

Midyear Report of 2012

Section 1. Important notice

The board of directors, the supervisory committee, the director, the supervisor and the top management guaranteed no false record, false statement of misleading data or major omission in the report, and took associated responsibilities of the truth, accuracy and completeness.

All directors attended the meeting.

The Midyear financial report was not audited.

Chairman Mr. Wang Lushun, finance controller Mrs. Sun Najuan and financial charger Mrs. Yao Chunjuan guaranteed the truth, completeness of the financial report in the Midyear report.

Section 2. Brief introduction of the Company

1. Brief introduction of the Company

A Code		B Code	200706
A short name		B short name	瓦轴 B
Listed Security exchange stock	Shenzhen Security exchange stock		
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:	Wang Lushun		
Correspondence address	No. 1 Beigongji Street, Wafangdian City, Liaoning Province, China.		
Post code	116300		
Office address of the Company	No. 1 Beigongji Street, Wafangdian City, Liaoning Province, China.		
Post code	116300		
Website	http://www.zwz-bearing.com		
E-mail	zwz2308@126.com		

2. Correspondence

	Secretary of the Board of Directors of the Company	Authorized Stock and Security Affairs Representative
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Name	Sun Najuan	Su Shaoli
Address	No. 1 Beigongji Street, Wafangdian City, Liaoning Province, China.	No. 1 Beigongji Street, Wafangdian City, Liaoning Province, China.
Tel.	0411-39116369	0411-39116731
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E-mail	zwz2308@126.com	zwz2308@126.com

3. Information disclosure

Newspaper	Securities Times, Hong Kong Commercial Newspaper
Website for disclosing half-year report	http://www.cninfo.com.cn
Preparation and liaison office of this report	Investment and Securities Department of the Company

Section 3. Abstract of accounting data and business data

1. Abstract of accounting data and business data

1.1 Main financial indexes

Unit: RMB Yuan

Indexes	2012.01.01-2012.06.30	2011.01.01-2011.06.30	+/- to previous
Operating income	1,617,746,695.03	1,757,865,663.28	-7.97%
Operating profit	31,868,660.6	59,374,200.82	-46.33%
Total profits	33,429,844.45	63,961,198.24	-47.73%
Net profit available for shareholders of listing company	30,377,280.34	53,579,496.41	-43.3%
Net profit available for shareholders of listing company with abnormal incomes deducted	28,816,096.49	48,992,498.99	-41.18%
Net cash flows from operation activities	148,855,325.74	91,389,270.77	62.88%
	2012.06.30	2012.01.01	+/- to previous
Total assets	3,619,556,728.62	3,533,795,515.58	2.43%
Owners' equity (shareholders' equity)	1,520,136,919.21	1,489,759,638.87	2.04%
Capital stock	402,600,000	402,600,000	0%

Main financial indicators

Indexes	2012.01.01-2012.06.30	2011.01.01-2011.06.30	+/- to previous
Basic gains on per share	0.08	0.13	-38.46%
Diluted gains on per share	0.08	0.13	-38.46%
Basic gains on per share with abnormal incomes deducted	0.07	0.12	-41.18%
Fully diluted net returns on net asset	2.02%	3.64%	-1.62%
Weighted average net returns on net	2.02%	3.64%	-1.62%

asset			
Fully diluted net returns on net asset with abnormal incomes deducted	1.91%	3.33%	-1.42%
Weighted average net returns on net asset with abnormal incomes deducted	1.91%	3.33%	-1.42%
Net cash flow on per share gained from operation activities	0.37	0.23	60.87%
	2012.06.30	2012.01.01	+/- to previous
Net assets on per share available for shareholders	3.78	3.70	2.16%
Debt Asset ratio	58%	57.27%	0.73%

2. There are no differences between the CAS in aspect of financial data.

3. The deducted abnormal profits and losses

Unit: RMB Yuan

The item of the abnormal profits and losses	Amount
Profits and losses relating to disposal of fixed assets	644,282.54
Profits and losses relating to the debt restructure	-183,894.73
Others non-operating revenue and expense besides the above items	1,100,796.04
Total	1,561,183.85

Section 4. The change of capital stock and stocks holding by major shareholders

1. Information on shareholders and actual controller

1.1 The number of the total shareholders at the end of the report period:

At the end of the report period, there are 8,825 registered shareholders.

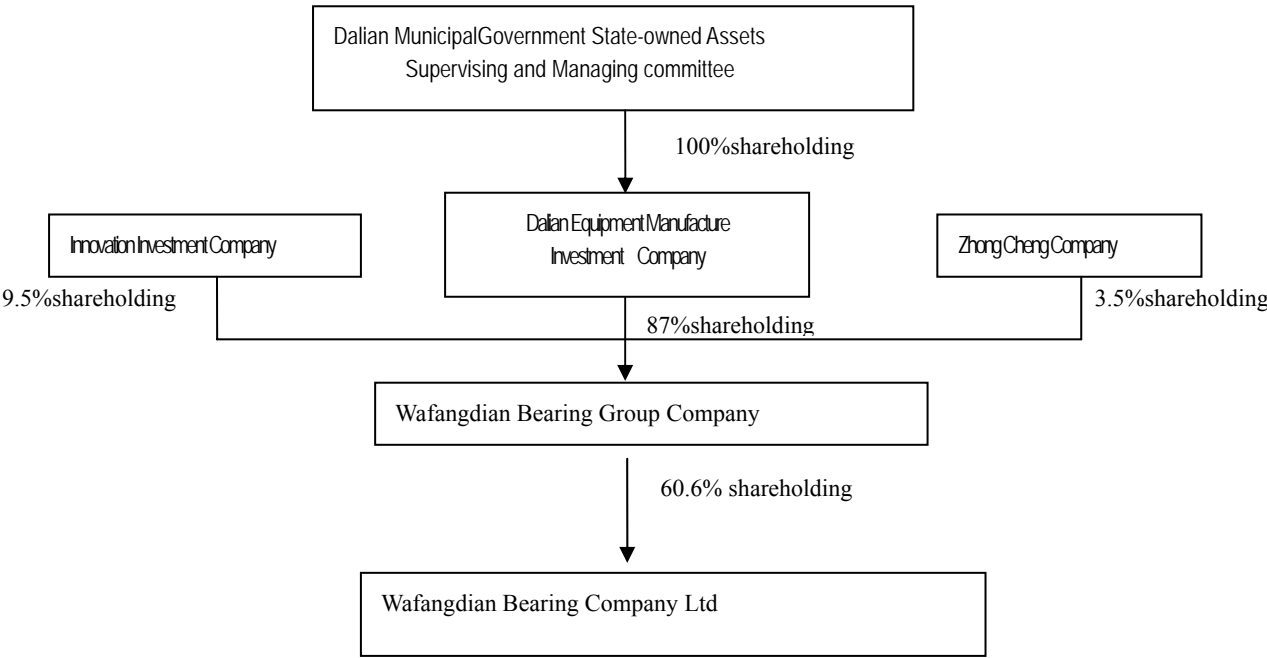
1.2. The top 10 main shareholders

Top ten shareholders' status						
Name	Nature	Proportion	Total shares	Non-circulation shares	Impawned and frozen shares	
					status	status
Wang Fangdian Bearing Group Corporation	State-owned shareholder	60.61%	244,000,000	244,000,000		
AKTIEBOLAGET SKF	Foreign shareholder	19.7%	79,300,000	0	frozen	79,300,000
GAOLING FUND,L.P.	Foreign shareholder	1.82%	7,325,355	0		
Huang Junyue	Others	0.89%	3,600,000	0		
Ma Yuancheng	Others	0.18%	742,325	0		
MAN,KWAI WING 文贵荣	Others	0.18%	713,101	0		
Chen Zhongwu	Others	0.13%	532,800	0		
Hei Youxin	Others	0.13%	512,559	0		
Merchant securities Hong Kong Company	State-owned shareholder	0.12%	483,538	0		

Yang Yufei	Others	0.12%	466,030	0		
Statement of shareholders	<p>(1)Wafangdian Bearing Group Corporation(Compay's parent company) hold 244 million shares, which takes up 60.61%,(2) AKTIEBOLAGET SKF is company's strategic investor, who held 79.3 thousand shares, takes up 19.7%. In the report period, the frozen period of the shares purchased by the company's strategic investor AKTIEBOLAGET SK expired in 1999, and has not dealt with the releasing-procedure in this report period.</p> <p>(3)The other shares are current shareholders</p>					
The top 10 current shareholders						
Name		Amount		Type		
AKTIEBOLAGET SKF		79,300,000		B		
GAOLING FUND,L.P.		7,325,355		B		
Huang Junyue		3,600,000		B		
Ma Yuancheng		742,325		B		
MAN,KWAI WING 文贵荣		713,101		B		
Chen Zhongwu		532,800		B		
Hei Youxin		512,559		B		
Merchant securities Hong Kong Company		483,538		B		
Yang Yufei		466,030		B		
YHG INVESTMENT, L.P.		409,218		B		
The explanation on the relationship and consistent activities between above shareholders		<p>There is no relationship and consistent activities between the first big shareholder and the top ten current shareholders in the major ten shareholders of the company, The relationship among other shareholders, top ten current shareholders, top ten current shareholders and other shareholders is not clear .strategic investor or general legal person become the top 10 shareholder because of ration new shares.</p>				

1.3 Introduction to the holding shareholders

Relationship of the property right and controlling between the Company and actual Controller:



2. Posts occupied by the directors and supervisors in the shareholding units

Name	shareholders' units	Position	Beginning term	Get salary in the share-holding company and associated companies(Y/N)
Wang Lushun	Wafangdian Bearing Group Corp. Ltd	Chairman of Board of Directors, General Manager	1998.12.01	Yes
Cong Hong	Board of Directors Wafangdian Bearing Group Corp. Ltd	Vice-chairman	2009.05.01	Yes
Shang Xinghai	Wafangdian Bearing Group Corp. Ltd	General accountant	2009.06.01	Yes
Chen Jiajun	Wafangdian Bearing Group Corp. Ltd	Assistant of GM	2011.06.01	Yes
Sun Maolin	Wafangdian Bearing Group Corp. Ltd	VGM	2007.05.01	Yes
Qu Rongjun	Wafangdian Bearing Group Corp. Ltd	Vice Charger of Technique Center	2009.07.01	Yes
Meng Wei	Wafangdian Bearing Group Corp. Ltd	The Chairmen of labor union and the Clerk of Discipline Inspection	2003.03.01	Yes
Rakesh Makhija	SKF Asia Regional Headquarters	President	2012.01.01	Yes
Fang Bo	SKF (China) Investment Co., Ltd.	Financial Charger	2002.04.01	Yes

Posts occupied by the directors and supervisors in other units

Name	units	Position	Get salary in the company (Y/N)
Wang Lushun	Dalian SKF-Wazhou Company Limited, Dalian Koyo Wazhou Automobile Bearing Company Limited, DaLian THKWazhou industrial company limited, Wafangdian Hongda CVJ Manufacturing Company Limited	Chairman	No
Shao Yang	Dalian SKF-Wazhou Company Limited, Wafangdian Bearing Precision Forging Company Limited, Wa Zhou LiaoYang bearing manufacturing company limited, WBGC Slewing Bearing Company Limited. Dalian Wazhou Feng Yuan Machinery Company Limited and Dalian Wazhou Jin Zhou Machinery Company Limited.	Director Chairman	No
Meng Wei	WBGC Precision Special Bearing Company Limited	GM	No

3. Payment information of the directors, supervisors, and top management in the report period.

Decision process of payment of the directors, supervisors, and top management

Basis of payment of the directors, supervisors, and top management

Actual payment of directors, supervisors, and top management Pay by month

4. Employee

Among the employees on-the-job	5,736
The number of retired workers whose relative expenses should	3,104

Professional constitute	
professional constitute	Total number
Production	4,619
Sales	271
Technical	204
Financial	82
Administrative	560
Education degree	
Education degree category	Total number
High school and the following	4,496
college	800
Bachelor degree	431
Master	9

Section 6. Work report of Board meeting

1. The summary of the business in the current period:

1.1 The discussion and analysis on the operation situation in the current period

Affected by mac-economy environment in this report period, the market' performance is not good, orders reduce and sale revenue increased slowly. Cost increase, capital employment increase and benefit decline. At this situation, company speed up setting up sale-net actively and adjusting product structure, which lead to an increase on product quality and operation quality to ensure the profit.

