasurement

After the lease commencement date, lease payment shall be remeasured if the following circumstances incurred, and the lease liability shall be remeasured at the present value which is based on the revised lease payment and revised discounting rate. The Company shall remeasure the lease liability to reflect changes to the lease payments. A lessee shall recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, a lessee shall recognize any remaining amount of the remeasurement in profit or loss. ① change of in-substance fixed payments (subject to original discounting rate) ② change of amounts expected to be payable under residual value guarantees (subject to original discounting rate) ③ change of an index or a rate used for future lease payments (subject to revised discounting rate) ④ change in assessment of a buy option (subject to revised discounting rate) ⑤ change in assessment of a renew option or termination option or actual situation (subject to revised discounting rate).

## **29. Provision**

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.

## **30. Share-based payment**

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

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

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

## **31. Principle of recognition of revenue**

The company shall recognize revenue when (or as) the company satisfies a performance obligation by transferring a promised good or service to a customer. Goods are transferred when (or as) the customer obtains control of that asset, revenue shall be recognized.

If the contract includes two or more performance obligations, at the inception date of contract, the company shall allocate the transaction price to each performance obligation identified in the contract on a relative standalone selling price ratio basis and measure the revenue at the allocated transaction price to each performance.

The transaction price is the amount of consideration to which the company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The determined transaction price shall be limited to the extent where the maximum reversal amount of revenue recognized with the least possibility once the uncertainty related to the variable consideration is removed. The company shall recognize a refund liability if the entity receives consideration from a customer and expects to refund some or all of that consideration to the customer. Where a significant financing component exists in the contract, the transaction price shall be measured at the assumed price that the payment is made by cash as the client receive the control right of goods or services. The difference between the promised consideration and the cash selling price shall be amortized within the contract period at effective interest rate. The company need not take the financing component into the consideration if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

When the company transfers control of a good or service over time, it satisfies a performance obligation and recognizes revenue over time only if one of the following criteria is met, otherwise it shall be the performance obligation at a point in time.

- (1) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs
- (2) the company's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced
- (3) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date

If it is performance obligation over time, the company shall recognize the revenue in accordance with the progress of performance obligation and measure the progress based on input method. In the circumstances, the company may not be able to reasonably measure the progress of a performance obligation, but the company expects to recover the costs incurred in satisfying the performance obligation. In those circumstances, the entity shall recognize revenue only to the extent of the costs incurred until such time that it can reasonably measure the progress of the performance obligation.

It satisfies a performance obligation at a point in time when the control right of goods or services are received by the client, and revenue shall be recognized. Judging whether the client has received the control right, the following indicators shall be taken into account:

- (1) The entity has a present right to payment for the asset
- (2) The legal title to the asset has been transferred to the customer
- (3) The company has transferred physical possession of the asset to the client

- (4) The company has transferred the significant risks and rewards of ownership of an asset to the customer
- (5) The customer has accepted the goods or service

The right of receiving the consideration the company entitled to, as the goods or service have been transferred, shall be listed as contract asset and impairment provision shall be based on the expected credit loss. Unconditioned right of receiving the consideration shall be listed as receivable. The obligation shall be listed as contract liability where the company has received consideration, but services or goods not transferred to the customer.

### **32. Government grants**

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

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

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

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

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

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

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

- (1) If interest discount funds is given to the lending bank, and bank provides loans at a preferential interest rate to the group, the group's borrowing cost is measured at the actual amount received, according to the loan principal and the preferential interest rate, work out borrowing expense (or the fair value of the loan is taken as borrowing costs and work out the borrowing expense at effective interest rate. Any difference between the amount received and FV is recognized as deferred income. Deferred income is amortised by using effective interest rate method within the loan term period and offset borrowing expense).
- (2) If interest discount funds are given to the group directly, the preferential interest shall be offset the borrowing expense.

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

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

### **33. 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.

### 34. Lease

#### (1) Lease identification

Lease: A contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. At inception of a contract, the entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In order to confirm whether the right to control the use of an identified asset for a period of time has been conveyed, the Company assess whether the client in the contract has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use and has the right to direct the use of the identified asset during the period of using the identified asset.

For a contract that is, or contains several leases, the Company shall separate the contract and account each lease separately. The Company shall account for each lease component within the contract as a lease separately from non-lease components of the contract if the contract contains lease and non-lease components.

#### (2) As a lessee

##### 1) Recognition

At the commencement date, the Company as a lessee shall recognize a right-of-use asset and a lease obligation. Recognition and measurement of right-of-use asset and a lease obligation is referred to 23. Right-of -use asset and 29. Lease obligation

##### 2) Lease modification

Lease modification is a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term). Lease modification effective date is the date when both parties agree to a lease modification.

The company shall account for a lease modification as a separate lease if both condition are satisfied: ① the modification increases the scope of the lease by adding the right to use one or more underlying assets or extending the contractual lease term. ② the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope or the contractual lease term extension and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Company shall: allocate the consideration in the modified contract; determine the lease term of the modified lease and remeasure the lease liability by discounting the revised lease payments using a revised discount rate. The Company used the

interest rate implicit in the lease for the remainder of the lease term as discounting rate. The lessee's incremental borrowing rate at the effective date of the modification will be used if the interest rate implicit in the lease cannot be readily determined. The effect on above adjustments of lease liability shall be accounted respectively in accordance with the followings: ① decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The lessee shall recognize in profit or loss any gain or loss relating to the partial or full termination of the lease. ② making a corresponding adjustment to the right-of-use asset for all other lease modifications.

### 3) Short-term lease and low value asset lease

The Company has chosen not to recognize the short-term lease (lease term less than 12 months) and low value asset when it is single leased new asset (no more than 40k in amount). In this case, right-of-use asset and lease liability shall not be recognized and lease payment will be accounted directly in profit or loss or on the straight-line basis in profit or loss.

#### (3) As a lessor

Based on the assessment of (1) lease contract or lease contract contained, as a lessor, at the inception date, lease is classified as finance lease and operating lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Other lease is classified as an operating lease unless a finance lease.

Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are: ① the lease transfers ownership of the underlying asset to the lessee by the end of the lease term; ② the lessee has the option to purchase the underlying asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception date, that the option will be exercised; ③ the lease term is for the major part of the economic life of the underlying asset even if title is not transferred (not shorter than 75% of leased asset life); ④ at the inception date, the present value of the lease payments amounts to at least substantially all of the fair value of the underlying asset (not lower than 90% of leased asset FV); ⑤ the underlying asset is of such a specialized nature that only the lessee can use it without major modifications. Indicators of situations that individually or in combination could also lead to a lease being classified as a finance lease are: ① if the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee; ② gains or losses from the fluctuation in the fair value of the residual accrue to the lessee; ③ the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

#### 1) Financing lease

##### Initial measurement

At the commencement date, the Company shall recognize the lease payment receivable and derecognize of finance lease asset. When initially measuring the lease payment receivable, net lease investment value shall be used for the lease payment receivable.

Net lease investment value equals to the any residual value guarantees plus the PV of undue lease receivable discounted at the interest rate implicit in the lease. Lease receivable is that lessor conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration including ① fixed payments (including in-substance fixed payments) less

any lease incentives receivable;② variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;③ the exercise price of a purchase option if the lessee is reasonably certain to exercise that option ④ payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.⑤ amounts expected to be payable by the lessee, independent 3<sup>rd</sup> party relevant to the lessee with the economic ability to guarantee under residual value guarantees;

#### Subsequent measurement

The Company shall recognize interest income over the lease term based on a constant periodic rate, which is the implicit discounting rate of return on the lessor' s net investment in the lease.( if sublease applicable, implicit rate of sublease can not be determined, original discounting rate of lease shall be adopted after adjustment for initial direct expense relevant to sublease) or when finance lease modification is not accounted as an separate lease, adjusted discounting rate will be adopted for the lease since it is classified as finance lease assuming modification took effect at the commencement date of lease.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability and be recognized as in profit or loss unless its capitalization. A constant periodic rate of interest is the discounting rate used for initial measurement of lease liability, or revised discounting rate for lease liability remeasurement because of the lease payment or lease modification.

#### Lease modification

The company shall account for a finance lease modification as a separate lease if both condition are satisfied: ① the modification increases the scope of the lease by adding the right to use one or more underlying assets or extending the contractual lease term. ② the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope or the contractual lease term extension and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a finance lease modification that is not accounted for as a separate lease, if the lease would have been classified as an operating lease had the modification been in effect at the inception date, the lessor shall: account for the lease modification as a new lease from the effective date of the modification; and measure the carrying amount of the underlying asset as the net investment in the lease immediately before the effective date of the lease modification.

## 2) Operating lease

### Lease income

Lease payment received shall be recognized as lease income on a straight-line basis within the period.

### Incentive measures

If the lease-free period is provided, the company will allocate the total lease income in the whole lease period on the straight-line basis regardless of lease-free period, and the lease income shall be recognized during the rent-free period. If the company bears some expenses of the lessee, such expenses shall be deducted from the total lease income and the remaining balance of lease income after deducting expenses shall be allocated within the lease period.

### Initial direct expense

The Company shall add initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognize those costs as an expense over the lease term on the same basis as the lease income.

### Depreciation

The depreciation policy for depreciable underlying fixed assets subject to operating leases shall be consistent with the lessor's normal depreciation policy for similar assets. Amortization for other underlying assets subject to operating lease shall be on reasonable systematic basis.

### Variable lease payment

The variable lease payments obtained by the company related to operating leases, which are not included in the lease payment received, shall be included in the current profit and loss when actually incurred

### Operating lease modification

A lessor shall account for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

## (4) special lease

### sales and lease back

#### 1) as a seller and a lessee

In accordance with Revenue Standard-No.14 of Accounting Standards for Business Enterprises, the Company assesses whether the transfer of the asset is a sale. If the transfer of assets is not a sale, the Company shall continue to recognize the transferred assets and at the

same time recognize a financial liability equal to the transfer income, and recognize, measure the financial liability in accordance with the Recognition and Measurement of Financial Instruments Standard- No. 22 - Accounting Standards for Business Enterprises. If the transfer of assets is a sale, the Company shall measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Company. Accordingly, the Company shall recognize only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

2) as a buyer and a lessor

If the transfer of assets is not a sale, the Company shall not recognize the transferred asset and shall recognize a financial asset equal to the transfer proceeds. It shall account for the financial asset applying Recognition and Measurement of Financial Instruments Standard- No. 22 - Accounting Standards for Business Enterprises. If the transfer of assets is a sale, the Company shall account for the purchase of the asset applying applicable Standards.

### **35. Change of Significant Accounting Policy & Accounting Estimate**

(1) Change in significant accounting policies

In December 2018, the Ministry of Finance revised and issued the Accounting Standards for Business Enterprises No. 21 - Leases (Cai Kuai [2018] No. 35) (hereinafter referred to as the "New Lease Standards"). The relevant accounting standards have been adopted, and the processing has been carried out in accordance with the relevant connection regulations.

The Group adjusts the amount of retained earnings and other related items in the financial statements at the beginning of the year of initial implementation based on the cumulative impact of the initial implementation of the new lease standards, and does not adjust the comparable period information. For operating leases prior to the date of initial application, the Group measures the lease liability based on the present value of the remaining lease payments discounted at the incremental borrowing rate on the date of initial application, and for all leases at an amount equal to the lease liability and based on prepaid rent make necessary adjustments to measure the right-of-use asset.

The Group's implementation of the new lease standards has no impact on the balance sheet as of January 1, 2021.

(2) Change in significant accounting estimates

Since January 1, 2019, the Group has implemented the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets, and Accounting Standards for Business Enterprises newly revised by the Ministry of Finance. No. 24 - Hedging" and "Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments" ("New Financial Instrument Standards"), in order to more reasonably

reflect the credit risk of current and future receivables influenced by the company's financial status and operating results, the Group calculates the “age migration rate” and “expected credit loss rate” based on historical data, and re-calculates the “expected credit loss rate” based on the impact of the industry environment, economic environment and forward-looking information. Evaluate. According to the “Accounting Standards for Business Enterprises No. 28 - Accounting Policies, Changes in Accounting Estimates, and Correction of Errors”, this change in accounting estimates adopts the prospective application method and will not have any impact on the financial position and operating results of the Group in previous years.

Major changes:

Expected credit loss rate of receivables:

Aging	Proportion before change	Proportion after change
Within 1 year	1.00%	5.00%
1-2 years	5.00%	10.00%
2-3 years	20.00%	20.00%
3-4years	40.00%	50.00%
4-5years	60.00%	80.00%
Over 5 years	100.00%	100.00%

Expected credit loss rate of other receivables:

Aging	Proportion before change	Proportion after change
Within 1 year	2.00%	5.00%
1-2 years	10.00%	10.00%
2-3 years	20.00%	20.00%
3-4years	40.00%	50.00%
4-5years	50.00%	80.00%
Over 5 years	100.00%	100.00%

Contents of changes in accounting estimates	Impact of changes in accounting estimates on total profit for the year
Change expected credit loss rate	40,238,707.02
<b>Total</b>	<b>40,238,707.02</b>

## 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	13%,9%,6%,5%
City construction tax	Value-added tax payables	7%
Education surcharge	Value-added tax payables	3%
Local education surcharge	Value-added tax payables	2%
Enterprise income tax(EIT)	Current period taxable profit	15% or 25%
Real estate tax	70% of cost of own property or revenue from leasing property	1.2% or 12%
Land use tax	Land using right area	RMB 6 per square meter

Notes: EIT rate for different tax payer

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

2. Tax preference

The company obtained the qualification of high and new technology enterprises at 3 December, 2020. The Certificate No is GR202021200656, and the validity duration is three years. The subsidiary of the Company, Wazhou Liaoyang Bearing construction Co.,Ltd obtained the qualification of high and new technology enterprises at 15 September, 2020. The Certificate No is GR202021000550 and the validity duration is three years. According to the tax law, the company can be granted for the preferential tax policy of enterprise income tax rate of 15% in three years.

## VII. Notes to Consolidated Financial Statements

The following disclosure date on this financial statement without special indication, “opening” refers to January 1, 2021; “closing” refers to December 31, 2021; “current period” refers to the period from January 1, 2021 to December 31, 2021; and “last period” refers to the period from January 1, 2020 to December 31, 2020; with the currency unit RMB.

### 1. Cash and cash in bank

Item	Closing Balance	Opening Balance
Cash on hand	8,510.17	33,102.75
Cash in bank	209,839,386.25	163,695,697.22
Other cash and cash equivalents	76,628,805.27	30,423,480.11
<b>Total</b>	<b>286,476,701.69</b>	<b>194,152,280.08</b>

Notes: At year end, other cash and cash equivalents are all security deposits for bank acceptance notes.

### 2. Tradable financial asset

Item	Closing Balance	Opening Balance
Financial asset measured at fair value through P&L	322,037.93	228,046.00
Debt instrument investment	-	-
Equity instrument investment	322,037.93	228,046.00
Others	-	-
<b>Total</b>	<b>322,037.93</b>	<b>228,046.00</b>

### 3. Notes receivable

#### (1) Category of notes receivable

Items	Closing Balance	Opening Balance
Bank acceptance notes	445,227,090.19	284,965,612.20
Trade acceptance notes	62,744,043.50	131,078,966.28
<b>Total</b>	<b>507,971,133.69</b>	<b>416,044,578.48</b>

#### (2) Pledged notes receivable up to the end of year.

Items	Closing pledged amount
Bank acceptance notes	-
Trade acceptance notes	19,291,502.14
<b>Total</b>	<b>19,291,502.14</b>

## (3) 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	-	410,523,547.54
Trade acceptance notes	-	39,124,045.76
<b>Total</b>	-	<b>449,647,593.30</b>

## (4) Transfer to receivable as the drawer's default of performance of obligation

At the year end, notes receivable transferred to receivable is 1,930,000.00 Yuan in total.

## (5) Bad debt provision of notes receivable accrued, collected and reversed

Category	Opening balance	Change during the year			Closing Balance
		Accrued	Collected/reversed	Written-off	
Portfolio of trade acceptance notes from non-related party	6,351,580.59	81,894.01	3,454,940.73	-	-
<b>Total</b>	<b>6,351,580.59</b>	<b>81,894.01</b>	<b>3,454,940.73</b>	-	-

## 4. Accounts receivable

## (1) Category of accounts receivable

Items	Closing Balance				
	Booking balance		Provision		Booking value
	Amount	%	Amount	%	
Accounts receivable with individual bad debt provision	87,004,581.38	7.56	87,004,581.38	100.00	-
Accounts receivable with bad debt provision based on the characters of credit risk portfolio	1,064,444,421.51	92.44	64,990,113.11	—	999,454,308.40
-Aging portfolio	889,978,615.10	77.29	64,990,113.11	7.30	824,988,501.99
-Related party	174,465,806.41	15.15	-	-	174,465,806.41

Items	Closing Balance				Booking value
	Booking balance		Provision		
	Amount	%	Amount	%	
portfolio					
<b>Total</b>	<b>1,151,449,002.89</b>	<b>100.00</b>	<b>151,994,694.49</b>	<b>—</b>	<b>999,454,308.40</b>

(Continued)

Items	Opening Balance				Booking value
	Booking balance		Provision		
	Amount	%	Amount	%	
Accounts receivable with individual bad debt provision	73,132,754.28	6.79	73,132,754.28	100.00	-
Accounts receivable with bad debt provision based on the characters of credit risk portfolio	1,004,373,533.99	93.21	28,745,442.87	—	975,628,091.12
-Aging portfolio	723,934,304.67	67.19	28,745,442.87	3.97	695,188,861.80
-Related party portfolio	280,439,229.32	26.03	-	-	280,439,229.32
<b>Total</b>	<b>1,077,506,288.27</b>	<b>100.00</b>	<b>101,878,197.15</b>	<b>—</b>	<b>975,628,091.12</b>

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

Debtors name	Closing Balance		Proportion (%)	Reasons for provision
	Accounts receivable	Provision for bad debts		
Wazhou Group Special Steel Co., Ltd	5,092,669.00	5,092,669.00	100.00	bankrupt
Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd	4,093,012.86	4,093,012.86	100.00	uncollectable
Liaoning Yinheng Galvanized Colored Coated Steel Sheet Co. Ltd	3,213,308.67	3,213,308.67	100.00	uncollectable
Shandong Hengji New Materials Co., Ltd	2,284,666.96	2,284,666.96	100.00	uncollectable
Shandong Yuanda Board Technology Co., Ltd	1,804,722.77	1,804,722.77	100.00	uncollectable
HBIS Company Limited Handan Branch	1,608,611.42	1,608,611.42	100.00	uncollectable