In the first half-year of 2012, the company's operating incomes reached up to 1,617,746,695.03 Yuan with an decrease by 7.97% comparing with the previous period; the operating profits reached up to 31,868,660.60 Yuan with an decrease by 46.33% comparing with the previous period; the net profits reached up to 30,377,280.34 Yuan with an decrease by 43.30% comparing with the previous period.

1.2 Focus on the problems, company take some active measures in H2,to ensure the economy operation quality in H2,and improve company's gain ability and market competition ability.

(1) Implementing market developing target and grabbing orders, developing and maintaining big clients at same time developing new clients, implementing responsibility on developing area market and developing export market activity.

(2) Improving orders' implement ratio to meet the market's need, Reform Company's production plan system, implementing "E" project speedily and improving production efficiency, Implementing the short, adaptable and fast projects and improving the production guarantee ability on key process.

(3) Improving product quality and carrying out quality tackling and technology improvement

(4) Implement measures on reducing cost expense, which include improving material use ratio, planning material use reasonably, manage outsourcing strictly and controlling raw material purchasing price.

(5) Compressing capital employment roundly, which to prevent operation risk. Enhancing credit management and clearing up A/R roundly. Adjust steels inventory structure by using articles being processed and surplus products and compressing stock funds

1.3 The industry developing trend

(1) develop market and product development according to national development around 16 special technology, organize and develop 14 important projects , and research supporting bearing for clients at the same time.

(2) Ensure important strategies on import substitute for market development , such as steel industry, the truck engine industry, cement mechanical alternatives such as import market supporting bearing, especially in high speed railway, car market, big the multi-megawatt wind turbines and offshore wind power generation market has the very good market prospect, and common development already make into force.

(3)Take the customer cost improvement, to provide high cost-effective products. The share in car industry, railway industry, the wind power industry and the industrial equipment market rise steadily

1.4 The market competition

At present Wazhou is in the domestic market leading position, but domestic bearing market competition becomes increasingly fierce, especially foreign brands enter the Chinese market, set up factories in China to expand investment, technology research and development center. Preempted the domestic market in the service and price, especially in steel, which make a great impact on machine tool and is wind power market to my company's market development and market sales.

Operation performance on main subsidy and equity-holding company

(1) subsidy

Unit: Yuan

Company name	Company type	Registered address	Nature of operation	Registered capital	Business scope	Actual investment amount at the end of year	Holdin g %	Voting %	Consolid ation
Liaoyang Bearing	Limited	No.61, Weiguo road, Baita district Liaoyang city	Production and sales of bearing and machinery manufacturing	19,350,000	Production and sales of bearing and machinery manufacturing	17,337,259.95	100%	100%	Y
Dalian Electrical Equipment	Limited	No.12, Shisanli yongsheng street, free trade zone Dalian city	Production and sales of bearing and machinery manufacturing	10,000,000	Planning to develop project	45,478,956.37	100%	100%	Y

(2) equity-holding company

Unit: Yuan

Investee	Enterpri	Register	Legal	Busines	Regiser	Holding	Voting	Total	Total	Total	Total	Net profits in the H1
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	se nature	ed address	represe ntative	s nature	ed capital	%	%	assets as at June 30 2012	liabilitie s as at June 30 2012	net assets as at June 30 2012	sales revenue in the H1 of 2012	of 2012
Joint venture												
Dalian SKF Wazhou Bearings Co., Ltd.	Chinese -foreign equity joint venture	No.1, Phrase 1, Gongji Street, Wafang dian North	Wang Lushun	Manufactu re and sales of ball-surfac e rolling bearing	140,000 ,000	49%	49%	23,475. 63	4,517.8 1	18,957. 82	9,802.2 7	609.18

All of the risk factors may effect to the future development strategy and the realization of the operation target

1) Countries perform prudent monetary policy, the whole society of funds is tense, and the customer the solvency is low, accounts receivable up is an important risk.

2) Some host industries such as steel, automobiles, wind business customers transferred cost to the component enterprise, the low price effected enterprise's profit level reduced

3) In view of the market competition situation, SKF, FAG, NSK bearing transnational companies to speed up to the penetration and the pace of expansion in China, put forward the development in China "multiply plan", the acceleration of the speed of the factory in China. The product also of small and medium-sized bearing by ever give priority to turn to auto bearing, railway bearings, overloaded bearing, aviation bearing, wind power bearing and steel equipment and other high-end products with bearing of production, and gradually occupied the commanding heights of the technology, ZWZ bearing industry to the independent status puts forward a serious challenge

4) Multinational bearing group cooperate with the large enterprise joint venture in domestic, signed a strategic cooperation agreement, and strengthening the multinational companies in China's dominant industry of monopoly status

2. The main business scope of the company and its actual situation

2.1 Composing of main business income and main business profit

Unit: Yuan

According to industry or product	Operating income	Operating cost	BOI	+/- (%) of operating income	+/- (%) of operating cost	+/- (%) of BOI
according to industry						
Export	136,789,260.11	137,835,006.35	-0.76%	48.59%	47.67%	0.63%
Traffic bearing	495,964,564.24	440,341,915.64	11.22%	-10.21%	-9.7%	-0.5%
Special-used bearing	282,818,191.38	237,585,214.27	15.99%	-1.84%	-0.76%	-0.92%
General-used bearing	403,687,524.75	350,746,226.95	13.11%	-0.31%	-0.36%	0.04%
Industrial work	53,811,589.56	59,693,569.81	-10.93%	-25.35%	-18.08%	-9.84%

according to the products						
Bearing	1,319,259,540.48	1,166,508,363.21	11.58%	-1.36%	-0.5%	-0.77%
Component	53,811,589.56	59,693,569.81	-10.93%	-25.35%	-18.08%	-9.84%

2.2. Main business from region

Unit: RMB Yuan

Region	Operating income	Compared with previous period +/- (%)
Export	136,789,260.11	48.59%
Domestic	1,236,281,869.93	-6.17%

Statement of main business from area: The area divide into export and home according to main business area.

Statement of Composing of main business income: The variety divides into product, Component and Industrial work.

Operation problems.

- 1) Sales revenue increased slowly and the development on product structure adjustment is imbalanced.
- 2) Order in some production line decrease, the production task dissatisfaction with the load.
- 3) Capital employment is big and the contradiction of the money tense is still obviously.

2.3 Application of non-B-share fund item:

Unit: RMB'0000 Yuan

Items	First disclosure time	Capital	Process	Gains
In large-scale reconstruction project tapered cylindrical bearings t	August18,2012	574	Complete 35%	Reforming new machines to form production line, increase big-middle bearing ability
Substance cage construction project	August 18,2012	108	Complete 25%	Perfect substance cage production ability and environment to improve production efficiency.
Roller construction project	August 18,2012	745	Complete 36%	Forming high level roller production ability, improve production level
Railway Bearing construction project	August 18,2012	391	Complete 30%	Implementing production reform on car process, rubbing and assemble automatic, to make the railway truck bearing production machine and craft level reach to international standard
Precision big-entad ball bearing construction project	August 18,2012	789	Complete 100%	Newly increased 2 production lines, forming key production ability
Precision machine tool bearing construction project	August 18,2012	370	Complete 80%	Improving matching level between production and detection.
Trucks bearing project	August 18,2012	2,036	Complete 60%	Perfecting top grade car bearing production, and product quality.
Others	August 18,2012	179	Complete 20%	Make sure normal production installation operation
Total		5,192		

Statement of non-B-share fund investment project

Company transform project with non-B-share fund which improve company's production ability and market competition ability. At present all projects are under process, and some of which have finished basically

2.4 The cash distribution situation

According to the relevant requirement of cash dividends, made in listing rules and the China securities supervision and management committee, the company perfects the articles of association strictly, make a positive cash share out bonus policy; ensure the implementation of the cash dividends and implementation in system.

Company perform strict decision procedure share out bonus, ensure the legitimacy of share out bonus and compliance. After the end of each accounting year, the board of directors of the company proposed bill share out bonus, and submit the shareholders' assembly vote. The company shareholders meeting on the profit distribution plan make resolution, the board of directors of the company in the shareholders' general meeting is completed within 2 months after the dividend (or stock) of the distributed matters. The company accepts all shareholders, independent directors and supervisors of the company dividends advice and supervision. According to company profit to decide whether undertake metaphase dividends or not. If because of its need, company temporary not to cash the distribution of profits, will be in regular reports disclosed in the mid-year report.

2.5 Establishment and implementation of the insider inside registration management system

The company has set up a file approved by the board of directors in 1998 issued the wafangdian bearing Co., LTD insider information management system ", established the insider information management system, and implemented well.

For more than 10 years the insider's information scope and personnel change greatly, according to the CSRC and new requirements made by Shenzhen stock department, the company from revised and with "watts strands of hair [2011] no. 25" wen issued the wafangdian bearing Co., LTD insider information insider management system ", in May 27, 2011 to clear the inside information, insider information the insider's scope, procedures for registration, and confidentiality and the responsibility investigation matters, and further strengthened the insider information management, and maintain the information disclosure of openness, fairness and justice.

According to the "on the listed companies to establish the inside information management system of the registration of insider provisions and" big securities regulatory hair [2011] 229 "documentation requirements, the company once again strengthen the insider's insider information management to put on the important relevant units and related personnel seriously study, implement, and strictly enforced. The company further perfected the insider information management, prevent the happening of the insider trading effectively.

According to the related regulations, the company truthfully and completely fill in the listed company insider information source files, " take note of the insider information in the public record before the report in time, the transmission, prepare, review and disclosure every link all inside information insider list, and insider knowledge of inside information such as time related files. The directors, supervisors and senior management, the functional departments, and their subsidiary company's principal heads ready to cooperate with inside information insider registration work, to notify the company insider information insider and changes in the related. The board of directors of the company secretary specifically in charge of inside information insider registration work

Section 7 Important events

1. Practical situation of corporation government

The Company followed the regulations of Company Law, Corporation Government Rules, the AOA, etc to regulate its operations and perfect its corporation government step by step.