Debtors name	Closing Balance		Proportion (%)	Reasons for provision
	Accounts receivable	Provision for bad debts		
An Gang steel Co.,Ltd	1,595,050.69	1,595,050.69	100.00	uncollectable
Bazhou Tianli Tube Co., Ltd	1,325,600.76	1,325,600.76	100.00	uncollectable
Zhejiang Yesheng New Material Co. Ltd	1,301,760.00	1,301,760.00	100.00	uncollectable
Yingkou Iron & Steel Co. Ltd	1,256,973.91	1,256,973.91	100.00	uncollectable
Heilongjiang Longmei Logistics Co., Ltd	1,192,070.49	1,192,070.49	100.00	uncollectable
Sinosteel Xi'an Heavy Machinery Co., Ltd	1,065,321.47	1,065,321.47	100.00	uncollectable
Shantui Construction Machinery Co., Ltd	1,047,576.65	1,047,576.65	100.00	uncollectable
HenanTaihang Vibration Machinery Co., Ltd	989,207.41	989,207.41	100.00	uncollectable
Donghai New Material Co. Ltd	942,558.20	942,558.20	100.00	uncollectable
Heilongjiang Longmei Logistics Co., Ltd	942,070.49	942,070.49	100.00	uncollectable
Shanghai Jieru Heavy Industry Mechanical Equipment Co., Ltd	923,603.80	923,603.80	100.00	uncollectable
Tangshan Guofeng Iron and Steel Co. LTD	883,297.41	883,297.41	100.00	uncollectable
Jilin Chengzhong Auto Parts Co., Ltd	872,874.22	872,874.22	100.00	uncollectable
Shandong Changhua Machinery Technology Co., Ltd	846,943.06	846,943.06	100.00	uncollectable
Heilongjiang Longmei Hongtai International Trade Co., Ltd	835,000.00	835,000.00	100.00	uncollectable
China Second Heavy Machinery Group (Deyang) Wanxin Engineering Equipment Co. Ltd	795,887.92	795,887.92	100.00	uncollectable
Benxi Beiyang Steel (Group) Co. Ltd	775,804.98	775,804.98	100.00	uncollectable
Bengang Steel Plates Co., Ltd	770,000.00	770,000.00	100.00	uncollectable
Materials Branch of NHI	739,585.80	739,585.80	100.00	uncollectable
Shandong Yuntong New Material Technology Co. Ltd	711,438.94	711,438.94	100.00	uncollectable
Dongfeng Transmission Co.,Ltd	704,098.23	704,098.23	100.00	uncollectable
Shanghai Weiqiang Heavy Industry Mechanic Co.,Ltd	673,595.42	673,595.42	100.00	uncollectable
Dalian Tianyuan Motor Co.,Ltd	666,383.31	666,383.31	100.00	uncollectable
Shaanxi Hande Axle Co., Ltd. Xi'an Branch	644,075.33	644,075.33	100.00	uncollectable
Dandong Shuguang Heavy Axle Co., Ltd	642,833.42	642,833.42	100.00	uncollectable

Debtors name	Closing Balance		Proportion (%)	Reasons for provision
	Accounts receivable	Provision for bad debts		
Hangzhou Advance Gearbox Group Co., Ltd	634,135.81	634,135.81	100.00	uncollectable
Wolong Electric Huai 'an Qingjiang Motor Co. Ltd	598,873.78	598,873.78	100.00	uncollectable
Xingtai Iron and Steel Co., Ltd	590,148.98	590,148.98	100.00	uncollectable
Qinghai Lufeng New Material Co., Ltd	525,743.44	525,743.44	100.00	uncollectable
Shandong Guanzhou Co., Ltd	523,387.16	523,387.16	100.00	uncollectable
Xi 'an Zhuoshibo Hydraulic Engineering Co., Ltd	514,938.87	514,938.87	100.00	uncollectable
Dongfeng Commercial Vehicle Co., Ltd	486,019.87	486,019.87	100.00	uncollectable
Gaotang Lvyin Environmental Protection Technology Co. Ltd	477,691.81	477,691.81	100.00	uncollectable
Mudanjiang Reduction Gears Factory	467,905.65	467,905.65	100.00	uncollectable
Hejin Hongda Special Steel Co., Ltd	466,523.00	466,523.00	100.00	uncollectable
Factory 07-256	460,854.77	460,854.77	100.00	uncollectable
Beijing Jingcheng Star Technology Development Co., Ltd	450,000.00	450,000.00	100.00	uncollectable
Hunan Chaoyang Mechanic & Electric Co.,Ltd	446,627.60	446,627.60	100.00	uncollectable
Liaoyang Sudong Trade Co.,Ltd	444,946.96	444,946.96	100.00	uncollectable
Shandong Huali Motor Group Suzhou Manufacturing Co., Ltd	442,919.83	442,919.83	100.00	uncollectable
XEMC	416,549.65	416,549.65	100.00	uncollectable
Shenji Group Kunming Machine Tool Co., Ltd	406,076.68	406,076.68	100.00	uncollectable
Xuzhou Xugong Material Supply Co., Ltd	374,629.55	374,629.55	100.00	uncollectable
Baoji Zhongyi Industry and Trade Co. Ltd	374,594.68	374,594.68	100.00	uncollectable
Boshan Motor Group Co.,Ltd	373,700.65	373,700.65	100.00	uncollectable
Qingdao Shuangxing Tire Industry Co. Ltd	371,251.58	371,251.58	100.00	uncollectable
Shandong Quanlin Group Co. Ltd	370,734.92	370,734.92	100.00	uncollectable
Liaohu Mechanic Co.,Ltd	362,280.30	362,280.30	100.00	uncollectable
Yangzhou Hengrun Marine Heavy Industry Co., Ltd	362,006.00	362,006.00	100.00	uncollectable
Nanjing Astronomical Light of the National Astronomical Observatory of the Chinese Academy of Sciences	352,660.01	352,660.01	100.00	uncollectable

Debtors name	Closing Balance		Proportion (%)	Reasons for provision
	Accounts receivable	Provision for bad debts		
Tai'an Tianhua Economic and Trade Co., Ltd	346,554.01	346,554.01	100.00	uncollectable
Guanxian Hongshun Composite Materials Co., Ltd	343,820.00	343,820.00	100.00	uncollectable
Yichang Guocheng Coating Plate Co., Ltd	339,600.00	339,600.00	100.00	uncollectable
Pingdingshan Tianan Coal Industry Co., Ltd	334,919.73	334,919.73	100.00	uncollectable
Langfang Shenhua Industry and Trade Co., Ltd	322,645.16	322,645.16	100.00	uncollectable
Hengfengtai Precision Machinery Co., Ltd	318,948.38	318,948.38	100.00	uncollectable
Shandong Tancheng Xinya Light Industry Machinery Co. Ltd	318,488.87	318,488.87	100.00	uncollectable
Northeast Special Steel Group Beiman Special Steel Co. Ltd	315,004.72	315,004.72	100.00	uncollectable
Taicang Hu Tai Chang' e Paper Equipment Co. Ltd	310,361.32	310,361.32	100.00	uncollectable
Shaanxi Hande Axle Co., Ltd	309,157.59	309,157.59	100.00	uncollectable
Shandong Quanlin Straw Utilization Co. Ltd	307,409.46	307,409.46	100.00	uncollectable
Harbin Hakuo Electric Power Technology Co. Ltd	303,005.32	303,005.32	100.00	uncollectable
Hebei Jinxi Iron & Steel Group Co. Ltd	298,307.04	298,307.04	100.00	uncollectable
Minmetals Yingkou Medium Plate Co., Ltd	294,407.32	294,407.32	100.00	uncollectable
Zhongcai Zibo Heavy Machinery Co. Ltd	293,817.58	293,817.58	100.00	uncollectable
Sichuan Ningjiang Shanchuan Machinery Co., Ltd	288,157.60	288,157.60	100.00	uncollectable
Ningbo Fan Co., Ltd	287,783.07	287,783.07	100.00	uncollectable
Jiangsu Xinrui Gear System Co. Ltd	286,949.88	286,949.88	100.00	uncollectable
Erzhong Group (Deyang) Jingheng Transmission Equipment Co., Ltd	286,935.03	286,935.03	100.00	uncollectable
Siemens Electric Motor (China) Co., Ltd	284,110.82	284,110.82	100.00	uncollectable
Taiyuan Heavy Industry Co., Ltd	275,596.93	275,596.93	100.00	uncollectable
Shandong Guanpeng Latten Co.,Ltd	273,748.84	273,748.84	100.00	uncollectable
Baotou Tianlihanfa Mechanic & Electric Co.,Ltd	273,597.67	273,597.67	100.00	uncollectable
Anhui Jianghuai Automobile Group Co., Ltd. Light Commercial Vehicle Branch	264,521.67	264,521.67	100.00	uncollectable

Debtors name	Closing Balance		Proportion (%)	Reasons for provision
	Accounts receivable	Provision for bad debts		
Hejin Huaxinyuan Iron and Steel Co., Ltd	255,598.00	255,598.00	100.00	uncollectable
Tangshan Huahang Electromechanical Innovation Equipment Co., Ltd	247,147.40	247,147.40	100.00	uncollectable
Jinzhai Pengfei Steel Structure Steel Frame Engineering Co., Ltd	246,400.00	246,400.00	100.00	uncollectable
Harbin Railway Bureau Industrial Office Harbin Locomotive	245,268.09	245,268.09	100.00	uncollectable
Zhibo Boshanqianjin Reduction Gears Co.,Ltd o. Ltd	244,579.32	244,579.32	100.00	uncollectable
Yanggu Dangyu Sheet Co., Ltd	243,280.00	243,280.00	100.00	uncollectable
Tonghua Iron & Steel Co. Ltd	240,568.39	240,568.39	100.00	uncollectable
Shijiazhuang Qiangda Slurry Pump Co.,Ltd	238,749.98	238,749.98	100.00	uncollectable
Inner Mongolia Hongji Technology New Energy Co., Ltd	231,610.81	231,610.81	100.00	uncollectable
Yichang jiandao trade co., Ltd	226,995.16	226,995.16	100.00	uncollectable
Taizhong Coal Machine Co.,Ltd	215,142.12	215,142.12	100.00	uncollectable
Qinhuangdao Shouqin Metal Material Co. Ltd	213,911.48	213,911.48	100.00	uncollectable
Liaoning Renda Equipment Technology Co., Ltd	211,464.69	211,464.69	100.00	uncollectable
Chongqing Iron Horse Industry Group Co., Ltd	211,196.98	211,196.98	100.00	uncollectable
SAIC IVECO Hongyan Commercial Vehicle Co., Ltd	210,860.60	210,860.60	100.00	uncollectable
Fujian Wuhang Stainless Steel Products Co., Ltd	202,936.71	202,936.71	100.00	uncollectable
Taizhou Luqiaomei Motor Car Co.,Ltd	200,562.00	200,562.00	100.00	uncollectable
Tianjin Rongtai Advanced Composite Material Co.,Ltd	200,000.00	200,000.00	100.00	uncollectable
Hebei Wenfeng Iron & Steel Co. Ltd	197,979.65	197,979.65	100.00	uncollectable
Suzhou Zhanwang Mechanic & Electric Co.,Ltd	192,173.26	192,173.26	100.00	uncollectable
Zhucheng Shuguang Axle Co., Ltd	191,824.38	191,824.38	100.00	uncollectable
Hejin Hongda Special Steel Co., Ltd	190,850.01	190,850.01	100.00	uncollectable
Guangzhou Motor Co.,Ltd	189,128.68	189,128.68	100.00	uncollectable
Jiangsu Xuzhou Forging Machine Tool Factory Group Co., Ltd	188,906.34	188,906.34	100.00	uncollectable

Debtors name	Closing Balance		Proportion (%)	Reasons for provision
	Accounts receivable	Provision for bad debts		
Hubei Wazhou Xinsheng Technology Co., Ltd	188,136.00	188,136.00	100.00	uncollectable
Hanbang (Jiangyin) Petrochemical Co., Ltd	187,499.99	187,499.99	100.00	uncollectable
Handan Sida Electric Co., Ltd	186,191.80	186,191.80	100.00	uncollectable
Inner Mongolia Jitong Railway (Group) Co., Ltd	185,172.55	185,172.55	100.00	uncollectable
Nanjing Light Industry Machinery Factory	185,079.54	185,079.54	100.00	uncollectable
Jiangsu Suye Heavy Machinery Manufacturing Co. LTD	184,530.46	184,530.46	100.00	uncollectable
Shanghai Sule Textile Machinery Co., LTD	176,984.10	176,984.10	100.00	uncollectable
Shijiazhuang Electric Machinery Co., Ltd	172,543.31	172,543.31	100.00	uncollectable
Xuzhou Zhongcai Equipment Heavy Machinery Co. Ltd	170,930.05	170,930.05	100.00	uncollectable
Taiyuan Tongze Heavy Industry Co., Ltd	170,178.79	170,178.79	100.00	uncollectable
Shenyang Sanming Heavy Industry Machinery Co., Ltd	164,107.39	164,107.39	100.00	uncollectable
Xuzhou Meichi Vehicle and Bridge Co., Ltd	163,037.45	163,037.45	100.00	uncollectable
Shanghai Zhongli Machinery Manufacturing Co., Ltd	161,388.95	161,388.95	100.00	uncollectable
Siping Blower Co., Ltd	160,053.21	160,053.21	100.00	uncollectable
Anyang Coal Mine Electrical Machinery Factory	159,537.60	159,537.60	100.00	uncollectable
Xiangdian Heavy Equipment Co., Ltd	158,854.17	158,854.17	100.00	uncollectable
Zhongshan Weite Motor Co., Ltd	158,593.79	158,593.79	100.00	uncollectable
Shanxi Electric Machinery Factory	158,021.97	158,021.97	100.00	uncollectable
Nanjing Iron and Steel Co., Ltd	156,451.09	156,451.09	100.00	uncollectable
Hubei Quanli Machinery Group Co. Ltd	152,489.82	152,489.82	100.00	uncollectable
Anshan Iron and Steel Machinery Development Metallurgical Electric Appliance Repair Factory	150,734.55	150,734.55	100.00	uncollectable
Wuxi Yutong Bearing Co., Ltd	149,427.42	149,427.42	100.00	uncollectable
Wafangdian Hongda Constant Velocity Joint Manufacturing Co., Ltd	148,466.32	148,466.32	100.00	uncollectable
Xinxiang Risheng CNC Bearing Equipment Co., Ltd	141,953.78	141,953.78	100.00	uncollectable

Debtors name	Closing Balance		Proportion (%)	Reasons for provision
	Accounts receivable	Provision for bad debts		
Yixing Chaoqun Machinery Equipment Co., Ltd	138,484.00	138,484.00	100.00	uncollectable
Shandong Maiteli Heavy Machinery Co., Ltd	137,806.10	137,806.10	100.00	uncollectable
Dalian Hongyun Transmission Technology Development Co., Ltd	135,433.03	135,433.03	100.00	uncollectable
Anhui Anfeng Fan Co., Ltd	131,355.36	131,355.36	100.00	uncollectable
Shanghai Sule Textile Machinery Co., Ltd	126,752.70	126,752.70	100.00	uncollectable
Shenyang Qunding Machinery Equipment Co., Ltd	126,286.35	126,286.35	100.00	uncollectable
Tangshan Dunshi Machinery Manufacturing Co. Ltd	124,474.60	124,474.60	100.00	uncollectable
Nantong Hengrong Machine Pump Factory Co. Ltd	123,407.18	123,407.18	100.00	uncollectable
Guangxi Tianyang Huamei Paper Co. Ltd	122,629.00	122,629.00	100.00	uncollectable
Hubei Tongfang High-tech Pump Co., Ltd	121,727.00	121,727.00	100.00	uncollectable
Shaoyang Textile Machinery Co., Ltd	121,665.02	121,665.02	100.00	uncollectable
Harbin First Machinery Manufacturing Group Co., Ltd	121,033.33	121,033.33	100.00	uncollectable
Yangmei Xinzhou General Machinery Co., Ltd	120,447.88	120,447.88	100.00	uncollectable
Anhui Fuma Auto Parts Group Co., Ltd	119,386.14	119,386.14	100.00	uncollectable
Zibo Geer Gear Co., Ltd	115,538.40	115,538.40	100.00	uncollectable
Wuxi Shangji Numerical Control Co., Ltd	114,412.20	114,412.20	100.00	uncollectable
China Nonferrous Metals (Shenyang) Metallurgical Machinery Co., Ltd	114,132.29	114,132.29	100.00	uncollectable
Nantong Electric Machinery Factory	113,634.74	113,634.74	100.00	uncollectable
Shanghai Yaotai Engineering Technology Co., Ltd	113,054.61	113,054.61	100.00	uncollectable
Qinhuangdao Huaye Motor Co., Ltd	111,564.44	111,564.44	100.00	uncollectable
Beijing Institute of Machinery Industry Automation	111,484.00	111,484.00	100.00	uncollectable
Shandong Baoding Coal Coking Co. Ltd	110,528.29	110,528.29	100.00	uncollectable
Shenyang SAIC Jinbei Automobile Transmission Co. Ltd	109,908.15	109,908.15	100.00	uncollectable
Dalian Dalma Motor Co., Ltd	109,553.86	109,553.86	100.00	uncollectable
Huinan Steel Rolling Co., Ltd	108,910.23	108,910.23	100.00	uncollectable

Debtors name	Closing Balance		Proportion (%)	Reasons for provision
	Accounts receivable	Provision for bad debts		
Tongchuan Explosion-Proof Electric Machine Factory	105,476.07	105,476.07	100.00	uncollectable
Chongqing Jiangbei Machinery Co., Ltd	104,775.61	104,775.61	100.00	uncollectable
Fujian Nandian Electric Co., Ltd	101,940.70	101,940.70	100.00	uncollectable
Others	14,647,628.80	14,647,628.80	100.00	Bankrupt or uncollectable
<b>Total</b>	<b>87,004,581.38</b>	<b>87,004,581.38</b>	—	—

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

Aging	Closing Balance		
	Accounts receivable	Provision for bad debts	Proportion (%)
Within 1 year	721,909,610.98	36,095,517.80	5.00
1-2 years	132,196,372.73	13,219,637.27	10.00
2-3 years	17,808,640.63	3,561,728.11	20.00
3-4years	8,614,632.05	4,307,316.02	50.00
4-5years	8,217,223.98	6,573,779.19	80.00
Over 5 years	1,232,134.73	1,232,134.73	100.00
<b>Total</b>	<b>889,978,615.10</b>	<b>64,990,113.11</b>	—

## (2) Category of accounts receivable listed by age

Aging	Closing Balance
Within 1 year	862,920,154.04
1-2 years	213,779,196.18
2-3 years	21,417,496.30
3-4years	14,967,320.03
4-5years	12,583,629.66
Over 5 years	25,781,206.68
<b>Total</b>	<b>1,151,449,002.89</b>

## (3) Bad debt provision of current period

Category	Opening balance	Change during the year
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		<b>Accrued</b>	<b>Other increase</b>
Provision for bad debt	101,878,197.15	61,660,610.09	-
<b>Total</b>	<b>101,878,197.15</b>	<b>61,660,610.09</b>	<b>-</b>

(Continued)

Category	Change during the year		Closing Balance
	Collect/carry over	Written-off	
Provision for bad debt	1,233,607.41	10,310,505.34	151,994,694.49
<b>Total</b>	<b>1,233,607.41</b>	<b>10,310,505.34</b>	<b>151,994,694.49</b>

(4) Accounts receivable written off in current period

Item	Written-off Amount
Accounts receivable written off	11,949,253.84

Significant amount written off

Company name	Nature of receivable	Amount	Reason	Procedure to be performed	Caused by related party
Shenyang Zhongjie Boring and Milling Machine Co., Ltd	Trade payment	1,742,825.06	Unable to recover	Internal approval	N
Sichuan Southwest Stainless Steel Co., Ltd	Trade payment	1,241,333.17	Unable to recover	Internal approval	N
Qiqihar Second Machine Tool (Group) Co., Ltd	Trade payment	551,450.03	Unable to recover	Internal approval	N
Guangzhou Material Supply Section of China Railway Guangzhou Bureau Group Co., Ltd	Trade payment	336,005.35	Unable to recover	Internal approval	N
Jiamusi Electric Co., Ltd	Trade payment	334,739.22	Unable to recover	Internal approval	N
Shenyang Machine Tool (Group) Co., Ltd. Precision CNC Machine Tool Branch	Trade payment	313,009.17	Unable to recover	Internal approval	N
Baoji Loyalty Machine Tool Co., Ltd	Trade payment	262,901.24	Unable to recover	Internal approval	N
Jiangsu Dazhong Electric Co., Ltd	Trade payment	258,003.88	Unable to recover	Internal approval	N
Korla Railway Material Supply Section	Trade payment	256,044.10	Unable to recover	Internal approval	N

Company name	Nature of receivable	Amount	Reason	Procedure to be performed	Caused by related party
Indonesia CV.SIDO Company	Trade payment	243,676.52	Unable to recover	Internal approval	N
Zhuzhou Gear Co., Ltd	Trade payment	243,504.36	Unable to recover	Internal approval	N
Shenyang Jingxin Remanufacturing Co., Ltd	Trade payment	236,705.64	Unable to recover	Internal approval	N
CRRC Shenyang Rolling Stock Co., Ltd	Trade payment	205,205.81	Unable to recover	Internal approval	N

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

Debtors name	Closing Balance	Age	Proportion of receivable (%)	Provision closing balance
Wazhou Group Precision Roller Co., Ltd	88,974,982.32	Within 1 year	7.73	-
CRRC Logistics Co., Ltd	52,160,045.86	Within 1 year	4.53	2,608,002.29
ZWZ Group (USA) Bearing Co., Ltd	34,065,432.06	Within 1 year	2.96	-
Wafangdian Bearing Group Precision Bearing Co., Ltd	28,599,541.22	Within 1 year	2.48	-
Guangzhou Railway Materials Co., Ltd	19,061,595.05	Within 1 year	1.66	953,079.75
<b>Total</b>	<b>222,861,596.51</b>	—	<b>19.36</b>	<b>3,561,082.04</b>

(6) Derecognized receivable due to financial asset transfer: No.