(1)、Perfect governance structure. The shareholders' meeting, board of directors and the board of supervisors accordance with the requirement in “company law”, “the governance of listed company principles” and other laws and AOA", clarify the responsibility, doing own job, mutual coordination and balance each other, make full play of the "three meeting" and the executive decision, supervision and management role, and to ensure the corporate governance structure of standard operation

(2) The company made a internal control system, and forming internal control system on budget, procurement, logistics, sales and others, and enforced strictly.

(3) The separated situation in the business, personnel, assets and financial institutions between the company and the controlling shareholders

1) The company has independent operation ability, separated from controlling shareholders in business.

2) The company have an independent labor personnel management system; in personnel, labor and salary management. Expect the company's parent company Wafangdian Bearing Group chairman concurrently the company's chairman, the general manager, deputy general manager and financial administrator is separated from controlling shareholders.

3) The company has separated from controlling shareholders in Production system, auxiliary production system, supporting facilities

4) The company has separated from controlling shareholders in financial with independent accounting, independent pay tax in accordance with law

5) Company set up the organization independent from the controlling shareholders.

2. In the report period, the Company was not involved in any material lawsuits or arbitration issues.

3. There is no significant asset purchase, sales, disposal and enterprise purchase issues in the report period.

4. There are no significant items in the report period.

5. Significant associated transactions in the report period:

5.1 associated transactions related with daily operation

Related parties	Related relationship	Type	Content	Principle of price	Price	Amount ‘0000 Yuan	Occupies by the same transactions (%)	Account way	Profit effected	Market price ‘0000 Yuan	The reason of difference between actual price and market price
Dalian SKF Wazhou Bearing Co., Ltd.	Associates	Procurement of the products	Procurement of finished goods	Negotiated price		8,654	4.69%	Pay currency or accept note in accordance with negotiated date	Under 5%		
Wafangdian Bearing Precision Ball Manufacturing Co., Ltd.	Other companies controlled by the same parent company	Procurement of the products	Procurement of semi-finished products	Market price		480	0.26%	Pay currency or accept note in accordance with negotiated date	Under 5%		
Wafangdian Bearing Precision Forging Co., Ltd.	Other companies controlled by the same parent company	Procurement of the products	Procurement of semi-finished products	Negotiated price refer to market price		13,485	7.3%	Pay currency or accept note in accordance with negotiated date	Under 5%		
Dalian Wafangdian Bearing Equipment Manufacturing Co., Ltd.	Other companies controlled by the same parent company	Procurement of the products	Procurement of finished Goods and labor	Negotiated price refer to market price		877	0.48%	Pay currency or accept note in accordance with negotiated date	Under 5%		
Wafangdian Slewing Bearing Co.Ltd	Other companies controlled by the same parent company	Procurement of the products	Procurement of finished goods	Negotiated price refer to market price		4,746	2.57%	Pay currency or accept note in accordance with negotiated date	Under 5%		
WBGC Precision transmission driving Bearing Co.,Ltd	Other companies controlled by the same parent company	Procurement of the products	Procurement of finished goods	Negotiated price refer to market price		6,894	3.73%	Pay currency or accept note in accordance with negotiated date	Under 5%		
WBGC Precision transmission driving Bearing	Other companies controlled by the same parent	Procurement of the products	Procurement of finished goods	Negotiated price refer to market price				Pay currency or accept note in accordance with negotiated date	Under 5%		

Co.,Ltd	company										
Da Lian Wazhou Feng Yuan Machinery Company Limited	Other Related party	Procurement of the products	Procurement of car work piece	Negotiated price refer to market price		5,348	2.9%	Pay currency or accept note in accordance with negotiated date	Under 5%		
Da Lian Wazhou Jin Zhou Machinery Company Limited	Other Related party	Procurement of the products	Procurement of car work piece	Negotiated price refer to market price		5,022	2.72%	Pay currency or accept note in accordance with negotiated date	Under 5%		
Subtotal						45,506	24.64%				
Wafangdian Bearing Group Corporation	Parent company:	Supply of products	Supply of finished goods and material	Negotiated price refer to market price		-858	-0.53%	Take currency or accept note in accordance with negotiated date	Under 5%		
Dalian SKF-Wazhou Bearing Company Limited	Associates	Supply of products and labor	Supply of semi-finished products, material and industrial work	Negotiated price refer to market price		2,975	1.84%	Take currency or accept note in accordance with negotiated date	Under 5%		
Wafangdian Bearing Precision Ball Manufacturing Co., Ltd	Other companies controlled by the same parent company	Supply of products	Supply of material	Market price		437	0.27%	Take currency or accept note in accordance with negotiated date	Under 5%		
Wafangdian Bearing Precision Forging Co., Ltd.	Other companies controlled by the same parent company	Supply of products	Supply of material	Negotiated price refer to market price		18,632	11.52%	Take currency or accept note in accordance with negotiated date	Under 5%		
Dalian Wafangdian Bearing Equipment	Other companies controlled by the same parent	Supply of products	Supply of finished goods and material	Market price		129	0.08%	Take currency or accept note in accordance with negotiated date	Under 5%		

Manufacturing Co., Ltd.	company										
Wafangdian Slewing Bearing Co.Ltd	Other companies controlled by the same parent company	Supply of products	Supply of semi finished goods and material	Market price		1,053	0.64%	Take currency or accept note in accordance with negotiated date	Under 5%		
WBGC Precision transmission driving Bearing Co.,Ltd	Other companies controlled by the same parent company	Supply of products and labor	Supply of semi-finished products, material and industrial work	Market price		1,789	1.1%	Take currency or accept note in accordance with negotiated date	Under 5%		
WBGC precision special bearing Co., Ltd	Other companies controlled by the same parent company	Supply of products and labor	Supply of semi-finished products, material and industrial work	Market price		622	0.38%	Take currency or accept note in accordance with negotiated date	Under 5%		
Da Lian Wazhou Jin Zhou Machinery Company Limited	Other Related party	Supply of products and labor	Supply of semi-finished products and industrial work	Market price		172	0.11%	Take currency or accept note in accordance with negotiated date	Under 5%		
Subtotal						24,949	15.14%				
Total				--	--	70,455		--	--	--	--
The details of big goods rejected				None							
The necessary, constancy and the reason to trade with the associated parties but not other companies.				Qualified quality and reasonable price							
influence to listing company's independence				No influence to listing company's independence							
The extent does company depends on the associated parties and related measures to solve it.				None							
The actual performance of the daily associated transactions whose total amount has been forecasted by classes in the reporting period.				None							
Statement of associated transactions				Related with daily operation							

5.2 The sale of products (merchandise) or supply of labor and The purchase of products (merchandise) or receipt of labor

Unit: '0000 Yuan

Related parties	The sale of products (merchandise) or supply of labor:		The purchase of products (merchandise) or receipt of labor:	
	Amount	Percentage (%)	Amount	Percentage (%)
Equity-holding and ultimate actual controller				
Incl: Wafangdian Bearing Group Corporation	-8,581,155.49	-0.53%		
Joint venture enterprise				
Incl: Dalian SKF Wazhou Bearing Co., Ltd.(SKF Wazhou)	29,748,687.88	1.84%	86,536,401.16	4.69%
under the same equity holding enterprises				
Incl: Wafangdian Bearing Precision Steel Ball Manufacturing Co., Ltd. (Precision Ball)	4,365,001.45	0.27%	4,795,034.2	0.26%
Wafangdian Bearing Precision Forging Co., Ltd. (Precision Forging)	186,322,652.28	11.52%	134,851,660.65	7.3%
Dalian WBGC Bearing Equipment Manufacturing Co., Ltd. (Equipment Manufacturing)	1,287,960.84	0.08%	8,773,401.12	0.48%
WBGC Slewing Bearing Co.,Ltd	10,525,530.76	0.64%	47,462,221.5	2.57%
WBGC transmission driving Bearing Co.,Ltd	17,888,650.88	1.1%	68,942,848.37	3.73%
WBGC Precision Specialty Bearing Co.,Ltd	6,216,993.25	0.38%		
Other related parties				
Dalian wazhou fengyuan machinery company			53,480,698.48	2.9%
Dalian wazhou jinzhou machinery company	1,716,641.66	0.11%	50,220,644.83	2.72%
Total	249,490,963.51	15.14%	455,062,910.31	24.64%

6. Investigation, communication and interview, etc. in the report period

Time	Site	Method	Object	Content and documents supplied
February 2,2012	Office	Telephone communication	Private investor	The general information of the company
February 24,2012	Office	Telephone communication	Private investor	The general information of the company
April 10,2012	Office	Telephone communication	Private investor	The general information of the company
May 30,2012	Office	Telephone communication	Private investor	The general information of the company

7. In the report period, information on the changing or dismissing of the certified public accountants

The mid-year report is un-audited

8. The disclosure information

Item	Information disclosure newspapers and layout	Date	Website
Wafangdian Bearing Company Limited Announcement of receiving the "The first and second batch of New and High technology Enterprise of Da Lian Municipality in 2011"	D50 of Securities Times , A20 of Hong Kong Commercial Newspaper	March 23,2012	http://www.cninfo.com.cn
Wafangdian Bearing Company Limited 2011 Annual Report Abstract	B67 of Securities Times、 A16 of Hong Kong Commercial Newspaper	April 21,2012	http://www.cninfo.com.cn
The First Quarterly Report for 2012 (Main Text)	B67 of Securities Times、 A16 of Hong Kong Commercial Newspaper	April 21,2012	http://www.cninfo.com.cn
Wafangdian Bearing Company Limited Announcement of Resolution of the 10 Meeting of 5th Board Session	B67 of Securities Times、 A16 of Hong Kong Commercial Newspaper	April 21,2012	http://www.cninfo.com.cn
Wafangdian Bearing Company Limited Announcement of Resolution of the 9th Meeting of 5th Board of Supervisors	B67 of Securities Times、 A16 of Hong Kong Commercial Newspaper	April 21,2012	http://www.cninfo.com.cn
Announcement of the Company in 2011 the implementation of related party daily transactions and estimated related daily transactions in 2012	B67 of Securities Times、 A16 of Hong Kong Commercial Newspaper	April 21,2012	http://www.cninfo.com.cn
Wafangdian Bearing Co., Ltd. Announcement of holding 2011 Annual Shareholders' Meeting	D2 of Securities Times、 A20 of Hong Kong Commercial Newspaper	May 30,2012	http://www.cninfo.com.cn
Wafangdian Bearing Company Limited Announcement of Resolution of 2011 annual shareholders' meeting	D14 of Securities Times、 A24 of Hong Kong Commercial Newspaper	June 20,2012	http://www.cninfo.com.cn

Section 7 Financial Statements (un-audited)