(7) Transferred receivable but continuously involved financial asset, liability: No.

## 5. Financing receivable

Items	Closing Balance	Opening Balance
Bank acceptance notes	28,115,340.20	72,593,534.75
Trade acceptance notes	-	58,007,010.84
<b>Total</b>	<b>28,115,340.20</b>	<b>130,600,545.59</b>

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

Items	Closing amount no more recognized	Closing amount still recognized
Bank acceptance notes	187,398,008.66	-
Trade acceptance notes	-	-
<b>Total</b>	<b>187,398,008.66</b>	<b>-</b>

## 6. Prepayment

## (1) Aging of advances to suppliers

Items	Closing Balance		Opening Balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	45,584,745.37	98.44	52,189,932.41	97.06
1 to 2 years	661,075.82	1.43	1,297,764.53	2.41
2 to 3 years	59,879.31	0.13	284,768.55	0.53
<b>Total</b>	<b>46,305,700.50</b>	<b>100.00</b>	<b>53,772,465.49</b>	<b>100.00</b>

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

Items	Closing Balance	Age	Proportion of receivable (%)
Jianlong Beiman Special Steel Co., Ltd.	5,477,675.48	Within 1 year	11.83
Xining Special Steel Co.,Ltd	5,474,091.70	Within 1 year	11.82
Liaoning North Metal Supply Chain Co.,Ltd	5,000,000.00	Within 1 year	10.80
Daye Special Steel co.,Ltd	2,907,503.17	Within 1 year	6.28
Fushun Special Steel Co., Ltd	2,764,300.45	Within 1 year	5.97
<b>Total</b>	<b>21,623,570.80</b>	—	<b>46.70</b>

## 7. Other receivables

Items	Closing Balance	Opening Balance
Interest receivable	-	-
Dividend receivable	-	-
Other receivable	9,531,860.12	14,204,144.25
<b>Total</b>	<b>9,531,860.12</b>	<b>14,204,144.25</b>

## (1) Other receivable

## 1) The categories of other receivable by nature

Nature	Closing Balance	Opening Balance
Security deposit	4,603,536.29	7,068,534.40
Deposit	157,560.00	394,780.42
Personal petty cash	95,518.64	130,312.99
Others	13,782,960.20	13,780,212.00
<b>Total</b>	<b>18,639,575.13</b>	<b>21,373,839.81</b>

## 2) Categories of other receivable

Items	Closing Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Other receivables with individual bad debt provision	6,212,666.84	33.33	6,212,666.84	100.00	-
Other receivables identified bad debt provision based on the characters of credit risk portfolio	12,426,908.29	66.67	2,895,048.17	—	9,531,860.12
Account receivable aging portfolio	7,721,348.32	41.42	2,895,048.17	37.00	4,826,300.15
Risk-free portfolio	4,655,780.58	24.98	-	-	4,655,780.58
Related party portfolio	49,779.39	0.27	-	-	49,779.39
<b>Total</b>	<b>18,639,575.13</b>	<b>100.00</b>	<b>9,107,715.01</b>	<b>—</b>	<b>9,531,860.12</b>

(Continued)

Items	Opening Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Other receivables with individual bad debt provision	4,793,248.47	22.43	4,793,248.47	100.00	-
Other receivables identified bad debt provision based on the characters of credit risk portfolio	16,580,591.34	77.57	2,376,447.09	—	14,204,144.25
Account receivable aging portfolio	10,901,011.62	51.00	2,376,447.09	21.80	8,524,564.53
Risk-free portfolio	5,659,325.27	26.48	-	-	5,659,325.27
Related party portfolio	20,254.45	0.09	-	-	20,254.45
<b>Total</b>	<b>21,373,839.81</b>	<b>100.00</b>	<b>7,169,695.56</b>	<b>—</b>	<b>14,204,144.25</b>

(3) Categories of other receivable

Provision for bad debt	1 <sup>st</sup> stage	2 <sup>nd</sup> stage	3 <sup>rd</sup> stage	Total
	Expected credit loss within following 12 months	Expected credit loss within life time (unimpaired)	Expected credit loss within life time (impaired)	
Balance on January 1, 2021	-	-	7,169,695.56	7,169,695.56
On January 1, 2021				
Other receivable carrying amount on the book	—	—	—	—
--transfer to 2 <sup>nd</sup> stage	-	-	-	-
-- transfer to 3 <sup>rd</sup> stage	-	-	-	-
--reverse to 2 <sup>nd</sup> stage	-	-	-	-
--reverse to 1 <sup>st</sup> stage	-	-	-	-

Provision for bad debt	1 <sup>st</sup> stage	2 <sup>nd</sup> stage	3 <sup>rd</sup> stage	Total
	Expected credit loss within following 12 months	Expected credit loss within life time (unimpaired)	Expected credit loss within life time (impaired)	
Accrued	-	-	2,288,502.10	2,288,502.10
Reversed	-	-	232,287.89	232,287.89
Recollected	-	-	-	-
Written off	-	-	118,194.76	118,194.76
Others	-	-	-	-
Balance on December 31, 2021	-	-	9,107,715.01	9,107,715.01

## (4) Other receivables listed by aging

Aging	Closing Balance
Within 1 year (including 1year)	8,533,992.78
1-2 years	1,384,966.15
2-3 years	282,226.99
3-4years	1,926,289.81
4-5years	165,000.00
Over 5 years	6,347,099.40
<b>Total</b>	<b>18,639,575.13</b>

## (5) Bad debt provision accrued or reversed

Category	Opening balance	Change during the year			Closing Balance
		Accrued	Collected/ reversed	Written-off	
Provision for bad debt	7,169,695.56	2,288,502.10	232,287.89	118,194.76	9,107,715.01
<b>Total</b>	<b>7,169,695.56</b>	<b>2,288,502.10</b>	<b>232,287.89</b>	<b>118,194.76</b>	<b>9,107,715.01</b>

## (6) Other receivables from the top 5 debtors

Name	Category	Closing Balance	Aging	% of the total OR	Closing Balance of Provision
Liaoning Power Co.,Ltd	Electric Supply Prepay bill	3,919,218.98	Within 1 year	21.03	-
Benxi Steel Co., Ltd	Steel Plate Prepayments of Materials	1,280,000.00	Over 5 years	6.87	1,280,000.00
Luoyang Zhongzhu Casting Plant	Prepayments of Materials	723,598.86	Over 5 years	3.88	723,598.86
Beijing Guangzhengxing Energy Technology Development Co., Ltd	Prepayments of Materials	320,940.17	3-4 years Over 5 years	1.72	320,940.17
Ansteel Supply and Marketing Company	Prepayments of Materials	319,694.17	Over 5 years	1.72	319,694.17
<b>Total</b>	—	<b>6,563,452.18</b>	—	<b>35.22</b>	<b>2,644,233.20</b>

(7) Other receivable written off in current period: 118,194.76 Yuan.

(8) Government grant involved receivable: No.

(9) Other receivable derecognized due to financial asset: No.

(10) Transferred other receivable but continuously involved financial asset or liability: No.

## 8. Inventories

## (1) Categories of inventories

Items	Closing Balance		
	Book value	Provision for decline	Net book value
Raw materials	57,373,892.68	6,066,317.93	51,307,574.75
WIP	-	-	-
Finished goods	635,794,071.69	139,762,806.19	496,031,265.50
Goods on transit	13,657,527.28	-	13,657,527.28
Semi-finished goods	161,638,949.72	13,872,799.81	147,766,149.91
Low-value consumable	1,849,446.76	-	1,849,446.76
<b>Total</b>	<b>870,313,888.13</b>	<b>159,701,923.93</b>	<b>710,611,964.20</b>

(Continue)

Items	Opening Balance		
	Book value	Provision for decline	Net book value
Raw materials	78,227,553.26	9,089,557.91	69,137,995.35
WIP	27,387,906.76	421,834.87	26,966,071.89
Finished goods	648,144,216.90	263,961,842.93	384,182,373.97
Goods on transit	73,801,865.07	-	73,801,865.07
Semi-finished goods	91,906,231.80	30,455,364.33	61,450,867.47
Low-value consumable	117,772.55	-	117,772.55
<b>Total</b>	<b>919,585,546.34</b>	<b>303,928,600.04</b>	<b>615,656,946.30</b>

(2) Provision for decline in the value of inventories

Items	Opening Balance	Increase	
		Accrual	Other
Raw materials	9,089,557.91	4,782,941.41	-
WIP	421,834.87	-	-
Semi-finished goods	30,455,364.33	13,032,091.95	-
Finished goods	263,961,842.93	45,835,397.85	-
<b>Total</b>	<b>303,928,600.04</b>	<b>63,650,431.21</b>	<b>-</b>

(Continue)

Items	Decrease		Closing Balance
	Reverse/Written-off	Others transferred	
Raw materials	7,806,181.39	-	6,066,317.93
WIP	421,834.87	-	-
Semi-finished goods	29,614,656.47	-	13,872,799.81
Finished goods	170,034,434.59	-	139,762,806.19
<b>Total</b>	<b>207,877,107.32</b>	<b>-</b>	<b>159,701,923.93</b>

## 9. Contract assets

(1) Contract assets detail

Items	Closing Balance		
	Book value	Provision for decline	Net book value
contract to be performed	3,961,875.32	198,093.77	3,763,781.55
<b>Total</b>	<b>3,961,875.32</b>	<b>198,093.77</b>	<b>3,763,781.55</b>

## (2) Provision for decline of contract assets of current period

Items	Accrual	Reverse	Written-off	Reason
contract to be performed	198,093.77	-	-	—
<b>Total</b>	<b>198,093.77</b>	-	-	—

## 10. Other current assets

Items	Closing Balance	Opening Balance
VAT to be deducted	5,578,651.12	24,517,849.43
VAT to be varified	-	92,599.50
Advance income tax	49,299.96	-
<b>Total</b>	<b>5,627,951.08</b>	<b>24,610,448.93</b>

## 11. Other equity instrument investment

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

## 12. Investment property

## (1) Investment property measured as cost method

Item	Property	Land use right	Total
<b>I. Initial Cost</b>	—	—	—
1. Opening Balance	171,156,035.71	49,954,300.64	221,110,336.35
2. Increase	19,064,247.69	2,906,818.17	21,971,065.86
(1) Purchase	11,222,201.84	-	11,222,201.84
(2) Transferred from FA	7,842,045.85	-	7,842,045.85
(3) Increase from business combination	-	2,906,818.17	2,906,818.17
3. Decrease	117,234,234.06	-	117,234,234.06
(1) Disposal	71,508,307.24	-	71,508,307.24
(2) Transfer to others	45,725,926.82	-	45,725,926.82
4. Closing Balance	72,986,049.34	52,861,118.81	125,847,168.15
<b>II. Accumulated Depreciation</b>	—	—	—
1. Opening Balance	86,016,869.91	17,576,984.05	103,593,853.96
2. Increase	7,035,017.26	2,344,308.64	9,379,325.90
(1) Accrued	2,357,427.24	2,215,395.76	4,572,823.00
(2) Transfer from others	4,677,590.02	128,912.88	4,806,502.90
3. Decrease	55,988,323.09	-	55,988,323.09
(1) Disposal	19,472,689.56	-	19,472,689.56
(2) Transfer to others	36,515,633.53	-	36,515,633.53
4. Closing Balance	37,063,564.08	19,921,292.69	56,984,856.77
<b>III. Impairment Reserve</b>	—	—	—
1. Opening Balance	-	-	-
2. Increase	-	-	-
3. Decrease	-	-	-
4. Closing Balance	-	-	-
<b>IV. Book Value</b>	—	—	—
<b>1. Closing book value</b>	<b>35,922,485.26</b>	<b>32,939,826.12</b>	<b>68,862,311.38</b>

Item	Property	Land use right	Total
<b>2. Opening book value</b>	<b>85,139,165.80</b>	<b>32,377,316.59</b>	<b>117,516,482.39</b>

(2) Investment property without owner's certificates

Items	Book value	Reasons
Liaoyang Bearing's main workshop	5,574,202.55	In the process of fire protection
Liaoyang Bearing's office building	820,633.40	In the process of fire protection

### 13. Fixed assets

Item	Closing Balance	Opening Balance
Fixed assets	438,220,714.18	474,109,923.22
Fixed assets disposal	-	-
<b>Total</b>	<b>438,220,714.18</b>	<b>474,109,923.22</b>

(1) Fixed assets

#### 1) Fixed assets detail

Item	Property	Machinery Equipment	Transportation Equipment	Electronic Device	Other Equipment	Total
<b>I. Initial Cost</b>	—	—	—	—	—	—
1. Opening Balance	264,336,605.71	1,049,807,784.12	14,509,177.09	62,291,443.33	211,182,772.67	1,602,127,782.92
2. Increase	53,622,805.64	20,813,610.11	2,125,989.21	7,843,293.60	12,570,922.80	96,976,621.36
(1) Purchase	2,492,964.84	11,783,107.48	370,224.33	1,855,890.31	3,782,143.90	20,284,330.86
(2) Transferred from construction-in-progress	5,403,913.98	9,030,502.63	1,755,764.88	5,987,403.29	8,788,778.90	30,966,363.68
(3) Acquired from business combination	45,725,926.82	-	-	-	-	45,725,926.82
3. Decrease	28,570,067.56	38,728,268.58	1,499,555.61	2,777,153.73	29,403,144.91	100,978,190.39
(1) Disposal	20,728,021.71	38,728,268.58	1,499,555.61	2,777,153.73	29,403,144.91	93,136,144.54

Item	Property	Machinery Equipment	Transportation Equipment	Electronic Device	Other Equipment	Total
(2) Others	7,842,045.85	-	-	-	-	7,842,045.85
4. Closing Balance	289,389,343.79	1,031,893,125.65	15,135,610.69	67,357,583.20	194,350,550.56	1,598,126,213.89
<b>II. Accumulated Depreciation</b>	—	—	—	—	—	—
1. Opening Balance	179,069,027.56	688,715,910.19	12,767,249.79	50,886,574.18	168,246,931.93	1,099,685,693.65
2. Increase	45,218,423.21	56,603,082.65	647,053.99	4,066,496.85	9,551,598.53	116,086,655.23
(1) Accrued	8,702,789.68	56,603,082.65	647,053.99	4,066,496.85	9,551,598.53	79,571,021.70
(2) Other transfer	36,515,633.53	-	-	-	-	36,515,633.53
3. Decrease	22,207,135.64	30,637,394.77	1,427,724.13	2,506,139.61	22,320,910.41	79,099,304.56
(1) Disposal	17,529,545.62	30,637,394.77	1,427,724.13	2,506,139.61	22,320,910.41	74,421,714.54
(2) Other transfer	4,677,590.02	-	-	-	-	4,677,590.02
4. Closing Balance	202,080,315.13	714,681,598.07	11,986,579.65	52,446,931.42	155,477,620.05	1,136,673,044.32
<b>III. Impairment Reserve</b>	—	—	—	—	—	—
1. Opening Balance	-	19,879,546.61	1,648.28	621,345.40	7,829,625.76	28,332,166.05
2. Increase	1,063,718.18	7,890,650.50	103,094.75	111,122.34	40,079.38	9,208,665.15
(1) Accrued	1,063,718.18	7,890,650.50	103,094.75	111,122.34	40,079.38	9,208,665.15
3. Decrease	-	6,586,583.76	1,648.28	24,707.30	7,695,436.47	14,308,375.81
(1) Disposal	-	6,586,583.76	1,648.28	24,707.30	7,695,436.47	14,308,375.81
4. Closing Balance	1,063,718.18	21,183,613.35	103,094.75	707,760.44	174,268.67	23,232,455.39
<b>IV. Book Value</b>	—	—	—	—	—	—
1. Closing	86,245,310.48	296,027,914.23	3,045,936.29	14,202,891.34	38,698,661.84	438,220,714.18

Item	Property	Machinery Equipment	Transportation Equipment	Electronic Device	Other Equipment	Total
book value						
<b>2. Opening book value</b>	85,267,578.15	341,212,327.32	1,740,279.02	10,783,523.75	35,106,214.98	474,109,923.22

## 2) Temporary idle fixed assets

Items	Initial Cost	Accumulated Depreciation	Provision	Book Value	Memo
Property	512,336.68	266,657.07	244,980.36	699.25	—
Machinery equipment	21,463,150.43	8,078,581.84	11,935,091.48	1,449,477.11	—
Transportation equipment	236,324.79	132,235.04	103,094.75	995.00	—
Electronic device	2,864,656.64	2,688,592.48	175,726.77	337.39	—
Others equipment	1,276,133.77	1,231,190.99	40,079.38	4,863.40	—
<b>Total</b>	<b>26,352,602.31</b>	<b>12,397,257.42</b>	<b>12,498,972.74</b>	<b>1,456,372.15</b>	—

## 3) Fixed assets lease out under operating lease

Item	Book Value
Electronic device	1,957,404.15
Machinery equipment	80,205,310.75
others	1,035,016.98
Transportation equipment	107,456.69
<b>Total</b>	<b>83,305,188.57</b>

## (4) Fixed assets as pending certificate of ownership

Items	Book value	Reason for Pending
Dalian Wazhou Precision Electric Motor Car Bearing factory	28,137,450.63	Land certificate is in the process
Liaoyang Bearing' s main workshop	6,162,548.28	In the process of fire protection
Liaoyang Bearing' s office building	2,526,603.83	In the process of fire protection
Liaoyang Bearing' s processing workshop	1,115,157.06	In the process of fire protection
Liaoyang Bearing' s staff canteen	776,734.82	In the process of fire protection

## 14. Construction-in-progress

Item	Closing Balance	Opening Balance
Construction in progress	25,929,699.29	24,254,985.16

Construction materials	-	-
<b>Total</b>	<b>25,929,699.29</b>	<b>24,254,985.16</b>

(1) 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 7 <sup>th</sup> finished products	3,931,152.37	3,537,505.62	393,646.75	5,294,384.87	3,468,712.79	1,825,672.08
Improvement of 2nd finished products	3,681,416.00	-	3,681,416.00	-	-	-
New plant project	3,074,304.55	-	3,074,304.55	-	-	-
Angular Contact Ball Bearing Production Line	2,654,867.25	-	2,654,867.25	-	-	-
Improvement of plant	2,389,925.00	-	2,389,925.00	1,659,638.56	-	1,659,638.56
Spherical Roller Bearing Assembly Line	1,321,112.55	-	1,321,112.55	1,321,112.55	-	1,321,112.55
Improvement of grinding machine	1,257,328.31	-	1,257,328.31	376,403.13	-	376,403.13
Cylindrical bearing production line	1,030,088.50	-	1,030,088.50	-	-	-
1250 Salt bath martensitic heat treatment production line press investment renovation	831,858.41	-	831,858.41	-	-	-
1250 Salt Bath Horse/Bainite Heat Treatment Production Line	805,309.73	-	805,309.73	-	-	-
Maintenance and renovation of grinding production line	741,000.00	-	741,000.00	741,000.00	-	741,000.00
Improvement of precision bearing plant	710,194.68	-	710,194.68	4,221,142.02	-	4,221,142.02
Thielenhaus Superfinisher	637,168.14	-	637,168.14	-	-	-
Improvement of railway	625,647.85	-	625,647.85	1,758,204.72	-	1,758,204.72
Installation of	456,878.68	456,878.68	-	540,528.68	-	540,528.68

Item	Closing Balance			Opening Balance		
	Book Balance	Provision	Book Value	Book Balance	Provision	Book Value
Super finishing Machine						
Controlled Atmosphere Multifunctional Carburizing Furnace Production Line	416,725.66	-	416,725.66	-	-	-
Channel II construction project	259,161.89	-	259,161.89	259,161.89	-	259,161.89
Crane Project	255,382.52	-	255,382.52	255,382.52	-	255,382.52
Overhaul factory reconstruction	205,784.79	-	205,784.79	176,772.70	-	176,772.70
Cylindrical bearing inner ring raceway grinder	196,460.18	-	196,460.18	-	-	-
Improvement of precision roller branch	166,937.61	-	166,937.61	1,189,745.29	-	1,189,745.29
Grinding product line	38,957.26	-	38,957.26	1,774,704.65	-	1,774,704.65
Computer Project	25,623.93	-	25,623.93	184,075.24	-	184,075.24
Dalian industry park project	5,590.46	-	5,590.46	1,822,184.00	-	1,822,184.00
Improvement of special large branch	-	-	-	1,635,330.51	-	1,635,330.51
Others	4,992,136.70	786,929.43	4,205,207.27	4,513,926.62	-	4,513,926.62
<b>Total</b>	<b>30,711,013.02</b>	<b>4,781,313.73</b>	<b>25,929,699.29</b>	<b>27,723,697.95</b>	<b>3,468,712.79</b>	<b>24,254,985.16</b>

## (2) Change in the significant construction in progress

Name	Opening Balance	Increase	Decrease		Closing Balance
			Transfer to fixed assets	Other decrease	
Improvement of railway	1,093,006.93	-	1,069,930.01	23,076.92	-
Improvement of 7th finished products	5,294,384.87	878,110.60	2,241,343.10	-	3,931,152.37
Improvement of precision bearing plant	3,487,339.13	886,474.50	4,373,813.63	-	-
Dalian industry park project	1,822,184.00	-	1,816,593.54	-	5,590.46
Grinding product line	1,774,704.65	-	900,213.27	835,534.12	38,957.26
Improvement of 2nd finished products	-	4,699,115.10	1,017,699.10	-	3,681,416.00
Improvement of special	1,398,966.87	14,929,281.94	16,328,248.81	-	-

Name	Opening Balance	Increase	Decrease		Closing Balance
			Transfer to fixed assets	Other decrease	
large branch					
New plant project	-	3,074,304.55	-	-	3,074,304.55
Angular Contact Ball Bearing Production Line	-	2,654,867.25	-	-	2,654,867.25
Cylindrical bearing production line	-	1,030,088.50	-	-	1,030,088.50
<b>Total</b>	<b>14,870,586.45</b>	<b>28,152,242.44</b>	<b>27,747,841.46</b>	<b>858,611.04</b>	<b>14,416,376.39</b>

(Continued)

Name	Budget	Percent of investment against budget (%)	progress	Accumulated capitalized interest	Including: Accumulated capitalized interest	Interest capitalization rate (%)	Source of funds
Improvement of railway	1,093,006.93	97.89	97.89	90,837.36	-	-	Self-financing
Improvement of 7th finished products	6,404,690.27	96.37	96.37	656,478.24	-	-	Self-financing
Improvement of precision bearing plant	4,373,813.63	100.00	100.00	-	-	-	Self-financing
Dalian industry park project	1,947,734.51	93.55	93.55	35,839.06	-	-	Self-financing
Grinding product line	1,218,650.90	77.07	77.07	-	-	-	Self-financing
Improvement of 2nd finished products	4,699,115.04	100.00	100.00	-	-	-	Self-financing
Improvement of special large branch	16,328,248.81	100.00	100.00	33,034.11	-	-	Self-financing
New plant project	6,701,691.43	45.87	45.87	-	-	-	Self-financing
Angular Contact Ball Bearing Production Line	8,849,557.52	30.00	30.00	-	-	-	Self-financing
Cylindrical bearing production line	3,433,628.32	30.00	30.00	-	-	-	Self-financing
<b>Total</b>	<b>55,050,137.36</b>	—	—	<b>816,188.77</b>	-	—	—

(3) Provision for impairment of construction in progress: 1,312,600.94 Yuan.

## 15. Intangible assets

## (1) Intangible assets list

Items	Land use right	ERP software	Total
I. Initial cost	—	—	—
1. Opening balance	126,235,427.10	6,553,383.89	132,788,810.99
2. Increase	-	1,226,415.09	1,226,415.09
(1) Purchase	-	1,226,415.09	1,226,415.09
3. Decrease	2,906,818.17	-	2,906,818.17
(1) Others	2,906,818.17	-	2,906,818.17
4. Closing balance	123,328,608.93	7,779,798.98	131,108,407.91
II. Amortization	—	—	—
1. Opening balance	45,647,605.97	6,415,343.84	52,062,949.81
2. Increase	2,222,077.32	139,337.74	2,361,415.06
(1) Accrual	2,222,077.32	139,337.74	2,361,415.06
(2) Others	-	-	-
3. Decrease	128,912.88	-	128,912.88
(1) Others	128,912.88	-	128,912.88
4. Closing balance	47,740,770.41	6,554,681.58	54,295,451.99
III. Provision for impairment	—	—	—
1. Opening balance	-	-	-
2. Increase	-	-	-
3. Decrease	-	-	-
4. Closing balance	-	-	-
IV. Book value	—	—	—
<b>1. Closing Book value</b>	<b>75,587,838.52</b>	<b>1,225,117.40</b>	<b>76,812,955.92</b>
<b>2. Opening Book value</b>	<b>80,587,821.13</b>	<b>138,040.05</b>	<b>80,725,861.18</b>

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

## 16. Long-term unamortized expense

Items	Opening Balance	Increase	Amortization	Other Decrease	Closing Balance
Decoration fees for estate used as office	432,059.78	-	262,544.07	-	169,515.71
Heating overhaul cost	79,128.33	-	55,855.80	-	23,272.53
<b>Total</b>	<b>511,188.11</b>	<b>-</b>	<b>318,399.87</b>	<b>-</b>	<b>192,788.24</b>

## 17. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets before offsetting: None.

(2) Deferred tax liabilities before offsetting

Items	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	4,554,909.67	683,236.45	4,896,322.33	734,448.35
<b>Total</b>	<b>4,554,909.67</b>	<b>683,236.45</b>	<b>4,896,322.33</b>	<b>734,448.35</b>

(3) Unrecognized deferred tax assets details

Items	Closing Balance	Opening Balance
Deductible temporary difference	349,601,233.44	54,337,700.26
Deductible loss	787,687,057.10	567,068,741.45
<b>Total</b>	<b>1,137,288,290.54</b>	<b>621,406,441.71</b>

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

Year	Closing Balance	Opening Balance	Memo
2021		36,394,255.27	—
2022	77,265,795.85	77,265,795.85	—
2023	106,335,303.14	106,335,303.14	—
2024	100,239,007.68	100,239,007.68	—
2025	246,834,379.51	246,834,379.51	—
2026	257,012,570.92	-	—
<b>Total</b>	<b>787,687,057.10</b>	<b>567,068,741.45</b>	<b>—</b>

## 18. Short-term borrowing

## (1) Categories

Loan category	Closing Balance	Opening Balance
Credit loan	677,000,000.00	670,000,000.00
<b>Total</b>	<b>677,000,000.00</b>	<b>670,000,000.00</b>

(2) Overdue short-term borrowing: No.

## 19. Notes payable

Notes category	Closing Balance	Opening Balance
Bank acceptance notes	168,000,000.00	123,567,800.00
Trade acceptance notes	138,258,189.60	151,086,735.65
<b>Total</b>	<b>306,258,189.60</b>	<b>274,654,535.65</b>

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

## 20. Accounts payable

## (1) Accounts payable

Item	Closing Balance	Opening Balance
Goods payments	1,216,016,330.62	982,917,948.65
Project payments	24,923,842.20	24,620,842.88
Others	7,910,156.02	37,263,105.32
<b>Total</b>	<b>1,248,850,328.84</b>	<b>1,044,801,896.85</b>

## (2) Accounts payable with age over 1 year

Company name	Closing Balance	Unsettle reason
Taiwan You Ji Machine IND.Co.,Ltd	1,188,227.37	quality problems in the purchased equipment
Zhengzhou Yongtong Special Steel Co., Ltd	471,374.06	undue
Northeast Special Steel Group Co., Ltd	142,377.05	undue
Pujiang Lanbao Trading Co., Ltd	80,283.96	undue
Beijing Ziguang Fangda High-Tech Ceramics Co., Ltd	74,122.01	undue
Liaocheng Dezhong Bearing Parts Co., Ltd	60,973.20	undue
Dalian Delin Heavy Industry Co., Ltd	51,800.00	undue

Company name	Closing Balance	Unsettle reason
<b>Total</b>	<b>2,069,157.65</b>	—

## 21. Contract liability

## (1) Details

Item	Closing Balance	Opening Balance
Contract obligation to be fulfilled	38,426,632.29	39,456,304.55
<b>Total</b>	<b>38,426,632.29</b>	<b>39,456,304.55</b>

(2) Significant change during the year: None.

## 22. Employee' s payable

## (1) Category of employee' s payables

Item	Opening Balance	Increase	Decrease	Closing Balance
Short-term employee' s payable	45,346,253.91	326,812,534.51	324,989,020.80	47,169,767.62
Post-employment benefit – defined contribution plan	5,973,433.18	29,619,786.45	29,968,308.47	5,624,911.16
Redundancy pay	1,357,454.00	5,841,257.50	5,596,532.50	1,602,179.00
<b>Total</b>	<b>52,677,141.09</b>	<b>362,273,578.46</b>	<b>360,553,861.77</b>	<b>54,396,857.78</b>

## (2) Short-term employee' s payables

Item	Opening Balance	Increase	Decrease	Closing Balance
Salaries, bonus, allowance, and subsidy	41,202,601.27	257,239,555.42	254,945,472.45	43,496,684.24
Welfare	55,153.00	19,496,296.90	19,496,714.90	54,735.00
Social insurance	42,646.65	19,061,339.00	19,086,692.29	17,293.36
Include: Medical insurance	45,888.12	14,553,134.37	14,581,998.29	17,024.20
On-duty injury insurance	-1,109.31	2,715,214.07	2,714,083.50	21.26

Item	Opening Balance	Increase	Decrease	Closing Balance
Maternity insurance	-2,132.16	1,792,990.56	1,790,610.50	247.90
Housing funds	2,487,488.49	27,455,136.35	27,667,935.69	2,274,689.15
Labour union and training expense	1,558,364.50	3,560,206.84	3,792,205.47	1,326,365.87
<b>Total</b>	<b>45,346,253.91</b>	<b>326,812,534.51</b>	<b>324,989,020.80</b>	<b>47,169,767.62</b>

## (3) Defined contribution plan

Item	Opening Balance	Increase	Decrease	Closing Balance
Pension	5,892,803.76	28,730,304.59	29,068,535.53	5,554,572.82
Unemployment insurance	80,629.42	889,481.86	899,772.94	70,338.34
<b>Total</b>	<b>5,973,433.18</b>	<b>29,619,786.45</b>	<b>29,968,308.47</b>	<b>5,624,911.16</b>

## 23. Tax payable

Item	Closing Balance	Opening Balance
Value-added tax	8,918,814.09	1,576,813.19
Individual income tax	174,317.22	148,082.29
City maintenance and construction tax	395,031.01	208,938.78
Real estate tax	791,779.38	911,163.89
Land use tax	519,023.69	536,377.57
Stamp duty	500,170.64	160,352.41
Education surcharge	167,231.59	87,480.35
local education surcharge	111,487.72	58,320.23
Others	8,034.12	639.97
<b>Total</b>	<b>11,585,889.46</b>	<b>3,688,168.68</b>

## 24. Other payables

Items	Closing Balance	Opening Balance
Interest payable	-	1,041,600.00
Dividend payable	-	-
Other payable	173,782,184.85	128,434,461.47
<b>Total</b>	<b>173,782,184.85</b>	<b>129,476,061.47</b>

## (1) Interest payable

## 1) Category of interest payable

<b>Item</b>	<b>Closing Balance</b>	<b>Opening Balance</b>
Interest for short-term loan	-	1,041,600.00
<b>Total</b>	<b>-</b>	<b>1,041,600.00</b>

## (2) Other accounts payable

## 1) Other payables categorized by payments nature

Payments nature	Closing Balance	Opening Balance
Bid security deposits	1,548,890.00	1,165,890.00
Trademark fees and lease premium to Group	38,467,233.37	41,606,986.87
Authorization deposit of seller	66,230,215.73	25,526,424.69
Others	67,535,845.75	60,135,159.91
<b>Total</b>	<b>173,782,184.85</b>	<b>128,434,461.47</b>

## 2) Significant other payables with age over 1 year

Name of company	Closing Balance	Reason of unpaid or not carried forward
Bid deposit	1,018,490.00	undue
Wazhou Group	35,289,972.61	undue
<b>Total</b>	<b>36,308,462.61</b>	—

## 25. Other current liabilities

## (1) Category of other current liabilities

Item	Closing Balance	Opening Balance
Output VAT to be transferred	4,995,462.19	5,129,319.58
<b>Total</b>	<b>4,995,462.19</b>	<b>5,129,319.58</b>

## 26. Long-term payables

Type	Closing Balance	Opening Balance
Long-term payables	100,000.00	100,000.00
Special payables	244,974.84	244,974.84
<b>Total</b>	<b>344,974.84</b>	<b>344,974.84</b>

## (1) Long-term payables

Payments nature	Closing Balance	Opening Balance
Equipment payments	100,000.00	100,000.00
<b>Total</b>	<b>100,000.00</b>	<b>100,000.00</b>

## (2) Special payables

Items	Opening Balance	Increase	Decrease	Closing Balance	Formation Basis
Special pollution treatment	169,974.84	-		169,974.84	Granted by Wafangdian Bureau of Finance and Wafangdian Bureau of Environment Protection with approval with “WaCaiZhiQi No.[2004]217”
Informatization construction	75,000.00	-		75,000.00	Dalian Financial Bureau and Municipal Office of Economic and Information Technology Committee with approval with “Da CaiZhiQi No. [2012]917” and “DaJing XinFa No. [2012]199”
<b>Total</b>	<b>244,974.84</b>	<b>-</b>		<b>244,974.84</b>	

## 27. Provision

Item	Closing Balance	Opening Balance	Reason
Accrued warranty	1,019,498.65	4,771,845.00	Accrual for wind power product quality claim
Wind power product quality claim	40,381,951.49	34,260,425.91	Customer claimed compensation for quality problem
<b>Total</b>	<b>41,401,450.14</b>	<b>39,032,270.91</b>	—

## 28. Deferred income

## (1) Category of deferred income

Item	Opening Balance	Increase	Decrease	Closing Balance	Formation Basis
Government subsidy	33,380,301.70	-	4,855,911.39	28,524,390.31	Grant from government
Compensation for land removal	26,562,451.38	-	953,225.59	25,609,225.79	Old factory removal and new factory and land compensation for Liaoyang Bearing Construction Co., Ltd
<b>Total</b>	<b>59,942,753.08</b>	<b>-</b>	<b>5,809,136.98</b>	<b>54,133,616.10</b>	—

## (2) Government subsidy project

Government subsidy item	Opening Balance	Increase	Recorded into non-operation income	Other Change	Closing Balance	Related with asset/equity	Note
Compensation for plants moving	21,633,886.42	-	2,704,235.88	-	18,929,650.54	asset	A
Development of intelligent manufacturing equipment subsidies	5,155,555.56	-	1,288,888.87	-	3,866,666.69	asset	B
Improvement of high-end bearing production subsidies	944,640.00	-	472,320.00	-	472,320.00	asset	C
Overhaul bearing project discounting interest subsidy	1,180,000.00	-	240,000.00	-	940,000.00	asset	D
Technical master studio development subsidy	423,349.65	-	52,918.64	-	370,431.01	asset	E
Liuchangfu Master subsidy	43,402.07	-	-	-	43,402.07	asset	F

Liaoyang Bearing Industry subsidy	3,999,468.00	-	97,548.00	-	3,901,920.00	asset	G
<b>Total</b>	<b>33,380,301.70</b>	<b>-</b>	<b>4,855,911.39</b>	<b>-</b>	<b>28,524,390.31</b>	—	—

Note A: 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 RMB 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.

Note B: 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. This year the second stage subsidy of RMB 4,000,000.00 has been received and amortized within the remaining life.

Note C: Deferred income: the RMB 4,723,200.00 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.

Note D: 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.

Note E: 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 workshop 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.

Note F: Master Liu Changfu’ s subsidy is based on the Dalian Finance Bureau’ s subsidy of 100,000 yuan to Liu Changfu, which was transferred by ZWZ Group in July 2017 according to Darenshe Fa [2012] No. 207. As of December 2021, the relevant studios have not been fixed, and each Deferred income is written off according to the cost of the laboratory construction in the year.

Note G: 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.