Wa Fangdian Bearing Co.,Ltd

Balance Sheet

2012.01.01---2012.06.30

Unit:RMByuan

Item	2012.06.30		2011.12.31	
	Consolidated	Parent	Consolidated	Parent
Current assets:				
Monetary capital	123,538,598.29	122,066,618.48	102,268,754.34	99,822,886.26
Settlement preparation cash				
Borrowing capital				
Trading financial assets				
Notes receivables	242,813,248.25	239,683,248.25	134,514,385.38	133,080,700.75
Account receivables	1,021,519,948.21	1,032,265,592.86	948,225,066.12	986,005,682.37
Prepayment	17,857,918.72	16,925,576.92	52,716,821.34	42,733,044.64
Interests receivables				
Dividend receivables				
Other receivables	16,992,877.73	11,446,642.40	15,528,274.87	10,024,049.56
Inventories	1,112,109,223.57	1,037,502,464.71	1,196,538,970.43	1,113,765,356.87
Non current assets due within 1 year				
Other current assets	2,862,419.12	2,862,419.12	5,729,224.48	5,729,224.48
Subtotal current assets	2,537,694,233.89	2,462,752,562.74	2,455,521,496.96	2,391,160,944.93
Non-current assets:				
Long-term receivables				
Long-term equity investment	95,064,038.62	152,258,840.19	92,489,891.01	149,684,692.58
Investment-purpose real estate				
Fixed assets	569,798,681.22	453,817,526.17	581,464,704.26	462,781,080.04
Construction in process	276,849,231.62	276,660,775.12	261,981,026.05	261,978,608.05
Projects materials				
Disposal of fixed assets				
Productive biologic assets				
Petro and gas assets				
Intangible assets	129,834,461.74	129,834,461.74	131,979,409.06	131,979,409.06
exploitation expense				
Reputation				
Long-term prepaid expenses	826,598.29	826,598.29	869,505.00	869,505.00
Deferred income tax assets	9,489,483.24	9,489,483.24	9,489,483.24	9,489,483.24
Other non-current assets				
Subtotal non-current assets	1,081,862,494.73	1,022,887,684.75	1,078,274,018.62	1,016,782,777.97
Total assets	3,619,556,728.62	3,485,640,247.49	3,533,795,515.58	3,407,943,722.90

Current liabilities :				
Short-term loans	653,590,235.14	640,000,000.00	523,590,235.14	510,000,000.00
Trading financial liabilities				
Notes payables	195,714,142.09	195,714,142.09	94,100,000.00	94,100,000.00
Account payables	985,589,322.57	885,876,833.93	1,039,300,493.29	955,695,514.30
Advances from customers	42,240,461.57	40,931,048.58	50,407,895.65	49,634,480.69
Fees and commission payables				
Accrued payroll	24,043,991.45	15,034,194.76	29,508,584.94	20,368,041.18
Tax payables	17,360,714.92	13,014,441.27	1,923,642.12	4,172,462.78
Interests payables				
Other payables	123,639,215.70	82,210,137.70	116,242,681.68	68,874,443.35
Provision for the insurance contract				
Non-current liabilities due within 1 year	8,000,000.00	8,000,000.00	138,000,000.00	138,000,000.00
Other current liabilities				
Subtotal current liabilities	2,050,178,083.44	1,880,780,798.33	1,993,073,532.82	1,840,844,942.30
Non-current liabilities :				
Long-term loans				
Debenture payables				
Long-term account payables	100,000.00		100,000.00	
Special account payables	221,698.98	221,698.98	221,698.98	221,698.98
Predicted liabilities				
Deferred income tax liabilities	246,635.79		246,635.79	
Other non-current liabilities	48,673,391.20	48,673,391.20	50,394,009.12	50,394,009.12
Subtotal non-current liabilities	49,241,725.97	48,895,090.18	50,962,343.89	50,615,708.10
Total liabilities	2,099,419,809.41	1,929,675,888.51	2,044,035,876.71	1,891,460,650.40
Owner's equity (shareholders' equity):				
Capital stock	402,600,000.00	402,600,000.00	402,600,000.00	402,600,000.00
Capital public reserves	485,691,050.47	482,563,945.37	485,691,050.47	482,563,945.37
less: stock shares				
Surplus public reserves	123,972,268.17	123,972,268.17	123,972,268.17	123,972,268.17
General provision for risk				
Undistributed profits	507,873,600.57	546,828,145.44	477,496,320.23	507,346,858.96
Total owner's equity available for parent company	1,520,136,919.21	1,555,964,358.98	1,489,759,638.87	1,516,483,072.50
Minority owner's equity				
Total owner's equity	1,520,136,919.21	1,555,964,358.98	1,489,759,638.87	1,516,483,072.50
Total liabilities and owner's equity	3,619,556,728.62	3,485,640,247.49	3,533,795,515.58	3,407,943,722.90

Wa Fangdian Bearing Co.,Ltd
Income statement
2012.01.01---2012.06.30

Unit:RMBYuan

Item	2012.06.30		2011.06.30	
	Consolidated	Parent	Consolidated	Parent
1.Total operating revenue	1,617,746,695.03	1,610,534,206.84	1,757,865,663.28	1,749,590,632.89
including: operating revenue				
Interest revenue				
2.Total operating cost	1,588,856,098.95	1,572,714,129.79	1,704,793,996.96	1,695,876,782.93
including: operating cost	1,433,460,380.71	1,426,359,883.98	1,549,779,169.18	1,548,503,038.12
Interest payment				
Operating tax and adds	6,385,704.89	6,218,981.76	6,618,239.08	6,361,293.21
Sales expense	104,774,136.63	104,068,079.19	104,038,854.06	102,944,125.96
Administrative expense	30,125,540.59	22,269,686.56	31,813,142.30	25,779,116.76
Financial expense	13,815,248.96	13,502,411.13	12,337,942.40	12,082,558.94
Loss on depreciation of assets	295,087.17	295,087.17	206,649.94	206,649.94
plus: gains on the changes of fair value (loss as "-")				
Gains on investment (loss as "-")	2,978,064.52	2,978,064.52	6,302,534.50	6,302,534.50
Including: the gains on investment to affiliated and joint stock companies	2,978,064.52	2,978,064.52	6,302,534.50	6,302,534.50
Gains on currency exchange (loss as "-")				
3.Operating profits (loss as "-")	31,868,660.60	40,798,141.57	59,374,200.82	60,016,384.46
plus: non-operating revenue	3,974,650.29	3,483,559.87	5,602,126.12	3,902,738.40
less: non-operating expenses	2,413,466.44	1,747,850.85	1,015,128.70	455,824.73
including: losses on disposal of non-current assets			33,413.92	33,413.92
4.Total profits (loss as "-")	33,429,844.45	42,533,850.59	63,961,198.24	63,463,298.13
Less: income tax	3,052,564.11	3,052,564.11	10,381,701.83	10,381,701.83
5.Net profits (net loss as "-")	30,377,280.34	39,481,286.48	53,579,496.41	53,081,596.30
Net profits available for parent company				
Minority owner's equity				
6.Gains on per share				
basic gains on per share	0.08	0.10	0.13	0.13
diluted gains on per share	0.08	0.10	0.13	0.13
7.Other comprehensive returns				
8.Total comprehensive returns				
Total comprehensive returns				

available for parent company				
Total comprehensive returns available for minority shareholders				

Wa Fangdian Bearing Co.,Ltd
Cash flow statement
2012.01.01---2012.06.30

Unit:RMB Yuan

Item	2012.06.30		2011.06.30	
	Consolidated	Parent	Consolidated	Parent
1 Cash flow from operating activities				
Cash received from sales of goods or rendering services	646,285,337.83	667,620,105.77	689,708,029.75	698,313,243.84
Refunds of taxes				
Cash received relating to other operating activities	7,671,109.14	7,671,109.14	7,890,682.24	2,891,329.49
Sub-total of cash inflows from operating activities	653,956,446.97	675,291,214.91	697,598,711.99	701,204,573.33
Cash paid for goods or receiving services	270,585,561.67	325,756,259.45	346,607,556.83	379,929,312.04
Cash paid to and on behalf of employees	126,124,633.85	102,006,163.07	141,325,005.75	122,067,382.04
Tax payments	29,729,831.00	27,148,770.37	51,042,443.76	47,575,932.05
Cash paid relating to other operating activities	78,661,094.71	71,161,503.32	67,234,434.88	59,132,811.67
Sub-total of cash outflows from operating activities	505,101,121.23	526,072,696.21	606,209,441.22	608,705,437.80
Net Cash Flow from Operating Activities	148,855,325.74	149,218,518.70	91,389,270.77	92,499,135.53
2 Cash Flow from Investing Activities				
Cash received from disposal of investments	403,916.91	403,916.91		
Cash received from investments income				
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	705,000.00	131,500.00	637,836.53	637,836.53
Cash received from disposal of subsidiary or other operating business units				
Cash received relating to other investing activities				
Sub-total of cash inflows	1,108,916.91	535,416.91	637,836.53	637,836.53

Cash paid to acquire fixed assets, intangible assets and other long-term assets	7,289,836.61	7,116,620.11	52,070,561.57	42,023,184.89
Cash paid to acquire investments				
Net increase of the mortgage loans				
Cash payments relating to other investing activities				
Sub-total of cash outflows	7,289,836.61	7,116,620.11	52,070,561.57	42,023,184.89
Net Cash Flow from Investing Activities	-6,180,919.70	-6,581,203.20	-51,432,725.04	-41,385,348.36
3 Cash Flow from Financing Activities				
Cash received by investors				
Cash received from borrowings	508,385,611.16	508,385,611.16	198,170,000.00	193,000,000.00
Cash from issuing debenture				
Cash received relating to other financing activities				
Sub-total of cash inflows	508,385,611.16	508,385,611.16	198,170,000.00	193,000,000.00
Repayments of borrowings	600,770,466.67	599,860,466.67	193,000,000.00	193,000,000.00
Cash payment for dividends, profits and the interests	19,934,095.89	19,833,117.08	17,083,336.79	16,810,700.70
Cash payments relating to other financing activities				
Sub-total of cash outflows	620,704,562.56	619,693,583.75	210,083,336.79	209,810,700.70
Net Cash Flow from Financing Activities	-112,318,951.40	-111,307,972.59	-11,913,336.79	-16,810,700.70
4 Effect of cash and cash equivalents Foreign Currency Translation	102,513.80	102,513.80	-161,610.20	-161,610.20
5 Net Increase (Decrease) in Cash and Cash Equivalents	30,457,968.44	31,431,856.71	27,881,598.74	34,141,476.27
plus: the balance in the period-beginning	62,187,956.71	59,742,088.63	52,057,009.69	43,756,831.34
6 The balance in the period-end	92,645,925.15	91,173,945.34	79,938,608.43	77,898,307.61

The annotation is enclosed as the complement of the above statements.

The balance sheet (consolidated and parent), the income statement (consolidated and parent) and the cash flow statement (consolidated and parent) have been approved by the board meeting held on August 16, 2012.