## 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 shares	244,000,000.00	60.61	-	-	-	-	-	244,000,000.00	60.61
<b>Total shares under restriction for sale</b>	<b>244,000,000.00</b>	<b>60.61</b>	-	-	-	-	-	<b>244,000,000.00</b>	<b>60.61</b>
Shares without restriction for sale	-	-	-	-	-	-	-	-	-
Domestically listed foreign shares	158,600,000.00	39.39	-	-	-	-	-	158,600,000.00	39.39
<b>Total shares without restriction for sale</b>	<b>158,600,000.00</b>	<b>39.39</b>	-	-	-	-	-	<b>158,600,000.00</b>	<b>39.39</b>
<b>Total shares</b>	<b>402,600,000.00</b>	<b>100.00</b>	-	-	-	-	-	<b>402,600,000.00</b>	<b>100.00</b>

## 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
<b>Total</b>	<b>485,691,050.47</b>	-	-	<b>485,691,050.47</b>

## 31. Surplus reserves

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

## 32. Undistributed profits

Item	Current year	Prior year
<b>Closing balance of prior year</b>	<b>-211,056,473.59</b>	<b>201,379,956.97</b>
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	-	-
<b>Opening balance of current year</b>	<b>-211,056,473.59</b>	<b>201,379,956.97</b>
Add: net profit attributable to shareholders of parent company in the year	-205,737,685.42	-380,228,430.56
Less: Provision for statutory surplus reserves	-	-
Provision for any surplus reserves	-	-
Provision of general risk	-	-
Dividends payable for common shares	-	32,208,000.00
Share dividends	-	-
<b>Closing balance of current year</b>	<b>-416,794,159.01</b>	<b>-211,056,473.59</b>

## 33. Operating revenue and cost

## (1) Operating revenue and cost

Items	Current year		Prior year	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Revenue from principle operation	2,066,084,498.69	1,648,530,450.82	1,593,697,068.57	1,135,672,657.83
Revenue from other operation	252,619,851.66	205,983,916.30	265,479,347.01	232,010,647.05
<b>Total</b>	<b>2,318,704,350.35</b>	<b>1,854,514,367.12</b>	<b>1,859,176,415.58</b>	<b>1,367,683,304.88</b>

## (2) Principle operation - classified according to products or operation

Items	Current year		Prior year	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
<b>Export</b>	93,491,561.62	82,160,717.17	149,255,608.09	142,551,544.89
<b>Domestic</b>	1,920,810,005.29	1,513,802,458.68	1,378,624,745.01	908,955,678.48
Including:				
Transportation vehicle bearings	170,285,070.15	124,973,171.93	226,218,965.88	180,037,488.31
Special use bearings	998,964,768.13	821,633,854.27	543,592,815.95	360,120,984.53
General use bearings	751,560,167.01	567,195,432.48	608,812,963.18	368,797,205.64
Industrial Operations	51,782,931.78	52,567,274.97	65,816,715.47	84,165,434.46
<b>Total</b>	<b>2,066,084,498.69</b>	<b>1,648,530,450.82</b>	<b>1,593,697,068.57</b>	<b>1,135,672,657.83</b>

## 34. Taxes and surcharges

Items	Current year	Prior year
City construction tax	3,932,344.28	4,365,003.73
Education surcharge	1,684,579.57	1,864,181.28
Local Education surcharge	1,123,053.05	1,242,787.52
Stamp duty	2,270,541.36	1,355,089.45
Property tax	3,334,736.62	3,876,652.88

Tax on land use	2,406,496.68	2,399,179.32
Others	13,967.95	6,471.33
<b>Total</b>	<b>14,765,719.51</b>	<b>15,109,365.51</b>

## 35. Selling expenses

Items	Current year	Prior year
Employee benefit	81,384,283.15	81,182,393.57
Compensation for quality default	19,869,179.23	39,032,270.91
Transportation expense	8,872,599.31	35,602,492.93
Travel expense	21,892,290.73	21,396,895.72
Trademark use fee	12,206,965.16	11,322,716.81
Business activity	7,909,225.69	6,028,813.38
Leasing	5,279,884.82	5,301,335.19
International freight	-	1,549,200.13
Conference expense	1,221,999.03	436,265.73
Others	13,482,381.87	8,365,034.12
<b>Total</b>	<b>172,118,808.99</b>	<b>210,217,418.49</b>

## 36. Administrative expenses

Items	Current year	Prior year
Employee benefit	92,231,071.61	70,461,407.37
Intangible assets amortization	4,644,641.18	4,491,507.60
Guide and fire fighting expense	1,929,699.78	2,618,935.31
Depreciation expense	3,582,791.57	1,540,891.53
Travel expense	3,011,739.51	1,414,462.66
Business entertaining expense	303,079.04	279,958.60
Other expense	4,275,706.76	13,152,796.06
<b>Total</b>	<b>109,978,729.45</b>	<b>93,959,959.13</b>

## 37. R&amp;D

Items	Current year	Prior year
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Materials input	155,309,101.93	162,881,600.38
Design, new process development fee	22,600,743.49	18,807,864.25
Labor cost	13,360,931.37	12,366,142.09
Depreciation and amortization of long term expense	7,059,260.79	8,437,400.42
Fuel power	5,373,695.61	7,118,669.77
R&D equipment repair and leasing fee	987,690.02	4,177,671.01
Processing fee	721,372.22	3,338,940.98
Testing fee	211,029.53	1,877,182.02
Others fee	10,180,087.43	8,542,714.62
<b>Total</b>	<b>215,803,912.39</b>	<b>227,548,185.54</b>

## 38. Financial expenses

Items	Current year	Prior year
Interest expenses	36,648,536.99	36,840,257.54
Less: Interest income	425,918.49	1,106,147.24
Add: Exchange loss	2,476,241.52	4,798,480.72
Add: Others expenditure	698,857.93	2,894,914.65
<b>Total</b>	<b>39,397,717.95</b>	<b>43,427,505.67</b>

## 39. Other income

Items	Current year	Prior year
Dalian sub-factory relocation subsidy	2,704,235.88	2,704,235.88
Development of intelligent manufacturing equipment subsidies	1,288,888.87	844,444.44
Liaoyang Bearing old factory relocation compensation	953,225.59	953,225.59
Work-for-training subsidy	928,868.48	-
Job stabilization subsidy	491,618.77	3,080,208.52
Improvement of high-end bearing production subsidies	472,320.00	472,320.00
Subsidy from Dalian Bureau of Commerce	464,059.00	-
Overhaul bearing project discounting interest subsidy	240,000.00	240,000.00
2020 National Major Science and Technology Special Project and Key R&D Plan Supporting Funds-High-performance Motor Insulated Bearing Technology	150,600.00	-
High-tech enterprise subsidies	100,000.00	-

Industry Development Fund	97,548.00	97,548.00
Technical master studio development subsidy	52,918.64	21,583.92
Six to one stable skill allowance	50,000.00	-
First sets subsidy	46,000.00	-
High-skilled personnel training subsidies	36,720.00	-
Tax handling charge refund	32,811.97	46,428.74
Funding for young scientific and technological workers	5,000.00	-
State treasury withdrawal income	2,316.58	-
Beijing social security fund collection and return	233.66	-
Special fund for processing and trade entity	-	500,000.00
1st subsidy for key R&D in 2020	-	343,800.00
Nafu Workshop Subsidy	-	100,000.00
Zhongxiaokai Subsidy in 2018	-	60,000.00
Technology Research of “Shuangbai Plan”	-	50,000.00
COVID subsidy of Hangzhou	-	5,765.29
Labor Insurance subsidy	-	630.1
<b>Total</b>	<b>8,117,365.44</b>	<b>9,520,190.48</b>

## 40. Investment income

Items	Current year	Prior year
Dividend income from other equity instrument investments during the holding period	518,821.12	3,962.74
Debt restructuring	1,808,922.83	1,226,811.33
<b>Total</b>	<b>2,327,743.95</b>	<b>1,230,774.07</b>

## 41. Gain on FV movement

Source of Gain on FV change	Current year	Prior year
Tradable financial asset	93,991.93	-57,011.50
<b>Total</b>	<b>93,991.93</b>	<b>-57,011.50</b>

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

Item	Current year	Prior year
Bad debt loss of notes receivable	3,386,757.51	-3,421,799.82
Bad debt loss of receivable	-60,427,002.68	-19,233,886.19
Bad debt loss of other receivable	-2,074,159.21	212,503.92

<b>Total</b>	<b>-59,114,404.38</b>	<b>-22,443,182.09</b>
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## 43. Loss on asset impairment (loss listed as “-” )

<b>Item</b>	<b>Current year</b>	<b>Prior year</b>
Inventory impairment loss	-63,650,431.22	-240,770,713.02
Contract asset impairment loss	-198,093.77	-
Fixed asset impairment loss	-9,208,665.15	-28,296,049.19
Construction in progress loss	-1,312,600.94	-3,468,712.79
<b>Total</b>	<b>-74,369,791.08</b>	<b>-272,535,475.00</b>

## 44. Gain on assets disposal (loss listed as “-” )

<b>Item</b>	<b>Current year</b>	<b>Prior year</b>	<b>Amounts recognized into current non-recurring profit or loss</b>
Gain on disposal group classified as held for sale	-	-	-
Gain on non-current assets disposal	3,565,883.04	939,292.08	3,565,883.04
Gain on non-current assets disposal classified as held for sale	-	-	-
Gain on non-current assets disposal not classified as held for sale	3,565,883.04	939,292.08	3,565,883.04
Gain on fixed assets disposal	3,565,883.04	939,292.08	3,565,883.04
<b>Total</b>	<b>3,565,883.04</b>	<b>939,292.08</b>	<b>3,565,883.04</b>

## 45. Non-operating income

## (1) Non-operating income list

<b>Item</b>	<b>Current year</b>	<b>Prior year</b>	<b>Amounts recognized into current non-recurring profit or loss</b>
Penalty income	2,203,593.01	1,108,836.93	2,203,593.01
Written off unsettled payable	1,031,828.90	1,346,615.67	1,031,828.90
Others	99,949.01	733,317.45	99,949.01
<b>Total</b>	<b>3,335,370.92</b>	<b>3,188,770.05</b>	<b>3,335,370.92</b>

## 46. Non-operating expenses

<b>Item</b>	<b>Current year</b>	<b>Prior year</b>	<b>Amounts recognized into current non-recurring profit or loss</b>
Public beneficial donation	-	80,000.00	-
Loss on disposal of non-current asset scrapped	1,216,375.40	1,221,382.96	1,216,375.40
Penalty loss	89,751.59	34,391.16	89,751.59
Others	551,321.97	17,902.79	551,321.97
<b>Total</b>	<b>1,857,448.96</b>	<b>1,353,676.91</b>	<b>1,857,448.96</b>

## 47. Income tax expenses

## (1) Income tax expenses

<b>Items</b>	<b>Current year</b>	<b>Prior year</b>
Current income tax expenses	12,703.12	-
Deferred income tax expenses	-51,211.90	-51,211.90
<b>Total</b>	<b>-38,508.78</b>	<b>-51,211.90</b>

## 48. Notes to cash flow statement

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

## 1) Other cash received relating to operating activities

<b>Items</b>	<b>Current year</b>	<b>Prior year</b>
Interest income	477,650.40	1,106,147.24
Government subsidy	9,950,286.94	9,598,383.69
AR or AP	27,797,419.41	26,404,551.47
Return of reserve fund, deposit etc.	242,125.00	612,794.06
Others	19,204,548.86	16,433,710.00
<b>Total</b>	<b>57,672,030.61</b>	<b>54,155,586.46</b>

## 2) Other cash paid relating to operating activities

<b>Items</b>	<b>Current year</b>	<b>Prior year</b>
Selling expenses	48,955,122.07	58,248,998.04

GAM expense	39,502,236.56	8,347,834.67
Financial expense	8,270,417.49	2,894,914.65
Others	19,819,973.04	10,671,686.98
<b>Total</b>	<b>116,547,749.16</b>	<b>80,163,434.34</b>

## 3) Others cash received relating to financing activities

<b>Items</b>	<b>Current year</b>	<b>Prior year</b>
Notes discount	155,600,000.00	170,000,000.00
<b>Total</b>	<b>155,600,000.00</b>	<b>170,000,000.00</b>

## 4) Others cash paid relating to financing activities

Items	Current year	Prior year
Notes is due and cashed	150,000,000.00	135,000,000.00
<b>Total</b>	<b>150,000,000.00</b>	<b>135,000,000.00</b>

## (2) Supplementary information of consolidated cash flow statement

Items	Current year	Prior year
<b>1. Adjusting net profit into cash flows of operating activities:</b>	—	—
Net profit	-205,737,685.42	-380,228,430.56
Add: Provision for impairment of assets	74,369,791.08	272,535,475.00
Loss on impairment of credit	59,114,404.38	22,443,182.09
Depreciation of fixed assets, Amortization of mineral resources, and biological assets	84,143,844.70	83,161,037.39
Amortization of intangible assets	2,232,502.18	3,259,834.28
Amortization of long-term deferred expenses	318,399.87	348,673.68
Losses on disposal of fixed assets, intangible assets, and long-term assets (income listed with " -" )	-3,275,529.35	939,292.08
Losses on write-off of fixed assets (income listed with " -" )	1,216,375.40	1,221,382.96
Change of fair value profit or loss	-	-57,011.50
Financial expense (income listed with " -" )	38,694,735.35	36,840,257.54
Investment loss (income listed with " -" )	-2,327,743.95	-
Decrease of deferred tax assets(increase listed with " -" )	-	-
Increase of deferred tax liabilities(decrease listed with " -" )	-51,211.90	-51,211.90
Decrease of inventories (increase listed with " -" )	54,657,663.68	-151,140,329.49
Decrease of operating receivables (increase listed with " -" )	-53,435,552.04	-388,517,789.53
Increase of operating payables (decrease listed with " -" )	27,758,168.50	560,470,565.69

Others	-	-
Net cash flows arising from operating activities	<b>77,678,162.48</b>	<b>61,224,927.73</b>
<b>2. Significant investment and financing activities unrelated to cash income and expenses</b>	—	—
Liabilities transferred to capital	-	-
Convertible bonds within 1 year	-	-
Financing leased fixed assets	-	-
<b>3. Net increase (decrease) of cash and cash equivalent</b>	—	—
Closing balance of cash	209,847,896.42	163,728,799.97
Less: Opening balance of cash	163,728,799.97	137,324,488.53
Add: Closing balance of cash equivalent	-	-
Less: Opening balance of cash equivalent	-	-
Net increase of cash and cash equivalent	<b>46,119,096.45</b>	<b>26,404,311.44</b>

## (3) Cash and cash equivalents

Items	Closing balance	Opening balance
Cash	163,728,799.97	137,324,488.53
Including: Cash on hand	33,102.75	690,839.38
Bank deposit used for paying at any moment	163,695,697.22	136,633,649.15
Other monetary fund for paying at any moment		
Cash equivalent		
Including: bonds investment with maturity in 3 months		
Closing balance of cash and cash equivalents	163,728,799.97	137,324,488.53
Cash and cash equivalents restricted in the parent company or subsidiary		

## 49. Assets with restricted ownership and use right

Items	current year	reasons for restriction
Monetary fund	76,628,805.27	Bank acceptance notes secured fund and locked fund due to litigation
Notes receivable	19,291,502.14	Pledged bank acceptance notes and commercial acceptance notes
<b>Total</b>	<b>95,920,307.41</b>	



## 50. Monetary category of foreign currency

## (1) Monetary category of foreign currency

Item	Closing Balance (foreign currency)	Exchange Rate	Closing Balance (RMB)
Cash	—	—	97,908,849.77
Including: USD	13,519,970.28	6.3757	86,199,274.51
EURO	1,621,892.22	7.2197	11,709,575.26
Accounts receivable	—	—	44,341,022.46
Including: USD	6,445,660.41	6.3757	41,095,597.09
EURO	449,523.58	7.2197	3,245,425.37
Other receivable	—	—	1,217,559.01
Including: EURO	168,643.99	7.2197	1,217,559.01
Accounts payable	—	—	151,937.06
Including: USD	20,567.68	6.3757	131,133.34
EURO	2,881.52	7.2197	20,803.72
Other payable	—	—	483,463.72
Including: USD	75,829.12	6.3757	483,463.72

## 51. Government grant

## (1) Details

Item	amount	Presented as	Recorded into income statement
Dalian sub-factory relocation subsidy	48,676,244.95	Other income Deferred income	2,704,235.88
Development of intelligent manufacturing equipment subsidies	8,000,000.00	Other income Deferred income	1,288,888.87
Liaoyang Bearing old factory relocation compensation	39,969,172.10	Other income Deferred income	953,225.59
Work-for-training subsidy	928,868.48	Other income	928,868.48
Job stabilization subsidy	491,618.77	Other income	491,618.77
Improvement of high-end bearing production subsidies	4,723,200.00	Other income Deferred income	472,320.00
Subsidy from Dalian Bureau of Commerce	464,059.00	Other income	464,059.00
Overhaul bearing project discounting interest subsidy	2,400,000.00	Other income Deferred income	240,000.00

<b>Item</b>	<b>amount</b>	<b>Presented as</b>	<b>Recorded into income statement</b>
2020 National Major Science and Technology Special Project and Key R&D Plan Supporting Funds-High-performance Motor Insulated Bearing Technology	150,600.00	Other income	150,600.00
High-tech enterprise subsidies	100,000.00	Other income	100,000.00
Industry Development Fund	4,877,400.00	Other income Deferred income	97,548.00
Technical master studio development subsidy	700,000.00	Other income Deferred income	52,918.64
Six to one stable skill allowance	50,000.00	Other income	50,000.00
First sets subsidy	46,000.00	Other income	46,000.00
High-skilled personnel training subsidies	36,720.00	Other income	36,720.00
Tax handling charge refund	32,811.97	Other income	32,811.97
Funding for young scientific and technological workers	5,000.00	Other income	5,000.00
State treasury withdrawal income	2,316.58	Other income	2,316.58
Beijing social security fund collection and return	233.66	Other income	233.66
<b>Total</b>	<b>111,654,245.51</b>	—	<b>8,117,365.44</b>

(2) Government grant refund: No.

## VII. Change of Consolidation Scope

No change.

**VIII. Interest in other entity**

## 1. Equity of subsidiaries

## (1) Organization structure of group company

Name of subsidiary	Location	Registered Location	Nature of operation	Share (%)		Method
				Direct	Indirect	
Wazhou Liaoyang Bearing construction Co.,Ltd	Liaoyang	Liaoyang Baita District Weiguo Rd No.61	Manufacturing and selling bearing and machines	100.00	-	acquisition
Dalian Wazhou Precision Motor Car Bearing Company Limited	Dalian	Dalian Free Trade Zone Sanshili Yongsheng Rd No.12	Manufacturing and selling bearing and machines	100.00	-	investment
Wazhou Precision of Spherical Roller Bearings (Wafangdian)Co., Ltd	Wafangdian	Wafangdian Beigongji St No.1	Manufacturing and selling bearing and machines	100.00	-	acquisition

## 2. No subsidiary with shareholding percentage change still within control this year.

**IX. Risk Related to Financial Instruments**

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

## 1. Objectives and policies of each risk management

The objectives of risk management conducted by the group company are to reach the balance between risk and profit return by reducing the negative influence to operating performance to the minimum level as well as maximising the shareholders' and other investors' profits. Based on these objectives, the basic risk management policy is to recognize and analyse all

sorts of risk that the group company faced with, to set up the proper risk tolerance bottom line conducting risk management, as well as to monitor these risks in a timely and effective manner, and to ensure these risks under the limit level.

(1) Market risk

1) Currency risk

The currency risk is referred as the risk caused by the fluctuation of exchange rate. The main currency risk that the company faced with is related to the USD since the main export business is settled by USD. Other than the balance of foreign currency presented in Note VI. 50, all assets and liabilities of company are presented in RMB On December 31, 2021. 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. The policy that adopted by the Group is to maintain the floating rate of loan.

3) Price risk

Up to December 31, 2021, financial asset measured at FV may be affected by the market price.

(2) Credit risk

On 31 December, 2021, 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.

The Group adopts necessary policy to ensure all clients with good credit record. Apart from the top 5 key debtors, there is no other significant intensive credit risk.

Total amount of top 5 debtors is 223 million Yuan.

(3) Liquidity risk

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, 2021, the unencumbered bank loan credit is 803.8 million Yuan.

**X. Disclosure of Fair Value**

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

Items	FV at the year end			
	1 <sup>st</sup> Level FV Measurement	2 <sup>nd</sup> Level FV Measurement	3 <sup>rd</sup> Level FV Measurement	Total
<b>I 、 Continuously measured at FV</b>	—	—	—	—
(I) .Tradable financial asset	322,037.93		-	322,037.93
1. Financial asset measured at FVTPL	-		-	-
Debt instrument investment	-		-	-
Equity instrument investment	322,037.93		-	322,037.93
Derivative financial asset	-	-	-	-
Others	-	-	-	-
2. Designated as financial asset measured at FVTP	-	-	-	-
3. Financing receivable	-	28,115,340.20	-	28,115,340.20
4. Other equity instrument investment	-	-	11,926,856.64	11,926,856.64

2. Market value determination for 1<sup>st</sup> Level FV Measurement item

The group measured the part of equity instrument investment included in the tradable financial asset at unadjusted closing price in the open market on December 31<sup>st</sup>, 2021.

3. Qualitative and quantitative information on the valuation techniques and important parameters used for 2<sup>nd</sup> Level FV Measurement

No.

4. Qualitative and quantitative information on the valuation techniques and important parameters used for 3rd Level FV Measurement

No.

5. Adjustment information and sensitivity analysis of unobservable parameters between the fair value at the beginning of the year and the end of the year for 3rd Level continuously measured at FV Measurement

No.

6. Continuously measured at FV, swap between any level

No.

7. Valuation techniques change and reason for change

No.

8. Asset and liability not measured at FV but disclosed as FV

No.