Charger : Shao Yang

Charger : Sun Najuan

Wafangdian Bearing Co., Ltd.
The changes of owner's equity (consolidated)
June 30, 2012

Unit: RMB yuan

items	Amount of this period									Amount of previous period										
	Owner's equity attributed to parent								Minority owner's equity	Total owner's equity	Owner's equity attributed to parent								Minority owner's equity	Total owner's equity
	Paid-in capital (capital stock)	Capital surplus	Minus: stock shares	Surplus reserves	Reserves for general risks	Undistributed profits	Others	Paid-in capital (capital stock)			Capital surplus	Minus: stock shares	Surplus reserves	Reserves for general risks	Undistributed profits	Others				
1. Balance in the previous year-end	402,600,000.00	485,691,050.47		123,972,268.17		477,496,320.23			1,489,759,638.87	402,600,000.00	485,691,050.47		116,726,055.56		440,320,203.69			1,445,337,309.72		
Plus : the changes in accounting standards																				
Correction to previous																				
2. Balance in current year-beginning	402,600,000.00	485,691,050.47		123,972,268.17		477,496,320.23		0.00	1,489,759,638.87	402,600,000.00	485,691,050.47		116,726,055.56		440,320,203.69		0.00	1,445,337,309.72		
3. The increase or decrease in this period (decrease as -)	-	-	-	-	-	30,377,280.34	-	-	30,377,280.34	-	-	-	7,246,212.61	-	37,176,16.54	-	-	44,422,329.15		
(1) Net profits						30,377,280.34		0.00	30,377,280.34						60,526,329.15		-	60,526,329.15		
(2) others		0.00							-		0.00							0.00		
Total of (1) and (2)		0.00				30,377,280.34		0.00	30,377,280.34		0.00				60,526,329.15		0.00	60,526,329.15		
(3) the investment or withdrawal of the owner																				
1) the investment																				
2) the shares calculated into the owner's equity																				
3) others																				
(4) profits distribution									-				7,246,212		-23,350,			-16,104,000.00		

													.61		212.61				
1) withdrawal of surplus reserves													7,246,212.61		-7,246,212.61				
2). withdrawal of reserves for general risks																			
3) distribution to owners and shareholders															-16,104,000.00				-16,104,000.00
4) others																			
(5) owner's equity internally transferred																			
(1) transferring capital reserves to capital (capital stock)																			
(2) transferring surplus reserves to capital (capital stock)																			
(3) Offsetting the loss by surplus reserves																			
(4). Others																			
4. Balance in current period-end	402,600,000.00	485,691,050.47		123,972,268.17		507,873,600.57			1,520,136,919.21	402,600,000.00	485,691,050.47		123,972,268.17		477,496,320.23				1,489,759,638.87

Wafangdian Bearing Co., Ltd.
The changes of owner's equity (Parent Company)
June 30, 2012

Unit: RMB Yuan

items	Amount of this period								Amount of previous period								
	Owner's equity attributed to parent							Minority owner's equity	Total owner's equity	Owner's equity attributed to parent						Minority owner's equity	Total owner's equity
	Paid-in capital	Capital surplus	Minus: stock	Surplus reserves	Reserve s for	Undistri buted	Others			Paid-in capital	Capital surplus	Minus: stock	Surplus reserves	Reserve s for	Undistri buted		

	(capital stock)		shares		general risks	profits				(capital stock)		shares		general risks	profits			
1. Balance in the previous year-end	402,600,000.00	482,563,945.37		123,972,268.17		507,346,858.96			1,516,483,072.50	402,600,000.00	482,563,945.37		116,726,055.56		458,234,945.44			1,460,124,946.37
Plus : the changes in accounting standards																		
Correction to previous																		
2. Balance in current year-beginning	402,600,000.00	482,563,945.37		123,972,268.17		507,346,858.96			1,516,483,072.50	402,600,000.00	482,563,945.37		116,726,055.56		458,234,945.44			1,460,124,946.37
3. The increase or decrease in this period (decrease as -)						39,481,286.48			39,481,286.48				7,246,212.61		49,111,913.52			56,358,126.13
(1) Net profits						39,481,286.48			39,481,286.48						72,462,126.13			72,462,126.13
(2) others									-				0.00					0.00
Total of (1) and (2)						39,481,286.48			39,481,286.48				0.00		72,462,126.13			72,462,126.13
(3) the investment or withdrawal of the owner																		
1) the investment																		
2) the shares calculated into the owner's equity																		
3) others																		
(4) profits distribution													7,246,212.61		-23,350,212.61			-16,104,000.00
1) withdrawal of surplus reserves													7,246,212.61		-7,246,212.61			
2) withdrawal of reserves for general risks																		
3) distribution to owners and shareholders															-16,104,000.00			-16,104,000.00
4) others																		

Wafangdian Bearing Company Ltd.

Midyear Report of 2012

(5)owner's equity internally transferred																		
(1)transferring capital reserves to capital (capital stock)																		
(2) transferring surplus reserves to capital (capital stock)																		
(3)Offsetting the loss by surplus reserves																		
(4).Others																		
4.Balance in current period-end	402,600,000.00	482,563,945.37		123,972,268.17		546,828,145.44			1,555,964,358.98	402,600,000.00	482,563,945.37		123,972,268.17		507,346,858.96			1,516,483,072.50

3. General information

Wafangdian Bearing Company Limited (the “Company”) is a joint stock limited company established in the People’s Republic of China (the “PRC”) on 20 March 1997. In the opinion of the directors, its parent and ultimate holding company is Wafangdian Bearing Group Company Limited (“Wazhou Group”).

The Company’s B shares have been listed on the Shenzhen Stock Exchange since 25 March 1997.

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

The Company is principally engaged in the manufacturing and sale of bearing products, engineering equipment, automobile spare parts and relating products.

The Company together with its subsidiaries is collectively referred to as the “Group”.

4. Main accounting policy, estimation and correction of previous errors

4.1 basis for financial statements preparation

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

4.2 Complying with Accounting Standard for Business Enterprise

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

4.3 Accounting period

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

4.4 Functional currency

The Group adopts RMB as functional currency.

4.5 The accounting settling method of business combination

(1) Business combination under the same control

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

(2) Business combination not under same control

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

4.6 Method of preparation of consolidated financial statements

Recognition principle of scope of consolidation: Scope of consolidated financial statements should include all subsidiaries of the parent and the special purpose entities.

Accounting method of consolidated financial statements

The Group’s consolidated financial statements had been prepared in accordance with <Accounting Standard for Business

Enterprise No.33 – Consolidated Financial Statements> and related regulations. All material intragroup transaction and balance had been eliminated in full. The parts of subsidiaries' equity non-attributable to parent company shall be as minority interest presented in the in the consolidated balance sheet within equity.

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

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

4.7 Cash and cash equivalent standard

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.

4.8 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 profit or loss for the period. Exchange differences of specific borrowings related to the acquisition or construction of a fixed asset should be capitalized as occurred, before the relevant fixed asset being acquired or constructed is ready for its intended uses. The foreign currency non-monetary items recorded at fair value are translated at the exchange rate issued on the date of fair value recognized. Exchange differences are charged as profit and loss of change of fair value. The foreign currency non-monetary items recorded at historical cost are translated at the exchange rate issued on the date when the transaction incurs, and don't change the RMB amount.

(2) Translation of foreign currency financial statements

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

4.9 Financial tools

Financial tools means forming financial assets and financial liability as well as equity tools contract.

(1) classification

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

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

d) Available-for-sale financial assets

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

(2) Recognition and measurement**1) Financial assets**

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

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

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

2) Financial liabilities

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

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

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

(3) Recognition and measurement of financial assets derecognized

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

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

(4) Determined conditions of financial liability termination

The financial liability obligations have been all or part of removed, then to confirm that the termination of the financial liability or part of it.

Enterprise will be used to pay the assets of the financial liability to an institution or the establishment of a trust, repay debts present obligations still exists, shall not be stopped to confirm that the financial liability, also can't stop recognizing turn out assets.

Enterprise (debtor) between the obligee and the signed an agreement to undertake to replace a new financial liabilities existing financial liabilities, and new financial debts and the existing financial liabilities in the different of the terms of the contract shall be terminated the confirm the existing financial liabilities, and confirmed that the new financial liability.

Enterprise of existing financial liabilities of all or part of the identical terms to make a substantial modification, confirm the existing financial liabilities shall be terminated or in part, at the same time will amend the terms of financial liability for a new financial liability.

(5) Fair value measurement of financial assets and liabilities

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

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

(6) Impairment of financial assets (exclude A/R)

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

If an impairment loss on a financial asset carried at amortized cost has been incurred, the amount of loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and

the recovery can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and the amount of reversal is recognized in income statement.

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

4.10 Recognition standard and calculate method for bad debts of receivables provision

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

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

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

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

(2) Accounts receivable accrued bad debt provision by portfolio

The basis of portfolio	The accrual method for bad debt provision by portfolio	Ground
Accounting aging	accounting aging analysis method	Use the accounting aging of the receivables as the credit risk characteristics to classify the portfolio. Accrue the bad debt provision by accounting aging analysis method
Related parties	Other method	Use the amount characteristics of the receivables , if the transaction party is related parties characteristics need to classify the portfolio. Accrue the bad debt provision by individual identification method
Risk-free	Other method	Use the amount characteristics of the receivables, the credit of transaction party, the nature of the amounts and the safeguard mechanism of transaction as characteristics to classify the portfolio. Accrue the bad debt provision by individual identification method

In portfolio, using the accounting aging of the receivables as calculating bad debts provision

Applicable Inapplicable

Accounting aging	Accrual percentage of the receivables (%)	Accrual percentage of other receivables (%)
Within 1 year	1%	1%
1-2 years	5%	5%
2-3 years	20%	20%
Over 3 years	50%	50%
3—4 years	50%	50%
4—5 years	50%	50%
Over 5 years	50%	50%

The other method is applied to accruing of bad debts provision:

Applicable Inapplicable

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

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

Accrual reason: The individual amount is not significant, but the accrued bad debt provision on the basis of portfolio can not reflect its risk characteristic

Accrual method :The bad debt provisions should be accrued based on the difference between current value of future cash flow and the carrying amount.

4.11 Inventories

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

(2) Pricing of inventories received and sent out:

first-in first-out method (FIFO) Weighted average method Individual determination method Other

(3) Inventory net realizable value determination basis and inventory depreciation provision method

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

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

(4) Inventories processed system

perpetual inventory system Regular inventory system Other

(5) Low-valued consumables and packaging amortize method

Low-valued consumables: amortize at one time

Packaging: amortize at one time

4.12 Long-term equity investment**(1) The initial investment cost is determined**

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

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

(1) The initial cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid. The initial cost consists of the expenses directly relevant to the obtaining of the long-term equity investment, taxes and other necessary expenses.

(2) The initial cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued.

(3) The initial cost of a long-term equity investment of an investor shall be the value stated in the investment contract or agreement except the unfair value stated in the contract or agreement.

(4) The initial cost of a long-term investment obtained by the exchange of non-monetary assets and the initial cost of a long-term equity investment obtained by debts restructuring shall be ascertained in accordance with related Accounting Standards for Enterprises.

(2) A follow-up measurement and profit and loss confirmation

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

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

(3) Basis of the invested entity with a common control, great impact on

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

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

(4) Depreciation measure method and depreciation provision calculation method

The long-term equity investment exist the impairment signs, which should be recognized as recoverable amount.

The recoverable amount shall be determined by the higher one, which between the assets of the fair value of the asset minus the disposal expenses and the net amount of the assets of the current value of the expected future cash flow. Assets of the fair value of the asset minus the disposal expenses and the net amount of the assets of the current value of the expected future cash flow, as long as there is a more than the carrying value of the asset, it shows that no asset impairment has occurred.

The recoverable amount of the measurement results show that the recoverable amount of the asset is lower than its carrying value, the carrying value of the asset shall be reduced to the recoverable amount, the amount of writedowns confirm for the loss of asset impairment, and shall be recorded into the profits and losses of the current period, and the corresponding provision for impairment of assets.

Loss of asset impairment once confirmed, in the future accounting period shall not return.

4.13 Fixed assets

(1) 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 RMB2000.

(2) Fixed assets depreciation method

The Group withdraws depreciation for all fixed assets except for the fixed assets which had been fully depreciated and are still being used. The Group withdraws depreciation by adopting straight-line method and depreciation rate of unit item on monthly basis, and brings it cost or expenses in current period. Estimated net residual value rate is 3%, useful life, depreciation rate as follows:

Category	Useful life (years)	net residual value rate(%)	Annual depreciation rate (%)
Housing and Buildings	15-35	3%	2.77-6.47
Machinery equipments	10-15	3%	6.47-9.70
Electric equipments	4-8	3%	12.13-24.25
Transportation equipments	6	3%	16.17
Others equipments	7-18	3%	5.39-13.86

(3) Depreciation measure method and depreciation provision calculation method

The fixed assets exist the impairment signs, which should be recognized as recoverable amount.

The recoverable amount shall be determined by the higher one, which between the assets of the fair value of the asset minus the disposal expenses and the net amount of the assets of the current value of the expected future cash flow.

Assets of the fair value of the asset minus the disposal expenses and the net amount of the assets of the current value of the expected future cash flow, as long as there is a more than the carrying value of the asset, it shows that no asset impairment has occurred.

The recoverable amount of the measurement results show that the recoverable amount of the asset is lower than its carrying value, the carrying value of the asset shall be reduced to the recoverable amount, the amount of writedowns confirm for the loss of asset impairment, and shall be recorded into the profits and losses of the current period, and the corresponding provision for impairment of assets.

Loss of asset impairment once confirmed, in the future accounting period shall not return.

4.14 Construction in progress

(1) Classification

(2) Standard and time when the CIP transfer into fixed assets.

Since the construction in progress reached the expected usable situation, according to the project budget, cost or

engineering cost, the estimated value of fixed assets carry forward, second month began to plan carry depreciation, to deal with the final accounts of the completed project after formalities again to the original value of fixed assets difference adjustment.

(3) Depreciation measure method and depreciation provision calculation method

The CIP exist the impairment signs, which should be recognized as recoverable amount.

The recoverable amount shall be determined by the higher one, which between the assets of the fair value of the asset minus the disposal expenses and the net amount of the assets of the current value of the expected future cash flow.

Assets of the fair value of the asset minus the disposal expenses and the net amount of the assets of the current value of the expected future cash flow, as long as there is a more than the carrying value of the asset, it shows that no asset impairment has occurred.

The recoverable amount of the measurement results show that the recoverable amount of the asset is lower than its carrying value, the carrying value of the asset shall be reduced to the recoverable amount, the amount of writedowns confirm for the loss of asset impairment, and shall be recorded into the profits and losses of the current period, and the corresponding provision for impairment of assets.

Loss of asset impairment once confirmed, in the future accounting period shall not return.

4.15. Borrowing costs

(1) Recognition principles on capitalisation of borrowing cost:

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

(2) Duration of capitalisation of borrowing cost:

When expenditures and borrowing cost are being incurred, and activities that are necessary to put the asset available for use or sale are in progress, the capitalisation of borrowing costs as part of the cost of a qualifying asset should commence.

(3)Duration of capitalization suspended

Capitalisation of borrowing costs should be suspended during extended periods in which active development is interrupted and interruption period last for over 3 month. The borrowing cost incurred during the period should be recognized as expenses and recorded into the profit and loss in the current period. When all the activities for bringing the asset to its intended use or sale are completed, the capitalization of borrowing costs ceases, and the borrowing costs should be recognized as an expense in the period incurred.

(4)Measurement of borrowing cost

As for specifically borrowed loans for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests shall be determined as the difference of the actual cost incurred of the specially borrowed loan at the present period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment. Where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the Group shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined at the weighted average interest rate of the general borrowing.

4.16. Intangible assets

(1) Measurement of intangible assets

The intangible assets of the Group refer to land use right, ERP system software. The cost of outsourcing intangible assets

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

(2) Amortisation method and period

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

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

Name	Useful life	basis
land use right	50 Years	Law regulation
ERP software	10 Years	Contract regulation
Other	3 Years	Choose the shortest one among useful life, contract regulation and law regulation

(3) Uncertain service life of intangible assets judgment basis

No definite contract or law the service life of intangible assets, and the comprehensive enterprise all aspects, through the joint efforts, still do not reasonable to be certain that the intangible assets for economic benefits to the enterprise, the time limit for just the intangible assets as uncertain service life of intangible assets.

(4) Intangible asstes impairment

The Intangible asstes exist the impairment signs, which should be recognized as recoverable amount.

The recoverable amount shall be determined by the higher one, which between the assets of the fair value of the asset minus the disposal expenses and the net amount of the assets of the current value of the expected future cash flow.

Assets of the fair value of the asset minus the disposal expenses and the net amount of the assets of the current value of the expected future cash flow, as long as there is a more than the carrying value of the asset, it shows that no asset impairment has occurred.

The recoverable amount of the measurement results show that the recoverable amount of the asset is lower than its carrying value, the carrying value of the asset shall be reduced to the recoverable amount, the amount of writedowns confirm for the loss of asset impairment, and shall be recorded into the profits and losses of the current period, and the corresponding provision for impairment of assets.

Loss of asset impairment once confirmed, in the future accounting period shall not return.

4.17. Long-term deferred expenses

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

4.18. Contingent liabilities

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

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

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

4.19. Government grants

(1) Classification

- 1) Fund assets; 2) Non-fund assets

(2) Accounting method

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

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

4.20 Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets

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

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

(2) Deferred tax liabilities

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

tax asset and deferred tax liability should be measured at applicable tax rate.

4.21. Operating Lease and financing lease

(1) accounting measurement of operating lease

The leases of the Group refer to operating lease.

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

(2) accounting measurement financing lease

Applicable inapplicable

5. Taxation

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

Tax	Tax base	Tax rate
Value-added tax (VAT)	Sales revenue or Purchase	17%
Consuming tax		
Business tax	Revenue from property lease	5%
City construction tax	Value-added tax payables, business tax	7%
Enterprise income tax(EIT)	Current period taxable profit	15%,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
Education surcharge	Value-added tax payables, business tax	3%

The enterprise income tax rate of Liaoyang Bearing (the company's subsidiary) is 25%.

The enterprise income tax rate of Dalian Electrical Equipment (the company's subsidiary) is 25%.

5.2. Tax preference and approval

The Company obtained the qualification of high and new technology enterprises on 14 Oct 2011. The Certificate number is GR201121200028, and the period of validity is three years. According to the provisions of the tax law the Company can enjoy the preferential tax policy of enterprise income tax rate of 15% in three years (including 2011).

6. Business combination and consolidated financial statements

6.1. General situation of Subsidiaries

(1) Subsidiaries founded through the establishment or investments

Unit: Yuan

Company name	Company type	Registered address	Nature of operation	Registered capital	Business scope	Actual investment amount at the end of year	Holdin g %	Voting %	Consolid ation
Liaoyang Bearing	Limited	No.61, Weiguo road, Baita district Liaoyang city	Production and sales of bearing and machinery manufacturing	19,350,000	Production and sales of bearing and machinery manufacturing	17,337,259.95	100%	100%	Y
Dalian Electrical Equipment	Limited	No.12, Shisanli yongsheng street, free trade zone Dalian city	Production and sales of bearing and machinery manufacturing	10,000,000	Planning to develop project	45,478,956.37	100%	100%	Y

7 Notes to consolidated financial statements

7.1 Cash and cash in bank

Unit: Yuan

Items	2012.06.30			2012.01.01		
	Original currency	Exchange rate	Amount (RMB)	Original currency	Exchange rate	Amount (RMB)
Cash on hand	--	--	311,328.15	--	--	328,678.6
RMB	--	--	311,328.15	--	--	328,678.6
Cash in bank	--	--	92,334,597	--	--	61,333,040.65
RMB	--	--	78,482,838.24	--	--	57,150,212.26
USD	2,190,036.01	6.3249	13,851,758.76	663,846.18	6.3009	4,182,828.39
EUR						
Other cash	--	--	30,892,673.14	--	--	40,607,035.09
RMB	--	--	30,892,673.14	--	--	40,607,035.09
Total	--	--	123,538,598.29	--	--	102,268,754.34

7.2 Notes receivable

(1) Category of notes receivable

Unit: Yuan

Items	2012.06.30	2012.01.01
Bank acceptance notes	210,089,816.49	133,575,438.81
Commercial acceptance notes	32,723,431.76	938,946.57
Total	242,813,248.25	134,514,385.38

(2) Notes receivable endorsed to other parties but not mature at the end of year

Unit: Yuan

Note issuer	Issuing date	Maturity	Amount	Note
Bo fang textile Limited company	2012-02-21	2012-08-21	7,000,000	
Nanfeng Changjiang vechile company changzhou branch	2012-05-16	2012-11-16	5,500,000	
Qiqihaer railway equipment company	2012-2-22	2012-08-21	5,000,000	
Tangshan railway company	2012-04-24	2012-10-24	4,863,281.9	
Haerbin raileay equipment company	2012-03-26	2012-09-19	4,000,000	
Amount	--	--	26,363,281.9	--

7.3 Accounts receivable**(1) Category of accounts receivable**

Unit: Yuan

Items	2012.06.30				2012.01.01			
	Gross carrying amount		Provision for bad and doubtful debts		Gross carrying amount		Provision for bad and doubtful debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with individual significant amount and identification separately bad debt provision	3,910,007.43	0.37%	3,910,007.43	100%	3,910,007.43	0.39%	3,910,007.43	100%
Accounts receivable accrued bad debt provision by portfolio								
Accounting aging portfolio	1,036,982,560.53	96.64%	35,775,166.64	3.45%	946,195,504.88	94.62%	36,092,616.32	3.81%
Related parties portfolio	20,312,554.32	1.89%	0	0%	38,122,177.56	3.81%	0	0%
Risk-free portfolio								
Subtotal of portfolio	1,057,295,114.85	98.53%	35,775,166.64	3.38%	984,317,682.44	98.43%	36,092,616.32	3.67%
Accounts receivable with individual insignificant amount and identification	11,813,753.94	1.1%	11,813,753.94	100%	11,813,753.94	1.18%	11,813,753.94	100%

separately bad debt provision								
Total	1,073,018,876.22	--	51,498,928.01	--	1,000,041,443.81	--	51,816,377.69	--