## XI. Related Parties Relationship and Transactions

### 1. Related parties relationship

(1) Parent company and ultimate controller

1) Parent company and ultimate controller

Parent company	Registered address	Business nature	Registered capital	Shareholding percentage (%)	Voting power percentage (%)
Wazhou Group	No. 1 North Gongji Street, Wafangdian City, Dalian	Manufacture and sales of bearing and other equipments	519,869,400.00	60.61	60.61

## 2) Registered capital and its movement of parent company

Parent company	Opening Balance	Increase	Decrease	Closing Balance
Wazhou Group	519,869,400.00	-	-	519,869,400.00

## 3) Share held and its movement of parent company

Parent company	Amount		Share holding(%)	
	Closing Balance	Opening Balance	Closing Balance	Opening Balance
Wazhou Group	244,000,000.00	244,000,000.00	60.61	60.61

## (2). Subsidiaries

Referring to the content in Note III. 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 Co., Ltd	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Exact Forge Co., Ltd.,	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group Precision Turnplate Bearing Co., Ltd	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group Exact Transmission Bearing Co., Ltd	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group 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
Liaoning North Metal Materials Supply Chain Co., Ltd	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group (USA) Bearing Co., Ltd.	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group High-End Auto Bearing Co.,Ltd	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group Precision Roller Co.,Ltd	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group Precision Retainer Co.,Ltd	Other entity controlled by the same parent company and ultimate controlling party

Name of related party	Related party relationship
Kugel- und Rollenlagerwerk Leipzig GmbH	Other entity controlled by the same parent company and ultimate controlling party
Wafangdian Bearing Power Co.,Ltd	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group National Bearing Engineering Technology Research Centre Co.,Ltd	Other entity controlled by the same parent company and ultimate controlling 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
ZWZ Bearing Europe GmbH	Other related party

Note: other related party is the affiliate company with actual control right.

## 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	Authorized limit(Shenzhen Security Exchange)	Whether over the authorized limit?	prior year
Wazhou Group	Purchase of goods and equipment	384,964,630.93	1,055,000,000.00	N	554,464,980.10
Wazhou Exact Forge Co.,Ltd.	Purchase of goods and equipment	279,540,479.17	456,000,000.00	N	232,565,350.89
Wazhou Group Precision Roller Co.,Ltd	Purchase of goods	36,414,273.51	60,000,000.00	N	31,236,970.36
Wazhou Group High-end Auto Bearing Co.,Ltd	Purchase of goods	95,847,261.64	170,000,000.00	N	88,569,951.11
Wazhou Group Precision Retainer Co.,Ltd	Purchase of goods	158,981,783.80	150,000,000.00	Y	88,542,013.87
Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd	Purchase of goods	10,411,879.53	65,000,000.00	N	28,337,581.46

Wafangdian Tongda Bearing Manufacturing Co., Ltd.	Purchase of goods	-	6,000,000.00	N	3,007,076.00
Wafangdian Bearing Power Co.,Ltd	Purchase of goods	-	52,700,000.00	N	33,728,270.09
Dalian Wazhou Jinzhou Machinery Co., Ltd	Purchase of goods	16,734,579.22	25,000,000.00	N	9,127,704.56
Wazhou Group Exact Transmission Bearing Co., Ltd	Purchase of goods	-	-	N	64,787.94
Dalian Wazhou Fengyuan Machinery Co., Ltd	Purchase of goods	5,832,583.86	20,000,000.00	N	3,285,916.69
Wazhou Group Precision Turnplate Bearing Co., Ltd	Purchase of goods	356,894.15	20,000,000.00	N	4,832,696.42
Wazhou Group Special Precision Bearing Co., Ltd.	Purchase of goods		5,000,000.00	N	984,386.00
Wafangdian Bearing Power Co.,Ltd	Purchase of goods	20,628,381.43	1,000,000.00	Y	-
Wazhou Group National Bearing Engineering Technology Research Centre Co.,Ltd	Purchase of equipment	52,345.13	2,000,000.00	N	-
Wazhou Group National Bearing Engineering Technology Research Centre Co.,Ltd	Service accepted	18,789,106.13	-	Y	12,474,544.99
Wafangdian Bearing Hospital	Service accepted	228,624.00	250,000.00	N	
Wafangdian Bearing Education and Training Center	Service accepted	123,540.00	250,000.00	N	
Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd	Service accepted	4,019,157.74	-	Y	-

Wafangdian Tongda Bearing Manufacturing Co., Ltd.	Service accepted	4,290,342.19	2,000,000.00	Y	-
Wafangdian Bearing Power Co.,Ltd	Service accepted	3,849,143.16	24,800,000.00	N	-
Wazhou Group	Service accepted	2,168,767.50	-	Y	-
Wazhou Exact Forge Co.,Ltd.	Purchase of factory building	11,222,201.84	1,055,000,000.00	N	-
<b>Total</b>	—	<b>1,054,103,810.93</b>	<b>3,184,500,000.00</b>	—	<b>1,091,222,230.48</b>

## 2) Sales of goods/provide labour services

Related party	Content	current year	prior year
Wazhou Exact Forge Co.,Ltd	Sales of goods	99,574,164.81	72,941,185.86
Wazhou Group (USA) Bearing Co., Ltd.	Sales of goods	85,998,248.43	58,684,286.70
Wazhou Group Precision Roller Co.,Ltd	Sales of goods	9,900,719.63	12,162,919.43
Wazhou Group Precision Turnplate Bearing Co.,Ltd	Sales of goods	45,677,165.01	134,557,371.56
Wazhou Group	Sales of goods	62,699,726.97	94,974,978.10
Wazhou Group High-end Auto Bearing Co.,Ltd	Sales of goods	2,792,976.77	11,717,289.78
Kugel- und Rollenlagerwerk Leipzig GmbH	Sales of goods	8,038,678.06	6,306,612.47
Wazhou Group Exact Transmission Bearing Co., Ltd	Sales of goods	1,307,958.30	1,770,715.97
ZWZ Bearing Europe GmbH	Sales of goods	-	569,344.89
Wazhou Group Special Precision Bearing Co., Ltd.	Sales of goods	1,329,682.51	683,130.35
Wafangdian Tongda Bearing Manufacturing Co., Ltd.	Sales of goods	1,149,236.61	706,587.62
Dalian Wazhou Manufacturing Equipment Co., Ltd	Sales of goods	105,729.38	115,999.53
Wazhou Group Precision Retainer Co.,Ltd	Sales of goods	44,277.15	353,839.82
Wazhou Group National Bearing Engineering Technology Research Centre Co.,Ltd	Sales of goods	161,368.58	82,761.40
Dalian Wazhou Jinzhou Machinery Co., Ltd	Sales of goods	-	1,836.00
Wazhou Group Precision Roller Co.,Ltd	provide labour services	2,940,693.43	4,689,329.91
Wazhou Group High-end Auto Bearing Co.,Ltd	provide labour services	4,842,293.36	1,325,868.82

Wazhou Group Exact Transmission Bearing Co., Ltd	provide labour services	41,906,641.29	20,422,468.73
Wazhou Group Special Precision Bearing Co., Ltd.	provide labour services	492,193.45	474,852.11
Dalian Wazhou Jinzhou Machinery Co., Ltd	provide labour services	161,303.24	493,153.65
Wazhou Exact Forge Co.,Ltd	provide labour services	1,141,806.30	435,147.16
Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd	provide labour services	438,118.96	361,345.09
Wafangdian Tongda Bearing Manufacturing Co., Ltd.	provide labour services	7,342,059.63	6,493,958.68
Wazhou Group Precision Retainer Co.,Ltd	provide labour services	88,268.71	257.88
Wazhou Group	provide labour services	21,178,229.12	17,761,241.32
Wazhou Group Precision Turnplate Bearing Co., Ltd	provide labour services	1,505,490.36	416,821.00
Wazhou Group	Sales of equipment	25,663.72	767,943.02
Wazhou Group Precision Roller Co.,Ltd	Sales of equipment	-	446,548.73
Wazhou Group Precision Retainer Co.,Ltd	Sales of equipment	181,415.92	506,194.72
Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd	Sales of equipment	132,743.36	20,884.96
Wazhou Group High-end Auto Bearing Co.,Ltd	Sales of equipment	-	132,743.37
Dalian Wazhou Jinzhou Machinery Co., Ltd	Sales of equipment	68,141.59	535,188.62
Wazhou Group	Sales of factory building	53,686,153.41	-
<b>Total</b>	—	<b>401,224,994.65</b>	<b>450,912,807.25</b>

## (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.	Buildings	1,290,614.91	1,035,620.00
The Company	Wazhou Group High-end Auto Bearing Co.,Ltd	Buildings	2,178,415.20	6,125,769.60
The Company	Wazhou Group Precision Retainer	Buildings	764,023.00	764,023.00
The Company	Dalian Wazhou Jinzhou	Buildings	401,580.00	803,160.00

<b>Lessor</b>	<b>Lessee</b>	<b>Category of assets rent out</b>	<b>current year profits</b>	<b>prior year profits</b>
	Machinery Co., Ltd			
The Company	Dalian Wazhou Fengyuan Machinery Co., Ltd	Buildings	121,192.27	107,460.00
The Company	Wazhou Group	Buildings	700,999.20	487,970.40
The Company	Wazhou Group High-end Auto Bearing Co.,Ltd	Equipments	8,703,744.28	10,652,629.13
The Company	Wazhou Group Precision Retainer Co.,Ltd	Equipments	696,332.22	1,579,396.30
The Company	Wazhou Exact Forge Ltd.	Equipments	568,672.27	-
The Company	Wazhou Group Precision Roller Co.,Ltd	Equipments	402,799.86	970,276.18
The Company	Wazhou Group	Equipments	8,122,924.13	8,075,302.90
The Company	Wazhou Exact Forge Ltd.	Land (located in No.1, Phrase1, North Gongji Street, with area of 23,499 m <sup>2</sup> ).	768,312.54	-
The Company	Wazhou Group	Land (located in No.1, Phrase1, North Gongji Street, with area of 20,150.35m <sup>2</sup> )	302,255.25	-
The Company	Wazhou Group Precision Retainer Co.,Ltd	Land (located in No.1, Phrase1, North Gongji Street, with area of 17,543.33m <sup>2</sup> )	263,148.00	263,148.00
The Company	Wazhou Group	Land (located in No.1, Phrase1, North Gongji Street, with area of 13,171 m <sup>2</sup> ).	197,565.00	-
The Company	Wazhou Group	Land (located in No.1, Phrase1, North Gongji Street, with area of 30,680.77m <sup>2</sup> ).	-	435,911.55
The Company	Wazhou Exact Forge Ltd.	Land (located in No.1, Phrase1, North Gongji Street, with area of 48,220.82 m <sup>2</sup> ).	-	433,987.00
The Company	Wazhou Exact Forge Ltd.	Land located in No.1,	-	206,670.00

<b>Lessor</b>	<b>Lessee</b>	<b>Category of assets rent out</b>	<b>current year profits</b>	<b>prior year profits</b>
		Phrase1, North Gongji Street, steel warehouse		
The Company	Wazhou Exact Forge Ltd.	Land (located in No.1, Phrase1, North Gongji Street, with area of 7,881 m <sup>2</sup> ).	-	118,215.00
The Company	Wazhou Exact Forge Ltd.	Buildings	1,290,614.91	1,035,620.00
The Company	Wazhou Group High-end Auto Bearing Co.,Ltd	Buildings	2,178,415.20	6,125,769.60
The Company	Wazhou Group Precision Retainer	Buildings	764,023.00	764,023.00

## 2) Assets under lease

<b>Lessor</b>	<b>Lessee</b>	<b>Category of assets rent in</b>	<b>current year lease premium</b>	<b>prior year lease premium</b>
Wazhou Group	Special large branch of the Company	Land (located in Wazhou Group industrial park, with area of 19,401.24 m <sup>2</sup> ).	291,018.60	291,019.00
Wazhou Group	Special large branch of the Company	Buildings(located in Wazhou Group industrial park, with area of 13781.57m <sup>2</sup> )	1,653,788.40	1,653,788.00
Wazhou Group	Special large branch of the Company	Land ((located in Wazhou Group industrial park, with area of 12522.33m <sup>2</sup> )	187,834.95	184,295.00
Wazhou Group	Special large branch of the Company	Buildings((located in Wazhou Group industrial park, with area of 8551.08m <sup>2</sup> )	1,026,129.60	1,006,810.00
Wazhou Group	Special large branch of the Company	Equipment	300,443.98	337,390.62
Wazhou Group	Wafangdian Bearing Co.,Ltd spare part manufacturing branch	Land (No.2 Plant West Industry Park with area of 11290m <sup>2</sup> )	169,350.00	169,350.00
Wazhou Group	Bearing Part Manufacturing Branch of the Company	Buildings (No.2 Plant West Industry Park with area of 6531m <sup>2</sup> )	783,720.00	783,720.00

<b>Lessor</b>	<b>Lessee</b>	<b>Category of assets rent in</b>	<b>current year lease premium</b>	<b>prior year lease premium</b>
Wazhou Group	Wafangdian Bearing Co.,Ltd spare part manufacturing branch	Equipment	131,422.00	132,252.97
Wazhou Group	Wafangdian Bearing Co., Ltd(logistic department)	Buildings (Wazhou Group Industry Park with area of 3,954.39m <sup>2</sup> )	474,527.00	649,082.00
Wazhou Group	Wafangdian Bearing Co., Ltd(logistic department)	Land (Wazhou Group Industry Park with area of 11,637m <sup>2</sup> )	174,555.00	107,405.70
Wazhou Group	Wafangdian Bearing Co., Ltd(logistic department)	Buildings (Wazhou Group Industry Park Waste field with area of 400m <sup>2</sup> )	36,000.00	32,811.00
Wazhou Group	Wafangdian Bearing Co., Ltd(logistic department)	Land (Wazhou Group Industry Park Waste field with area of 400m <sup>2</sup> )	6,000.00	26,270.00
Wazhou Group	Wafangdian Bearing Co., Ltd(logistic department)	Buildings(located in Wazhou Group industrial park, with area of 3393.8m <sup>2</sup> )	203,628.00	-
Wazhou Group	Wafangdian Bearing Co., Ltd(logistic department)	Land (located in Wazhou Group industrial park, with area of 5133.59 m <sup>2</sup> ).	38,502.00	-
Wazhou Group	The railway bearing company of the Company	Plant (located in No.3 west industrial park with area of 18,185.00 m <sup>2</sup> ).	2,182,200.00	2,182,200.00
Wazhou Group	Special Large Branch of the Company	Land (located in west industrial park, with area of 29,460.00 m <sup>2</sup> ).	441,900.00	441,900.00
Wazhou Group	Special Large Branch of the Company	Plant (located in No.5 west industrial park with area of 3,245.59 m <sup>2</sup> ).	389,471.00	-
Wazhou Group	The Railway Bearing company of the Company	Land (located in No.5 west industrial park with area of 5,610.00 m <sup>2</sup> ).	84,150.00	473,621.00
Wazhou Group	The railway bearing company of the Company	Equipment	968,722.12	967,891.13

<b>Lessor</b>	<b>Lessee</b>	<b>Category of assets rent in</b>	<b>current year lease premium</b>	<b>prior year lease premium</b>
Wazhou Group	Wafangdian Bearing Co., Ltd(QCdepartment)	Buildings	18,000.00	35,203.00
Wazhou Group	Wafangdian Bearing Co., Ltd(QCdepartment)	Buildings	2,000.00	8,000.00
Wazhou Group	Two finished branch of the Company	Buildings	1,118,022.00	1,118,022.00
Wazhou Group	Two finished branch of the Company	Land (located in Wazhou Group industrial park, with area of 14,112.57 m <sup>2</sup> ).	211,689.00	211,689.00
Wazhou Group	Two finished branch of the Company	Equipment	208,183.05	250,862.27
Wazhou Group	Two finished branch of the Company	Buildings(Wazhou Group Park with area of 1011.66m <sup>2</sup> )	91,049.00	-
Wazhou Group	Two finished branch of the Company	Land (Wazhou Group Park with area of 1530.27m <sup>2</sup> )	17,216.00	-
Wazhou Group	Precision Bearing plant of the Company	Buildings(Wazhou Group Park with area of 19494.2m <sup>2</sup> )	2,339,304.00	2,339,304.00
Wazhou Group	Precision Bearing plant of the Company	Land (Wazhou Group Park with area of 30380m <sup>2</sup> )	455,700.00	455,700.00
Wazhou Group	Precision bearing branch of the Company	Equipment	23,213.68	24,493.68
Wazhou Group	The Precision Rolling (Wafangdian) of the Company	Land (No.2, West Industry Park with area of 29,930m <sup>2</sup> )	2,708,310.00	2,708,310.00
Wazhou Group	Dalian Wazhou Precision Motor Bering Co.,Ltd	Land (Shishanli,Jinzhou with area of 28,210m <sup>2</sup> )	380,835.00	380,835.00
Wazhou Group	Wafangdian Bearing Co., Ltd(logistic department)	Land (Wazhou Group Industry Park Iron Field with area of 836.1m <sup>2</sup> )	-	31,637.00
Wazhou Group	Wafangdian Bearing Co., Ltd(supply	Building	-	35,198.00

Lessor	Lessee	Category of assets rent in	current year lease premium	prior year lease premium
	chain management department)			
Wazhou Group	The Precision Rolling (Wafangdian) of the Company	Equipment	947,552.00	947,552.00
Wazhou Group	Wafangdian Bearing Co., Ltd(QCdepartment)	Buildings (located in Wazhou Group industrial park, with area of 39.51 m <sup>2</sup> ).	4,741.00	-
Wazhou Group	Wafangdian Bearing Co., Ltd(QCdepartment)	Land (located in Wazhou Group industrial park, with area of 29.55 m <sup>2</sup> ).	443.00	-
Wazhou Group	Wafangdian Bearing Co., Ltd(QCdepartment)	Buildings (located in Wazhou Group industrial park, with area of 327.05 m <sup>2</sup> ).	39,246.00	-
Wazhou Group	Wafangdian Bearing Co., Ltd(QCdepartment)	Land (located in Wazhou Group industrial park, with area of 159.29 m <sup>2</sup> ).	2,389.00	-
Wazhou Group	Wafangdian Bearing Co., Ltd(QCdepartment)	Buildings (located in Wazhou Group industrial park, with area of 82.33 m <sup>2</sup> ).	9,880.00	-
Wazhou Group	Wafangdian Bearing Co., Ltd(QCdepartment)	Land (located in Wazhou Group industrial park, with area of 60.36 m <sup>2</sup> ).	905.00	-
Wazhou Group	Special large branch of the Company	Buildings (located in Wazhou Group industrial park, with area of 503 m <sup>2</sup> ).	60,360.00	-

## (3) Related party assets transfer and debt structure reconstruction

Related party	Type of transaction	current year	prior year
Wazhou Exact Forge Co.,Ltd.,	Gain on debt restructuring	-	810,000.00
Wazhou Group Precision Retainer Co.,Ltd	Gain on debt restructuring	-	548,000.00
Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd	Gain on debt restructuring	5,500.00	58,829.93
National Bearing Engineering	Gain on debt	23,555.17	-

Related party	Type of transaction	current year	prior year
Technology Research Centre of Wazhou Group	restructuring		
Wazhou Group Equipment Technology Project Co., Ltd.	Gain on debt restructuring	-	223,289.45

## (4) Management remuneration

Item	current year	prior year
<b>Total</b>	2,456,150.92	1,747,360.30

## (5) Use of trademark

According to the ‘Trade Mark License contract’ signed between the Company and the Group on January 1, 2021, within the valid period up to December 31, 2021, the Company shall pay license fees to the Group at 1% of net sales by using the trade mark of Wazhou Group for self-manufactured stock. In 2021, the Company shall pay license fees of 12,206,965.16 Yuan (excl VAT).

## (6) Acceptance of comprehensive service

Other expenses paid to the Group and overseas subsidiary during the year

Item	current year	prior year
Firelight and security	2,451,100.00	2,618,935.31
Technology service	-	817,869.88
<b>Total</b>	<b>2,451,100.00</b>	<b>3,436,805.19</b>

### 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 Co.,Ltd	-	-	68,678,602.65	-
Accounts receivable	Wazhou Exact Forge Co.,Ltd.,	-	-	16,662,178.60	-
Accounts receivable	Wazhou Group Precision Turnplate Bearing Co.,Ltd	6,879,860.08	-	57,817,522.14	-
Accounts receivable	Wazhou Group Precision Roller Co.,Ltd	99,379,254.15	-	58,389,070.16	-
Accounts receivable	Wazhou Group (USA) Bearing CO., Ltd.	34,065,432.06	-	12,724,312.13	-

Item	Related party	Closing Balance		Opening Balance	
		Book Balance	Provision	Book Balance	Provision
Accounts receivable	Wazhou Group Precision Retainer Co.,Ltd	-	-	4,695,277.43	-
Accounts receivable	Wazhou Group	3,278,021.19	-	45,948,737.23	-
Accounts receivable	Wazhou Group Exact Transmission Bearing Co., Ltd	28,599,541.22	-	13,380,098.00	-
Accounts receivable	Wazhou Group Special Precision Bearing Co., Ltd.	1,660,069.24	-	96,675.89	-
Accounts receivable	Kugel- und Rollenlagerwerk Leipzig GmbH	603,628.47	-	951,712.17	-
Accounts receivable	Wafangdian Tongda Bearing Manufacturing Co., Ltd.	-	-	246,225.41	-
Accounts receivable	ZWZ Bearing Europe GmbH	-	-	165,782.22	-
Accounts receivable	Dalian Wazhou Jinzhou Machinery Co., Ltd	-	-	534,568.97	-
Prepayment	Liaoning North Metal Materials Supply Chain Co., Ltd	5,000,000.00	-	-	-
Prepayment	Wazhou Bearing Power Co.,Ltd	215,284.74	-	1,071,190.57	-
Prepayment	Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd	450,422.00	-	12,670.00	-
Prepayment	Wazhou Group Precision Roller Co.,Ltd	-	-	3,157,266.38	-
Prepayment	Wafangdian Bearing Co., Ltd	-	-	674,220.86	-
Prepayment	Wazhou Group High-end Auto Bearing Co.,Ltd	-	-	8,019,600.29	-
Other receivable	Wazhou Group Lanzhou sales office	-	-	778,950.65	778,950.65
Other receivable	Wazhou Group	49,779.39	-	20,254.45	-

## (2) Accounts payable due from related parties

Item	Related party	Closing Balance	Opening Balance
Accounts payable	Wazhou Exact Forge Co.,Ltd.,	3,252,037.66	11,011,062.39
Accounts payable	Wazhou Group Co.,Ltd	141,326,357.49	115,348,014.25
Accounts payable	Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd	3,522,241.14	2,664,211.48
Accounts payable	Wazhou Group High-end Auto Bearing Co.,Ltd	-	9,956,743.70

Item	Related party	Closing Balance	Opening Balance
Accounts payable	Wafangdian Tongda Bearing Manufacturing Co., Ltd.	1,958,543.96	846,928.89
Accounts payable	Wazhou Group Equipment Technology Project Co., Ltd.	29,700.00	29,700.00
Accounts payable	Dalian Wazhou Jinzhou Machinery Co., Ltd	8,441,546.14	2,388,530.75
Accounts payable	Dalian Wazhou Fengyuan Machinery Co., Ltd	4,198,518.84	1,247,725.38
Accounts payable	National Bearing Engineering Technology Research Centre of Wazhou Group	9,289,575.00	4,453,686.53
Accounts payable	Wazhou Precision Steel Ball Co.,Ltd	-	1,125,369.23
Accounts payable	Wazhou Group Precision Roller Co.,Ltd	-	2,391,436.65
Accounts payable	Wazhou Group Precision Retainer Co.,Ltd	15,679,326.25	6,147,681.16
Accounts payable	Wazhou Bearing Power Co.,Ltd	2,447,640.94	1,012,371.15
Accounts payable	Wazhou Group Exact Transmission Bearing Co., Ltd	-	682,054.80
Accounts payable	Wafangdian The Precision Rolling Manufacturing Branch	-	14,372,680.58
Accounts payable	The Railway Rolling Bearing Manufacturing Branch of Wazhou Group	-	6,889,299.47
Accounts payable	Wazhou Group High-end Auto Bearing Co.,Ltd	14,776,614.83	7,818,010.31
Accounts payable	Wafangdian Bearing Education and Training Center	56,400.00	
Accounts payable	Wafangdian Bearing Hospital	103,724.00	
Other payables	Wazhou Group Co.,Ltd	38,265,278.19	38,476,586.58
Other payables	Wazhou Group Equipment Technology Project Co., Ltd.	952,000.00	952,000.00
Other payables	Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd	-	211,088.45
Other payables	Wazhou Bearing Power Co.,Ltd	1,714,697.56	-

#### 4. Others

No.

#### XII. Share based payment

No.

#### XIII. Contingency

No.

#### .XIV. Commitment

Until 31 December, 2021, the Group does not have any other significant commitments.

**XV. Events after the Balance Sheet Date**

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

**XVI. Other Significant Events**

## 1. Prior period errors correction and effect

No.

## 2. Debt restructuring

In 2021, 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 gain on debt restructuring RMB 2,569,901.39 Yuan and were recognized as investment income.

In 2021, the Company gave up some of receivables and has signed the ‘Debt Restructuring Agreement’ with the debtors, through cash or bank notes settlement below the debt carrying value, and implemented the restructuring, which results in the debt restructuring income RMB 760,978.56 Yuan and were recognized as investment income.

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

## 1. Account receivable

## (1) Category of accounts receivable

Items	Closing balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Accounts receivable with individual bad debt provision	77,309,692.95	6.84	77,309,692.95	100.00	-
Accounts receivable with bad debt provision based on the characters of credit risk portfolio	1,053,553,006.73	93.16	64,421,657.30	—	989,131,349.43
-Aging portfolio	888,678,707.98	78.58	64,421,657.30	7.25	824,257,050.68

-Related party portfolio	164,874,298.75	14.58	-	-	164,874,298.75
<b>Total</b>	<b>1,130,862,699.68</b>	<b>100.00</b>	<b>141,731,350.25</b>	<b>—</b>	<b>989,131,349.43</b>

(Continued)

Items	Opening Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Accounts receivable with individual bad debt provision	63,437,865.85	5.55	63,437,865.85	100.00	-
Accounts receivable with bad debt provision based on the characters of credit risk portfolio	1,079,592,293.76	94.45	28,394,940.13	—	1,051,197,353.63
-Aging portfolio	722,785,069.56	63.23	28,394,940.13	3.93	694,390,129.43
-Related party portfolio	356,807,224.20	31.22	-	-	356,807,224.20
<b>Total</b>	<b>1,143,030,159.61</b>	<b>100.00</b>	<b>91,832,805.98</b>	<b>—</b>	<b>1,051,197,353.63</b>

## 1) Accounts receivable with individual bad debt provision

Debtors name	Closing Balance		Proportion (%)	Reasons for provision
	Accounts receivable	Provision for bad debts		
Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd	4,093,012.86	4,093,012.86	100.00	uncollectable
Liaoning Yinheng Galvanized Colored Coated Steel Sheet Co. Ltd	3,213,308.67	3,213,308.67	100.00	uncollectable
Shandong Hengji New Materials Co., Ltd	2,284,666.96	2,284,666.96	100.00	uncollectable
Heilongjiang Longmei Logistics Co., Ltd	2,134,140.98	2,134,140.98	100.00	uncollectable
Shandong Yuanda Board Technology Co., Ltd	1,804,722.77	1,804,722.77	100.00	uncollectable

Debtors name	Closing Balance		Proportion (%)	Reasons for provision
	Accounts receivable	Provision for bad debts		
HBIS Company Limited Handan Branch	1,608,611.42	1,608,611.42	100.00	uncollectable
An Gang steel Co.,Ltd	1,595,050.69	1,595,050.69	100.00	uncollectable
Bazhou Tianli Tube Co., Ltd	1,325,600.76	1,325,600.76	100.00	uncollectable
Zhejiang Yesheng New Material Co. Ltd	1,301,760.00	1,301,760.00	100.00	uncollectable
Yingkou Iron & Steel Co. Ltd	1,256,973.91	1,256,973.91	100.00	uncollectable
Sinosteel Xi'an Heavy Machinery Co., Ltd	1,065,321.47	1,065,321.47	100.00	uncollectable
Shantui Construction Machinery Co., Ltd.	1,047,576.65	1,047,576.65	100.00	uncollectable
HenanTaihang Vibration Machinery Co., Ltd	989,207.41	989,207.41	100.00	uncollectable
Donghai New Material Co. Ltd	942,558.20	942,558.20	100.00	uncollectable
Shanghai Jieru Heavy Industry Mechanical Equipment Co., Ltd	923,603.80	923,603.80	100.00	uncollectable
Tangshan Guofeng Iron and Steel Co. LTD	883,297.41	883,297.41	100.00	uncollectable
Jilin Chengzhong Auto Parts Co., Ltd	872,874.22	872,874.22	100.00	uncollectable
Shandong Changhua Machinery Technology Co., Ltd	846,943.06	846,943.06	100.00	uncollectable
Heilongjiang Longmei Hongtai International Trade Co., Ltd	835,000.00	835,000.00	100.00	uncollectable
China Second Heavy Machinery Group (Deyang) Wanxin Engineering Equipment Co. Ltd	795,887.92	795,887.92	100.00	uncollectable
Benxi Beiyang Steel (Group) Co. Ltd	775,804.98	775,804.98	100.00	uncollectable
Bengang Steel Plates Co., Ltd	770,000.00	770,000.00	100.00	uncollectable
Materials Branch of NHI	739,585.80	739,585.80	100.00	uncollectable
Shandong Yuntong New Material Technology Co. Ltd	711,438.94	711,438.94	100.00	uncollectable
Dongfeng Transmission Co.,Ltd	704,098.23	704,098.23	100.00	uncollectable
Shanghai Weiqiang Heavy Industry Mechanic Co.,Ltd	673,595.42	673,595.42	100.00	uncollectable
Dalian Tianyuan Motor Co.,Ltd	666,383.31	666,383.31	100.00	uncollectable
Hejin Hongda Special Steel Co., Ltd	657,373.01	657,373.01	100.00	uncollectable
Shaanxi Hande Axle Co., Ltd. Xi'an	644,075.33	644,075.33	100.00	uncollectable

Debtors name	Closing Balance		Proportion (%)	Reasons for provision
	Accounts receivable	Provision for bad debts		
Branch				
Dandong Shuguang Heavy Axle Co., Ltd	642,833.42	642,833.42	100.00	uncollectable
Hangzhou Advance Gearbox Group Co., Ltd	634,135.81	634,135.81	100.00	uncollectable
Wolong Electric Huai 'an Qingjiang Motor Co. Ltd	598,873.78	598,873.78	100.00	uncollectable
Xingtai Iron and Steel Co., Ltd	590,148.98	590,148.98	100.00	uncollectable
Qinghai Lufeng New Material Co., Ltd	525,743.44	525,743.44	100.00	uncollectable
Shandong Guanzhou Co., Ltd.	523,387.16	523,387.16	100.00	uncollectable
Xi 'an Zhuoshibo Hydraulic Engineering Co., Ltd	514,938.87	514,938.87	100.00	uncollectable
Beijing Jingcheng Star Technology Development Co., Ltd	505,100.00	505,100.00	100.00	uncollectable
Dongfeng Commercial Vehicle Co., Ltd	486,019.87	486,019.87	100.00	uncollectable
Gaotang Lvyin Environmental Protection Technology Co. Ltd	477,691.81	477,691.81	100.00	uncollectable
Mudanjiang Reduction Gears Factory	467,905.65	467,905.65	100.00	uncollectable
Factory 07-256	460,854.77	460,854.77	100.00	uncollectable
Hunan Chaoyang Mechanic & Electric Co.,Ltd	446,627.60	446,627.60	100.00	uncollectable
Shandong Huali Motor Group Suzhou Manufacturing Co., Ltd	442,919.83	442,919.83	100.00	uncollectable
XEMC	416,549.65	416,549.65	100.00	uncollectable
Shenji Group Kunming Machine Tool Co., Ltd	406,076.68	406,076.68	100.00	uncollectable
Xuzhou Xugong Material Supply Co., Ltd	374,629.55	374,629.55	100.00	uncollectable
Baoji Zhongyi Industry and Trade Co. Ltd	374,594.68	374,594.68	100.00	uncollectable
Qingdao Shuangxing Tire Industry Co. Ltd	371,251.58	371,251.58	100.00	uncollectable
Shandong Quanlin Group Co. Ltd	370,734.92	370,734.92	100.00	uncollectable
Yangzhou Hengrun Marine Heavy Industry Co., Ltd	362,006.00	362,006.00	100.00	uncollectable
Nanjing Astronomical Light of the National Astronomical Observatory of the Chinese Academy of Sciences	352,660.01	352,660.01	100.00	uncollectable

Debtors name	Closing Balance		Proportion (%)	Reasons for provision
	Accounts receivable	Provision for bad debts		
Tai'an Tianhua Economic and Trade Co., Ltd	346,554.01	346,554.01	100.00	uncollectable
Guanxian Hongshun Composite Materials Co., Ltd	343,820.00	343,820.00	100.00	uncollectable
Yichang Guocheng Coating Plate Co., Ltd	339,600.00	339,600.00	100.00	uncollectable
Pingdingshan Tianan Coal Industry Co., Ltd	334,919.73	334,919.73	100.00	uncollectable
Langfang Shenhua Industry and Trade Co., Ltd	322,645.16	322,645.16	100.00	uncollectable
Hengfengtai Precision Machinery Co., Ltd	318,948.38	318,948.38	100.00	uncollectable
Shandong Tancheng Xinya Light Industry Machinery Co. Ltd	318,488.87	318,488.87	100.00	uncollectable
Northeast Special Steel Group Beiman Special Steel Co. Ltd	315,004.72	315,004.72	100.00	uncollectable
Taicang Hu Tai Chang ' e Paper Equipment Co. Ltd	310,361.32	310,361.32	100.00	uncollectable
Shaanxi Hande Axle Co., Ltd	309,157.59	309,157.59	100.00	uncollectable
Shandong Quanlin Straw Utilization Co. Ltd	307,409.46	307,409.46	100.00	uncollectable
Harbin Hakuo Electric Power Technology Co. Ltd	303,005.32	303,005.32	100.00	uncollectable
Hebei Jinxi Iron & Steel Group Co. Ltd	298,307.04	298,307.04	100.00	uncollectable
Minmetals Yingkou Medium Plate Co., Ltd	294,407.32	294,407.32	100.00	uncollectable
Zhongcai Zibo Heavy Machinery Co. Ltd	293,817.58	293,817.58	100.00	uncollectable
Sichuan Ningjiang Shanchuan Machinery Co., Ltd	288,157.60	288,157.60	100.00	uncollectable
Ningbo Fan Co., Ltd	287,783.07	287,783.07	100.00	uncollectable
Jiangsu Xinrui Gear System Co. Ltd	286,949.88	286,949.88	100.00	uncollectable
Erzhong Group (Deyang) Jingheng Transmission Equipment Co., Ltd	286,935.03	286,935.03	100.00	uncollectable
Siemens Electric Motor (China) Co., Ltd	284,110.82	284,110.82	100.00	uncollectable
Zhibo Boshanqianjin Reduction Gears Co.,Ltd o. Ltd	283,841.52	283,841.52	100.00	uncollectable
Taiyuan Heavy Industry Co., Ltd	275,596.93	275,596.93	100.00	uncollectable
Shandong Guanpeng Latten Co.,Ltd	273,748.84	273,748.84	100.00	uncollectable

Debtors name	Closing Balance		Proportion (%)	Reasons for provision
	Accounts receivable	Provision for bad debts		
Baotou Tianlihanfa Mechanic & Electric Co.,Ltd	273,597.67	273,597.67	100.00	uncollectable
Anhui Jianghuai Automobile Group Co., Ltd. Light Commercial Vehicle Branch	264,521.67	264,521.67	100.00	uncollectable
Hejin Huaxinyuan Iron and Steel Co., Ltd	255,598.00	255,598.00	100.00	uncollectable
Tangshan Huahang Electromechanical Innovation Equipment Co., Ltd	247,147.40	247,147.40	100.00	uncollectable
Jinzhai Pengfei Steel Structure Steel Frame Engineering Co., Ltd	246,400.00	246,400.00	100.00	uncollectable
Harbin Railway Bureau Industrial Office Harbin Locomotive	245,268.09	245,268.09	100.00	uncollectable
Yanggu Dangyu Sheet Co., Ltd	243,280.00	243,280.00	100.00	uncollectable
Tonghua Iron & Steel Co. Ltd	240,568.39	240,568.39	100.00	uncollectable
Shijiazhuang Qiangda Slurry Pump Co.,Ltd	238,749.98	238,749.98	100.00	uncollectable
Inner Mongolia Hongji Technology New Energy Co., Ltd	231,610.81	231,610.81	100.00	uncollectable
Yichang jiandao trade co., Ltd	226,995.16	226,995.16	100.00	uncollectable
Taizhong Coal Machine Co.,Ltd	215,142.12	215,142.12	100.00	uncollectable
Qinhuangdao Shouqin Metal Material Co. Ltd	213,911.48	213,911.48	100.00	uncollectable
Liaoning Renda Equipment Technology Co., Ltd	211,464.69	211,464.69	100.00	uncollectable
Chongqing Iron Horse Industry Group Co., Ltd	211,196.98	211,196.98	100.00	uncollectable
SAIC IVECO Hongyan Commercial Vehicle Co., Ltd	210,860.60	210,860.60	100.00	uncollectable
Fujian Wuhang Stainless Steel Products Co., Ltd	202,936.71	202,936.71	100.00	uncollectable
Tianjin Rongtai Advanced Composite Material Co.,Ltd	200,000.00	200,000.00	100.00	uncollectable
Hebei Wenfeng Iron & Steel Co. Ltd	197,979.65	197,979.65	100.00	uncollectable
Zhucheng Shuguang Axle Co., Ltd	191,824.38	191,824.38	100.00	uncollectable
Jiangsu Xuzhou Forging Machine Tool Factory Group Co., Ltd	188,906.34	188,906.34	100.00	uncollectable
Hubei Wazhou Xinsheng Technology Co., Ltd	188,136.00	188,136.00	100.00	uncollectable

Debtors name	Closing Balance		Proportion (%)	Reasons for provision
	Accounts receivable	Provision for bad debts		
Hanbang (Jiangyin) Petrochemical Co., Ltd	187,499.99	187,499.99	100.00	uncollectable
Inner Mongolia Jitong Railway (Group) Co., Ltd	185,172.55	185,172.55	100.00	uncollectable
Nanjing Light Industry Machinery Factory	185,079.54	185,079.54	100.00	uncollectable
Jiangsu Suye Heavy Machinery Manufacturing Co. LTD	184,530.46	184,530.46	100.00	uncollectable
Xuzhou Zhongcai Equipment Heavy Machinery Co. Ltd	170,930.05	170,930.05	100.00	uncollectable
Taiyuan Tongze Heavy Industry Co., Ltd	170,178.79	170,178.79	100.00	uncollectable
Shenyang Sanming Heavy Industry Machinery Co., Ltd	164,107.39	164,107.39	100.00	uncollectable
Xuzhou Meichi Vehicle and Bridge Co., Ltd	163,037.45	163,037.45	100.00	uncollectable
Shanghai Zhongli Machinery Manufacturing Co., Ltd	161,388.95	161,388.95	100.00	uncollectable
Siping Blower Co., Ltd	160,053.21	160,053.21	100.00	uncollectable
Xiangdian Heavy Equipment Co., Ltd	158,854.17	158,854.17	100.00	uncollectable
Zhongshan Weite Motor Co., Ltd	158,593.79	158,593.79	100.00	uncollectable
Nanjing Iron and Steel Co., Ltd	156,451.09	156,451.09	100.00	uncollectable
Hubei Quanli Machinery Group Co. Ltd	152,489.82	152,489.82	100.00	uncollectable
Anshan Iron and Steel Machinery Development Metallurgical Electric Appliance Repair Factory	150,734.55	150,734.55	100.00	uncollectable
Wuxi Yutong Bearing Co., Ltd	149,427.42	149,427.42	100.00	uncollectable
Wafangdian Hongda Constant Velocity Joint Manufacturing Co., Ltd	148,466.32	148,466.32	100.00	uncollectable
Xinxiang Risheng CNC Bearing Equipment Co., Ltd	141,953.78	141,953.78	100.00	uncollectable
Yixing Chaoqun Machinery Equipment Co., Ltd	138,484.00	138,484.00	100.00	uncollectable
Shandong Maiteli Heavy Machinery Co., Ltd	137,806.10	137,806.10	100.00	uncollectable
Dalian Hongyun Transmission Technology Development Co., Ltd	135,433.03	135,433.03	100.00	uncollectable
Anhui Anfeng Fan Co., Ltd	131,355.36	131,355.36	100.00	uncollectable