Explanation:

- 1) Accounts receivable with individual significant amount and identification separately bad debt provision;
 - 2) Accounts receivable accrued bad debt provision by portfolio with accounting aging;
 - 3) Accounts receivable with individual insignificant amount and identification separately bad debt provision
- Accounts receivable with individual significant amount and identification separately bad debt provision at the ending balance:

√ Applicable □ inapplicable

Unit: Yuan

Company name	Booking balance	Provision for bad debts	Provision rate (%)	Reasons for provision
Baoding North China Machine & Electronic Equipment Ltd Co.	3,910,007.43	3,910,007.43	100%	A/R with over 5 years aging, unlikely to be collected
Total	3,910,007.43	3,910,007.43	--	

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

√ Applicable □ inapplicable

Unit: Yuan

Aging	2012.06.30			2012.01.01		
	Booking balance		Provision for bad debts	Booking balance		Provision for bad debts
	Amount	Percentage (%)		Amount	Percentage (%)	
Within 1 year						
Incl:	--	--	--	--	--	--
Within 1 year	917,883,864.44	88.52%	9,178,838.64	812,580,398.61	85.88%	8,125,803.98
Subtotal	917,883,864.44	88.52%	9,178,838.64	812,580,398.61	85.88%	8,125,803.98
1 to 2 years	68,889,954.96	6.64%	3,444,497.75	82,021,197.63	8.67%	4,101,059.89
2 to 3 years	6,508,467.72	0.63%	1,301,693.54	6,437,339.6	0.68%	1,287,467.92
Over 3 years	43,700,273.41	4.21%	21,850,136.71	45,156,569.04	4.77%	22,578,284.53
3 to 4 years	30,590,191.39	2.95%	15,295,095.7	31,609,598.33	3.34%	15,804,799.17
4 to 5 years	8,740,054.682	0.84%	4,370,027.342	9,031,313.808	0.95%	4,515,656.906
Over 5 years	4,370,027.341	0.42%	2,185,013.671	4,515,656.904	0.48%	2,257,828.453
Total	1,036,982,560.53	--	35,775,166.64	946,195,504.88	--	36,092,616.32

By portfolio, accounts receivable accrued the bad debt provisions under other method

√ Applicable □ inapplicable

Unit: Yuan

Name	Booking balance	Provision for bad debts
Related parties portfolio	20,312,554.32	0

Risk-free portfolio		
Amount	20,312,554.32	0

Individually insignificant amount accounts receivable but accrued bad debt provision separately at the end of 30 June, 2012

√ Applicable □ inapplicable

Unit: Yuan

Company name	Booking balance	Provision for bad debts	Proportion (%)	Reasons for provision
Shenyang Sewerage Equipment Co.,Ltd	2,706,703.13	2,706,703.13	100%	A/R with over 5 years aging, unlikely to be collected
Shen Yang General Bearing Co.,Ltd	2,452,138.58	2,452,138.58	100%	A/R with over 3 years aging, forms a book difference between both sides
Tiefa coal sector Group Company	2,352,760.15	2,352,760.15	100%	A/R with over 3 years aging, forms a book difference between both sides
Shuangyashan Mining industry Group Company	1,368,257.55	1,368,257.55	100%	A/R with over 3 years aging forms a book difference. between both sides
Chongqing Sailimeng electrical machine LLC	650,758.88	650,758.88	100%	A/R with over 3 years aging forms a book difference. between both sides
Qingdao Qingte Zhongli axle Co.,Ltd	590,898.99	590,898.99	100%	A/R with over 3 years aging forms a book difference between both sides.
Other sporadic accounts receivable	1,692,236.66	1,692,236.66	100%	A/R with over 5 years aging, unlikely to be collected
Total	11,813,753.94	11,813,753.94	100%	--

(2) Accounts receivable due from shareholders who hold 5% or more of the voting rights of the Company

√ Applicable □ inapplicable

Unit: Yuan

Company name	2012.06.30		2012.01.01	
	Amount	Provision for bad debt	Amount	Provision for bad debt
Wazhou Group	7,523,401.47	0	25,365,740.94	0

Total	7,523,401.47	0	25,365,740.94	0
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(3) Accounts receivable due from the five biggest debtors of the Group are as follows:

Unit: Yuan

Company name	Relationship with the Company	Amount	Aging	Percentage in the total AR(%)
China Railway Materials Company	Unrelated party	54,672,480.56	Within 1 year	5.1%
Hudong vehicle section of Daqin railway Stock Co.,Ltd	Unrelated party	26,717,017.96	Within 1 year	2.49%
Dalian Huarui Company Limited	Unrelated party	24,909,219.41	Within 1 year	2.32%
Xi'an fashite auto transmion company	Unrelated party	18,131,040.86	Within 1 year	1.69%
Dalian Lohui commercial company	Unrelated party	17,394,507.47	Within 1 year	1.62%
Amount	--	141,824,266.26	--	13.22%

(4) Accounts receivable due from related parties

Unit: Yuan

Company name	Relationship with the Company	Amount	Percentage in the total accounts receivable(%)
Wazhou Group	Biggest shareholder	7,523,401.47	0.7%
Wafangdian precision forging company	Other companies controlled by the same parent company	6,267,154.37	0.58%
Wazhou Group Precision special Bearing Co., Ltd	Other companies controlled by the same parent company	6,521,998.48	0.61%
Total	--	20,312,554.32	1.89%

7.4 Other receivables

(1) The categories of other receivable

Unit: Yuan

Items	2012.06.30				2012.01.01			
	Gross carrying amount		Provision for bad and doubtful debts		Gross carrying amount		Provision for bad and doubtful debts	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage

		(%)		(%)		(%)		(%)
The receivables with individual significant amount and identification separately bad debt provision	0		0		0		0	
Other receivables accrued bad debt provision by portfolio								
Accounting aging portfolio	19,846,785.16	96.69%	3,533,925.62	17.81%	17,508,565.07	91.85%	3,533,925.62	20.18%
Related parties portfolio	0	0%	0	0%	0	0%	0	0%
Risk-free portfolio	680,018.19	3.31%	0	0%	1,553,635.42	8.15%	0	0%
Subtotal of portfolio	20,526,803.35	100%	3,533,925.62	17.22%	19,062,200.49	100%	3,533,925.62	18.54%
Other receivables with individual insignificant amount and identification separately bad debt provision	0		0		0		0	
Total	20,526,803.35	--	3,533,925.62	--	19,062,200.49	--	3,533,925.62	--

Explanation:

- 1) Other accounts receivable with individual significant amount and identification separately bad debt provision;
 - 2) Other accounts receivable accrued bad debt provision by portfolio with accounting aging;
 - 3) Other accounts receivable with individual insignificant amount and identification separately bad debt provision
- Accounts receivable accrued the bad debt provisions under accounting aging analysis method

√ Applicable □ inapplicable

Unit: Yuan

Aging	2012.06.30			2012.01.01		
	Booking balance		Provision for bad debts	Booking balance		Provision for bad debts
	Amount	Percentage (%)		Amount	Percentage (%)	
Within 1 year						
Incl:						
Within 1 year	12,424,811.9	62.6%	124,248.12	10,059,941.26	57.46%	100,599.41
Subtotal	12,424,811.9	62.6%	124,248.12	10,059,941.26	57.46%	100,599.41
1 to 2 years	535,550.85	2.71%	26,777.54	518,270.58	2.96%	25,913.53

2 to 3 years	201,037.5	1.01%	40,207.5	192,546.46	1.1%	38,509.29
Over 3 years	6,685,384.91	33.68%	3,342,692.46	6,737,806.77	38.48%	3,368,903.39
3 to 4 years	4,679,769.437	23.58%	2,339,884.722	4,716,464.739	26.94%	2,358,232.373
4 to 5 years	1,337,076.982	6.74%	668,538.492	1,347,561.354	7.7%	673,780.678
Over 5 years	668,538.491	3.37%	334,269.246	673,780.677	3.85%	336,890.339
Total	19,846,785.16	--	3,533,925.62	17,508,565.07	--	3,533,925.62

By portfolio, accounts receivable accrued the bad debt provisions under other method

Applicable inapplicable

Unit: Yuan

Name	Booking balance	Provision for bad debts
Related parties portfolio	0	0
Risk-free portfolio	680,018.19	0
Amount	680,018.19	0

Individually insignificant amount accounts receivable but accrued bad debt provision separately at the end of 30 June, 2012

Applicable inapplicable

(2) Other receivables due from the five biggest debtors of the Group are as follows:

Unit: Yuan

Company name	Relationship with the Company	Amount	Aging	% of the total OR
Dalian Jinhua steel material sales company	Unrelated party	800,000	Over 3 years	3.9%
Dalian Steel company	Unrelated party	736,160.12	Over 3 years	3.59%
Yingkou general use bearing company	Unrelated party	547,402.41	1-2years	2.67%
Baita xinghuo company	Unrelated party	457,529.25	Over 3 years	2.23%
Shenyang electricity company	Unrelated party	366,591.88	Over 3 years	1.79%
Total	--	2,907,683.66	--	14.17%

7.5 Advances to suppliers

(1) The aging of advance to suppliers are analyzed below:

Unit: Yuan

Items	2012.06.30		2012.01.01	
	Amount	Percentage(%)	Amount	Percentage(%)
Within 1 year	12,590,093.84	70.5%	46,097,537.36	87.44%

1 to 2 years	3,661,391.41	20.5%	4,567,917.29	8.67%
2 to 3 years	20,516.45	0.12%	52,493.34	0.1%
Over 3 years	1,585,917.02	8.88%	1,998,873.35	3.79%
Total	17,857,918.72	--	52,716,821.34	--

(2) As at 30 June 2012, the five largest advances to supplies are set out below

Unit: Yuan

Company name	Relationship with the Company	Amount	Time	Pending reason
Daye Special Steel Company Limited	Unrelated party	6,213,882.3	2012-5-10	Goods not yet reached
Fushun Special Steel Company Limited	Unrelated party	2,407,922.57	2012-5-13	Goods not yet reached
Bengang panel Stock Co.,Ltd	Unrelated party	2,253,536.36	2012-6-5	Goods not yet reached
Luoyang heavy steel factory	Unrelated party	1,917,700.3	2012-6-11	Goods not yet reached
China railway material Tianjin company	Unrelated party	453,452.55	2012-5-9	Goods not yet reached
Total	Unrelated party	13,246,494.08	--	--

Explanation for advances to suppliers: They are mass material supplier, and the product are hot sales.

(3) Explanation for the amount for advances to suppliers: The material has not been received and settled in accounting.