Debtors name	Closing Balance		Proportion (%)	Reasons for provision
	Accounts receivable	Provision for bad debts		
Shenyang Qunding Machinery Equipment Co., Ltd	126,286.35	126,286.35	100.00	uncollectable
Tangshan Dunshi Machinery Manufacturing Co. Ltd	124,474.60	124,474.60	100.00	uncollectable
Nantong Hengrong Machine Pump Factory Co. Ltd	123,407.18	123,407.18	100.00	uncollectable
Guangxi Tianyang Huamei Paper Co. Ltd	122,629.00	122,629.00	100.00	uncollectable
Shandong Baoding Coal Coking Co. Ltd	122,446.50	122,446.50	100.00	uncollectable
Hubei Tongfang High-tech Pump Co., Ltd	121,727.00	121,727.00	100.00	uncollectable
Shaoyang Textile Machinery Co., Ltd	121,665.02	121,665.02	100.00	uncollectable
Harbin First Machinery Manufacturing Group Co., Ltd	121,033.33	121,033.33	100.00	uncollectable
Yangmei Xinzhou General Machinery Co., Ltd	120,447.88	120,447.88	100.00	uncollectable
Anhui Fuma Auto Parts Group Co., Ltd	119,386.14	119,386.14	100.00	uncollectable
Zibo Geer Gear Co., Ltd	115,538.40	115,538.40	100.00	uncollectable
Wuxi Shangji Numerical Control Co., Ltd	114,412.20	114,412.20	100.00	uncollectable
China Nonferrous Metals (Shenyang) Metallurgical Machinery Co., Ltd	114,132.29	114,132.29	100.00	uncollectable
Shanghai Yaotai Engineering Technology Co., Ltd	113,054.61	113,054.61	100.00	uncollectable
Beijing Institute of Machinery Industry Automation	111,484.00	111,484.00	100.00	uncollectable
Huinan Steel Rolling Co., Ltd	108,910.23	108,910.23	100.00	uncollectable
Chongqing Jiangbei Machinery Co., Ltd	104,775.61	104,775.61	100.00	uncollectable
Fujian Nandian Electric Co., Ltd	101,940.70	101,940.70	100.00	uncollectable
Anhui Huoshan Chenfeng Paper Co., Ltd.	96,991.53	96,991.53	100.00	uncollectable
Yuci Hydraulic Co., Ltd.	96,779.25	96,779.25	100.00	uncollectable
Shanghai Electric Hydraulic Pneumatic Co., Ltd.	96,447.99	96,447.99	100.00	uncollectable
Shandong Fengyuan Tongda Electric Power Co., Ltd. Zhongke Ecological Branch	96,030.20	96,030.20	100.00	uncollectable

Debtors name	Closing Balance		Proportion (%)	Reasons for provision
	Accounts receivable	Provision for bad debts		
Xinjiang Bayang Nanjiang Iron and Steel Baicheng Co., Ltd.	95,744.89	95,744.89	100.00	uncollectable
Jiangsu Gangyi Heavy Industry Co., Ltd.	94,737.65	94,737.65	100.00	uncollectable
Chibi Chenli Paper Co., Ltd.	92,271.31	92,271.31	100.00	uncollectable
Qingdao Iron and Steel Co., Ltd.	91,953.20	91,953.20	100.00	uncollectable
Dongfeng Heavy Industry (Shiyan) Co., Ltd.	91,729.00	91,729.00	100.00	uncollectable
Mingwei Machinery Manufacturing Co., Ltd.	87,538.18	87,538.18	100.00	uncollectable
Liuzhou Huagong Baichuan Rubber & Plastic Technology Co., Ltd.	86,116.00	86,116.00	100.00	uncollectable
Shandong Fulun Iron and Steel Co., Ltd.	85,431.69	85,431.69	100.00	uncollectable
Alukorqin Banner Shanshui Cement Co., Ltd.	85,166.00	85,166.00	100.00	uncollectable
Tangshan Shengtai Mining Co., Ltd.	84,389.00	84,389.00	100.00	uncollectable
Shandong Renfeng Special Materials Co., Ltd.	78,260.15	78,260.15	100.00	uncollectable
Jiangsu Yali Explosion-proof Motor Co., Ltd.	77,349.65	77,349.65	100.00	uncollectable
Hunan Guzhang Southern Cement Co., Ltd.	70,431.00	70,431.00	100.00	uncollectable
Hubei Beijing Lan Cement Group Co., Ltd.	69,539.16	69,539.16	100.00	uncollectable
Hangzhou Huahang Fan Co., Ltd.	66,411.50	66,411.50	100.00	uncollectable
Shanxi Huarong Longgong Coal Industry Co., Ltd.	65,097.75	65,097.75	100.00	uncollectable
Hubei Shuanghuan Technology Co., Ltd.	64,603.21	64,603.21	100.00	uncollectable
Guangxi Nanning Huaxin Tiancheng Technology Co., Ltd.	63,076.00	63,076.00	100.00	uncollectable
Tangshan Guofeng First Cold Rolled Galvanizing Technology Co., Ltd.	62,083.25	62,083.25	100.00	uncollectable
Shanxi Coking Co., Ltd.	60,951.33	60,951.33	100.00	uncollectable
Changshu Dongfeng Gear Factory	58,752.00	58,752.00	100.00	uncollectable
Tianjin Dongfang Jiangtian Section Steel Sales Co., Ltd.	58,180.49	58,180.49	100.00	uncollectable
Yantai Yucheng Machinery Co., Ltd.	55,803.20	55,803.20	100.00	uncollectable

Debtors name	Closing Balance		Proportion (%)	Reasons for provision
	Accounts receivable	Provision for bad debts		
Xiangtan Soda Industry Co., Ltd.	55,326.00	55,326.00	100.00	uncollectable
Shanxi Xishan Coal and Electricity Dehui Industrial Co., Ltd.	54,297.69	54,297.69	100.00	uncollectable
Shandong Jinchen Machinery Co., Ltd.	53,718.31	53,718.31	100.00	uncollectable
Hubei Century Xinfeng Leishan Cement Co., Ltd.	52,392.56	52,392.56	100.00	uncollectable
Haizhu Machinery Manufacturing Co., Ltd.	52,156.20	52,156.20	100.00	uncollectable
Tongmei Local Coal Co., Ltd.	50,339.01	50,339.01	100.00	uncollectable
Panzhuhua Xingmao Power Equipment Installation Co., Ltd.	50,000.00	50,000.00	100.00	uncollectable
Guangxi Guihang Precision Casting Co., Ltd.	50,000.00	50,000.00	100.00	uncollectable
Others	10,681,995.20	10,681,995.20	100.00	uncollectable
<b>Total</b>	<b>77,309,692.95</b>	<b>77,309,692.95</b>	<b>-</b>	<b>-</b>

- 2) 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	721,301,256.90	36,065,100.09	5.00
1-2 years	132,157,815.37	13,215,781.53	10.00
2-3 years	17,808,640.63	3,561,728.11	20.00
3-4years	8,500,005.66	4,250,002.83	50.00
4-5years	7,909,723.39	6,327,778.72	80.00
Over 5 years	1,001,266.03	1,001,266.03	100.00
<b>Total</b>	<b>888,678,707.98</b>	<b>64,421,657.30</b>	<b>—</b>

- (2) Category of accounts receivable listed by age

Aging	Closing Balance
Within1 year	853,140,251.42
1-2 years	213,740,388.27
2-3 years	21,417,496.30

<b>Aging</b>	<b>Closing Balance</b>
3-4years	14,537,788.31
4-5years	12,171,325.83
Over 5 years	15,855,449.55
<b>Total</b>	<b>1,130,862,699.68</b>

## (3) Bad debt provision

Category	Opening balance	Change during the year				Closing Balance
		Accrued	Other increase	Collected/reversed	Written-off	
Bad debt provision	91,832,805.98	61,442,657.02	-	1,233,607.41	10,310,505.34	141,731,350.25
<b>Total</b>	<b>91,832,805.98</b>	<b>61,442,657.02</b>	<b>-</b>	<b>1,233,607.41</b>	<b>10,310,505.34</b>	<b>141,731,350.25</b>

## (4) Accounts receivable written off in current period

Item	Written-off Amount
Accounts receivable written off	11,949,253.84

Important Account receivables accrued written down situations:

Company name	Nature of receivable	amount	reason	Procedure to be performed	Caused by related party
Shenyang Zhongjie Boring and Milling Machine Co., Ltd	Trade payment	1,742,825.06	Unable to recover	Internal approval	N
Sichuan Southwest Stainless Steel Co., Ltd	Trade payment	1,241,333.17	Unable to recover	Internal approval	N
Qiqihar Second Machine Tool (Group) Co., Ltd	Trade payment	551,450.03	Unable to recover	Internal approval	N
Guangzhou Material Supply Section of China Railway Guangzhou Bureau Group Co., Ltd	Trade payment	336,005.35	Unable to recover	Internal approval	N
Jiamusi Electric Co., Ltd	Trade payment	334,739.22	Unable to recover	Internal approval	N
Shenyang Machine Tool (Group) Co., Ltd. Precision CNC Machine Tool Branch	Trade payment	313,009.17	Unable to recover	Internal approval	N
Baoji Loyalty Machine Tool Co., Ltd	Trade payment	262,901.24	Unable to recover	Internal approval	N
Jiangsu Dazhong Electric Co., Ltd	Trade payment	258,003.88	Unable to recover	Internal approval	N
Korla Railway Material Supply Section	Trade payment	256,044.10	Unable to recover	Internal approval	N
Indonesia CV.SIDO Company	Trade payment	243,676.52	Unable to recover	Internal approval	N

Company name	Nature of receivable	amount	reason	Procedure to be performed	Caused by related party
Zhuzhou Gear Co., Ltd	Trade payment	243,504.36	Unable to recover	Internal approval	N
Shenyang Jingxin Remanufacturing Co., Ltd	Trade payment	236,705.64	Unable to recover	Internal approval	N
CRRC Shenyang Rolling Stock Co., Ltd	Trade payment	205,205.81	Unable to recover	Internal approval	N

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

Debtors name	Closing Balance	Age	Proportion of receivable (%)	Provision closing balance
Wafangdian Bearing Group Precision Rolling Element Co., Ltd	67,072,207.34	Within 1 year	5.93	-
CRRC Logistics Co., Ltd	65,562,349.27	Within 1 year	5.80	2,608,002.29
ZWZ Group (USA) Bearing Co., Ltd	52,160,045.86	Within 1 year	4.61	-
Wafangdian Bearing Group Precision Transmission Bearing Co., Ltd	34,065,432.06	Within 1 year	3.01	
Guangzhou Railway Materials Co., Ltd	19,061,595.05	Within 1 year	1.69	953,079.75
<b>Total</b>	<b>237,921,629.58</b>	—	<b>21.04</b>	<b>3,561,082.04</b>

(6) Derecognized receivable due to financial asset transfer: no

(7) Transferred receivable but continuously involved financial asset, liability: no

## 2. Other receivables

Items	Closing Balance	Opening Balance
Interest receivable	-	-
Dividend receivable	11,843,105.36	-
Other receivable	204,962,743.49	13,357,080.42
<b>Total</b>	<b>216,805,848.85</b>	<b>13,357,080.42</b>

## (1) Dividend receivable

Investee	Closing Balance	Opening Balance
Wazhou Precision of Spherical Roller Bearings (Wafangdian)Co., Ltd	11,843,105.36	-
<b>Total</b>	<b>11,843,105.36</b>	<b>-</b>

## (2) Other receivables

## 1) The categories of other receivable by nature

Nature	Closing Balance	Opening Balance
Loans from related parties	196,461,461.33	-
Secured fund	4,367,792.68	6,913,207.78
Deposit	143,560.00	381,780.42
Petty cash	89,371.16	120,512.99
Electricity bill	3,860,968.78	4,895,063.88
Others	7,999,889.23	7,024,289.13
<b>Total</b>	<b>212,923,043.18</b>	<b>19,334,854.20</b>

## (2) The categories of other receivable

Items	Closing Balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	
Other receivables with individual bad debt provision	5,592,780.22	2.63	5,592,780.22	100.00	-
Other receivables identified bad debt provision based on the characters of credit risk portfolio	207,330,262.96	97.37	2,367,519.47	—	204,962,743.49
-Aging combination	6,973,053.46	3.27	2,367,519.47	34.00	4,605,533.99
-Risk-free portfolio	3,860,968.78	1.81	-	-	3,860,968.78
-Related party portfolio	196,496,240.72	92.29	-	-	196,496,240.72
<b>Total</b>	<b>212,923,043.18</b>	<b>100.00</b>	<b>7,960,299.69</b>	<b>—</b>	<b>204,962,743.49</b>

(Continued)

Items	Opening Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Other receivables with individual bad debt provision	4,173,361.85	21.58	4,173,361.85	100.00	-
Other receivables identified bad debt provision based on the characters of credit risk portfolio	15,161,492.35	78.42	1,804,411.93	—	13,357,080.42
-Aging combination	10,261,174.02	53.07	1,804,411.93	17.58	8,456,762.09
-Risk-free portfolio	4,895,063.88	25.32	-	-	4,895,063.88
-Related party portfolio	5,254.45	0.03	-	-	5,254.45
<b>Total</b>	<b>19,334,854.20</b>	<b>100.00</b>	<b>5,977,773.78</b>	<b>—</b>	<b>13,357,080.42</b>

## (3) Bad debt provision of other receivable

Provision for bad debt	1 <sup>st</sup> stage	2 <sup>nd</sup> stage	3 <sup>rd</sup> stage	Total
	Expected credit loss within following 12 months	Expected credit loss within life time(unimpaired)	Expected credit loss within life time(impaired)	
Balance on January 1, 2021	-	-	5,977,773.78	5,977,773.78
On January 1, 2021 Other receivable carrying amount on the book	—	—	—	—
--get into 2 <sup>nd</sup> stage	-	-	-	-
--get into 3 <sup>rd</sup> stage	-	-	-	-
--reverse into 2 <sup>nd</sup>	-	-	-	-

Provision for bad debt	1 <sup>st</sup> stage	2 <sup>nd</sup> stage	3 <sup>rd</sup> stage	Total
	Expected credit loss within following 12 months	Expected credit loss within life time(unimpaired)	Expected credit loss within life time(impaired)	
stage				
-reverse into 1 <sup>st</sup> stage	-	-	-	-
Accrued	-	-	2,277,113.80	2,277,113.80
Reversed	-	-	211,342.89	211,342.89
Recollected	-	-	-	-
Written off	-	-	65,300.00	65,300.00
Others	-	-	-	-
Balance on December 31, 2021	-	-	7,960,299.69	7,960,299.69

## (4) Bad debt provision based on aging

Item	Closing Balance
Within 1 year	203,975,193.72
1-2 years	1,367,366.15
2-3 years	282,226.99
3-4years	1,921,689.81
4-5years	165,000.00
Over 5 years	5,211,566.51
<b>Total</b>	<b>212,923,043.18</b>

## (5) Other receivable actually written off during the year: no

## (6) The top significant other receivable categorized by debtors

Name	Category	Closing Balance	Aging	% of the total OR	Closing Balance of Provision
Wazhou Liaoyang Bearing Construction Co.,Ltd	Loans from related parties	101,443,993.73	Within 1 year	47.64	-
Dalian Wazhou Precision Motor Automobile Bearing Co., Ltd.	Loans from related parties	76,721,898.13	Within 1 year	36.03	-
Wazhou Precision of Spherical Roller Bearings(Wafangdian)Co., Ltd	Loans from related parties	18,295,569.47	Within 1 year	8.59	-
Liaoning Province State Grid	Electricity bill	3,860,968.78	Within 1 year	1.81	-
Benxi Steel Plate Co., Ltd.	Prepaid materials	1,280,000.00	Over 5 years	0.60	1,280,000.00
<b>Total</b>	—	<b>201,602,430.11</b>	—	<b>94.67</b>	<b>1,280,000.00</b>

(7) Assets or liabilities arising from receivable transferred and still get involved: No.

(8) Derecognized receivable due to financial asset transfer: No.

(9) Transferred receivable but continuously involved financial asset, liability: No.

## 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 in subsidiaries	221,583,897.67	-	221,583,897.67	211,583,897.67		211,583,897.67
Investment in JV, associates	-	-	-	-	-	
<b>Total</b>	<b>211,583,897.67</b>	<b>-</b>	<b>221,583,897.67</b>	<b>211,583,897.67</b>	<b>-</b>	<b>211,583,897.67</b>

## (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	10,000,000.00	-	27,337,259.95	-	-
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	-	-
<b>Total</b>	<b>211,583,897.67</b>	<b>10,000,000.00</b>	<b>-</b>	<b>211,583,897.67</b>	<b>-</b>	<b>-</b>

## 4. Operating revenue and cost

Item	current year		prior year	
	Revenue	Cost	Revenue	Cost
Revenue from main operation	2,217,787,891.73	1,885,362,197.83	1,605,507,916.97	1,214,586,296.79
Revenue from other operation	301,164,080.19	201,403,603.46	295,145,581.58	227,264,657.13
<b>Total</b>	<b>2,518,951,971.92</b>	<b>2,086,765,801.29</b>	<b>1,900,653,498.55</b>	<b>1,441,850,953.92</b>

## (1) Principle operation - classified according to Industries

Industries	current year		prior year	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
<b>Export</b>	93,491,561.62	82,160,717.17	149,255,608.09	142,551,544.89
<b>Domestic</b>	2,045,973,116.05	1,729,595,941.89	1,355,487,411.91	959,847,724.11
Including:				
Transportation vehicle bearings	176,222,402.65	130,485,291.99	317,870,001.39	272,223,654.04
Special use bearings	1,166,036,982.00	1,004,830,241.47	539,719,702.28	361,320,661.46
General use bearings	703,713,731.40	594,280,408.43	497,897,708.24	326,303,408.61
<b>Industrial Operations</b>	78,323,214.06	73,605,538.77	100,764,896.97	112,187,027.79
<b>Total</b>	<b>2,217,787,891.73</b>	<b>1,885,362,197.83</b>	<b>1,605,507,916.97</b>	<b>1,214,586,296.79</b>

## 5. Investment income

Items	current year	prior year
Dividend income obtained during the holding period of long-term equity investment	11,843,105.36	-
Gain on debt restructuring	990,206.88	1,121,811.33
Gain on holding of the tradable financial assets	518,821.12	3,962.74
<b>Total</b>	<b>13,352,133.36</b>	<b>1,125,774.07</b>

## XVIII. Supplementary Information to the Financial Statements

## 1. Non-operating profit or loss

Items	Current year	Notes
Gain or loss from disposal of non-current assets	2,349,507.64	—

Items	Current year	Notes
Government grants recorded into profit or loss during current period(except the government subsidies which are fixed or quantitatively enjoyed according to the national unified standard and it is closely related to the business)	8,117,365.44	—
Profit or loss from debts restructuring	1,808,922.83	—
Reversal of impairment provision of accounts receivable separately tested for impairment	612,813.05	—
Non-operating revenue and expense apart from the above items	2,694,297.36	—
Subtotal	15,582,906.32	—
Less: effect on income tax	2,580,710.42	—
attributable to minority shareholders' equity (after tax)	-	—
<b>Total</b>	<b>13,002,195.90</b>	—

## 2. Return on equity and earnings per share

Profit of report period	Weighted average return on net assets (%)	Earnings per share (EPS)	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of parent company	-28.93	-0.51	-0.51
Net profit after deducting non-recurring gains and losses attributable to shareholders of parent company	-30.76	-0.54	-0.54

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

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

Applicable  Inapplicable

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

Applicable  Inapplicable

## 4. Others