7.6 Inventories

(1) Categories of inventories

Unit: Yuan

Item	2012.06.30			2012.01.01		
	Booking balance	Provision for decline	Net book value	Booking balance	Provision for decline	Net book value
Raw materials	157,772,316.27	2,658,311.39	155,114,004.88	138,653,860.31	2,658,311.39	135,995,548.92
Working in progress	162,698,056.72	602,496.86	162,095,559.86	210,631,984.02	602,496.86	210,029,487.16
Finished goods	850,709,503.52	56,358,265.81	794,351,237.71	906,387,958.99	56,358,265.81	850,029,693.18
Turnover material	548,421.12	0	548,421.12	484,241.17	0	484,241.17
Consumable material						
Total	1,171,728,297.63	59,619,074.06	1,112,109,223.57	1,256,158,044.49	59,619,074.06	1,196,538,970.43

(2) Provision for decline in the value of inventories**Unit: Yuan**

Item	Booking balance at the period-begining	Increase	Decrease		Booking balance at the period-ending
			Reverse	Others transferred	
Raw materials	2,658,311.39				2,658,311.39
Working in progress	602,496.86				602,496.86
Finished goods	56,358,265.81				56,358,265.81
Turnover material	0				0
Consumable material					
Total	59,619,074.06	0	0	0	59,619,074.06

Explanation for inventories: raw material, warppage, low-value consumable, working in process an finished goods.

7.7 Other current assets**Unit: Yuan**

Item	2012.06.30	2012.01.01
Rental	368,893.69	255,384.29
Income tax	2,493,525.43	5,473,840.19
Total	2,862,419.12	5,729,224.48

7.8 Investment in Joint Venter**Unit: Yuan**

Investee	Enterp rise nature	Registe red address	Legal repre sentative	Business nature	Registe red capital	Holdin g %	Voting %	Total assets as at June 30 2012	Total liabilities as at June 30 2012	Total net assets as at June 30 2012	Total sales revenue in the H1 of 2012	Net profits in the H1 of 2012
Jonit venter												
Dalian SKF Wazhou Bearings Co., Ltd.	Chinese -foreign equity joint venture	No.1, Phrase 1, Gongji Street, Wafang dian North	Wang Lushun	Manufactu re and sales of ball-surfac e rolling bearing	140,000 ,000	49%	49%	23,475. 63	4,517.8 1	18,957. 82	9,802.2 7	609.18

7.9 Long-term equity investments

(1) Details

Unit: Yuan

Investee	Method	Original Amounts	2012.01.01	Increase/decrease	2012.06.30	Holding%	Voting%	Difference between holding and voting percentage	depreciation	depreciation in the period	dividend
Shanghai ME machine-electrical equipment chain Ltd.	Cost method	2,000,000	2,000,000	0	2,000,000	4.76%	4.76%		0		0
Dalian SKF Wazhou Bearings Co., Ltd.	Equity method	68,600,000	90,079,035.89	2,985,002.73	93,064,038.62	49%	49%		0		0
Shanghai Zhenxin Wazhou Machinery and Electricity Co., Ltd.	Equity method	400,000	410,855.12	-410,855.12	0	40%	40%		0		0
Total	--	71,000,000	92,489,891.01	2,574,147.61	95,064,038.62	--	--	--	0	0	0

Explanation:

Shanghai Zhenxin Wazhou Machinery and Electricity Co., Ltd (the "Shanghai Zhenxin") is out of business temporarily due to its poor operating performance and leasehold has expired. Since 2010, it began to close business, and the liquidation is over. The Company has taken back RMB 400 thousand at the balance sheet date. Because the investment 10,855.12 Yuan according to equity method has taken back 3,916.91 Yuan, the difference 6,938.21 Yuan has been calculated into the investment loss in the period.

7.10 Fixed assets

(1) Details

Unit: Yuan

Items	Booking balance as at the 1 Jan 2012	Increase		Decrease	Booking balance as at the 30 June 2012
Cost	1,431,530,695.72	42,232,963.77		19,205,611.79	1,454,558,047.7
Incl: Buildings	317,596,891.85	2,356,501.14		2,332,191.14	317,621,201.85
Machinery	767,351,847.19	37,324,958.96		14,820,004.46	789,856,801.69
Transportation equipment	20,426,769.01	1,568,244.85		1,854,232.49	20,140,781.37
Electrical equipment	29,895,241.5	679,052.32		18,643	30,555,650.82
Others	296,259,946.17	304,206.5		180,540.7	296,383,611.97
--	Booking balance as at the 1 Jan 2012	Increase	calculate	Decrease	Booking balance as at the 30 June 2012
Accumulated depreciation	846,581,051.8	50,001,670.3	0	15,280,134.28	881,302,587.82
Incl: Buildings	154,942,793.68	5,590,000.64		784,814.79	159,747,979.53
Machinery	460,458,736.38	32,547,390.82		12,536,783.7	480,469,343.5
Transportation equipment	14,529,418.04	977,201.29		1,795,479.74	13,711,139.59
Electrical equipment	25,693,265.62	870,075.83		17,363.22	26,545,978.23
Others	190,956,838.08	10,017,001.72		145,692.83	200,828,146.97
--	Booking balance as at the 1 Jan 2012	--			Booking balance as at the 30 June 2012
Net book value	584,949,643.92	--			573,255,459.88
Incl: Buildings	162,654,098.17	--			157,873,222.32
Machinery	306,893,110.81	--			309,387,458.19
Transportation equipment	5,897,350.97	--			6,429,641.78
Electrical equipment	4,201,975.88	--			4,009,672.59
Others	105,303,108.09	--			95,555,465
Provision for impairment	3,484,939.66	--			3,456,778.66

Inc: Buildings	0	--	0
Machinery	3,283,780.15	--	3,255,619.15
Transportation equipment	200,000	--	200,000
Electrical equipment	0	--	0
Others	1,159.51	--	1,159.51
Booking value	581,464,704.26	--	569,798,681.22
Incl: Buildings	162,654,098.17	--	157,873,222.32
Machinery	303,609,330.66	--	306,131,839.04
Transportation equipment	5,697,350.97	--	6,229,641.78
Electrical equipment	4,201,975.88	--	4,009,672.59
Others	105,301,948.58	--	95,554,305.49

In the period, the increase includes the assets which were transferred from construction in progress amounted to RMB25,614,951, and in the increase of accumulated depreciation, the amount accrued for current period was RMB 39,206,790.74.

(2) Fixed assets leised temporary

Unit: Yuan

Items	Cost	Accumulated depreciation	Provision for impairment	Booking value	remarks
Incl: Buildings	9,151,839	6,425,627.57	0	2,726,211.43	
Machinery	30,324,495.15	24,925,089.51	3,212,255.32	2,187,150.32	
Transportation equipment	419,596.42	329,181.67	0	90,414.75	
	420,565.56	402,955.62	1,009.51	16,600.43	

(3) Fixed assets of renting out under operating lease

Applicable Inapplicable

Unit: Yuan

Items	Book value
Buildings	40,210,815.34
Machinery	
Transportation equipment	

7.11 Construction in progress

(1)

Unit: Yuan

Items	2012.06.30			2012.01.01		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Truck bearing factory construction	23,359,087.6		23,359,087.6	19,117,461.62		19,117,461.62
Truck bearing factory electricity installment	16,029,166.59		16,029,166.59	13,427,695		13,427,695
Truck taper bearing reform	44,949,993.67		44,949,993.67	32,264,417.46		32,264,417.46
Auto column bearing reform	10,181,529.52		10,181,529.52	9,883,798.23		9,883,798.23
Medium sized deep groove ball bearing product line	43,897,784.29		43,897,784.29	44,552,487.1		44,552,487.1
Special-large factory reform	3,721,026.15		3,721,026.15	3,564,271.89		3,564,271.89
Dalian industry park project	14,741,838.68		14,741,838.68	5,784,723.29		5,784,723.29
Improvement of seven-finished products	2,921,193.17		2,921,193.17	1,702,070.07		1,702,070.07
precision roller reform	4,728,484.78		4,728,484.78	26,253,182		26,253,182
Improvement of plant	10,254,374.59		10,254,374.59	8,968,944.08		8,968,944.08
Improvement of finished goods storage	10,125,944.03		10,125,944.03	9,834,744.03		9,834,744.03
Carbonization line	14,016,114.99		14,016,114.99	14,016,114.99		14,016,114.99
Heat treatment product line	1,598,665.57		1,598,665.57	1,456,147.57		1,456,147.57
Grinding product line	13,501,558.83		13,501,558.83	16,848,631.43		16,848,631.43
Improvement of grinding machine	14,466,961.01		14,466,961.01	10,321,267.77		10,321,267.77
Digital Boring machine	3,335,501.54		3,335,501.54	4,793,544.27		4,793,544.27
Crane Project	3,250,186.34		3,250,186.34	3,250,186.34		3,250,186.34
Computer Project	2,241,942.02		2,241,942.02	1,475,745.59		1,475,745.59
Improvement of exploration machinery	803,190.72		803,190.72	654,858.57		654,858.57
Installation of super finish machine	1,675,291.99		1,675,291.99	1,141,642.9		1,141,642.9
Assembling line	16,045,874.21		16,045,874.21	16,025,784.87		16,025,784.87
Forked truck	1,613,954.92		1,613,954.92	1,613,954.92		1,613,954.92
Instruments	741,366.81		741,366.81	674,896.65		674,896.65
M250Grinding Machine Improvement	130,730.53		130,730.53	130,730.53		130,730.53
New plant of liaoning bearing	2,418		2,418	2,418		2,418
Others	18,515,051.07		18,515,051.07	14,221,306.88		14,221,306.88
Total	276,849,231.62	0	276,849,231.62	261,981,026.05	0	261,981,026.05

(2) Change in the significant construction in progress

单位：元

Construction name	Budget	Period-beginning	Increase	Transferred into fixed assets	Decrease	% of investment against budget	Construction progress (%)	Accumulated capitalized interest	Including: Accumulated capitalized interest in the period	Interest capitalization rate(%)	Source of funds	Period-ending
Medium sized deep groove ball bearing product line	62,672,000	44,552,487.1	47,946,677.19		48,601,380	76.5%	76.5%	56,272.66	18,629.49	4.79%	raise money by self or loan	43,897,784.29
Truck taper bearing reform	51,311,483	32,264,417.46	41,293,828.13	103,076.92	28,505,175	80.5%	80.5%	489,076.18	148,010.24	4.79%	raise money by self or loan	44,949,993.67
precision roller reform	4,419,065	26,253,182	2,649,778.46	23,421,871.45	752,604.23	60%	60%	2,789,335.11	929,778.37	4.79%	raise money by self or loan	4,728,484.78
Truck bearing factory construction	31,886,787	19,117,461.62	8,282,305.98		4,040,680	26%	26%	279,006.2	76,916.24	4.79%	raise money by self or loan	23,359,087.6
Grinding product line	44,635,500	16,848,631.43	4,610,827.4		7,957,900	10.3%	10.3%	440,646.87	15,973.47	4.79%	raise money by self or loan	13,501,558.83
Assembling line	21,644,000	16,025,784.87	15,595,089.34	108,000	15,467,000	72.1%	72.1%	53,845.97	17,251.35	4.79%	raise money by self or loan	16,045,874.21
Carbonization line	14,922,000	14,016,114.99						22,181.9	7,036.72	4.79%	raise money by self or loan	14,016,114.99
Truck bearing factory electricity installment	16,714,940	13,427,695	2,601,471.59			15.6%	15.6%	194,724.11	52,780.45	4.79%	raise money by self or loan	16,029,166.59
Improvement	20,381,500	10,321,267.77	8,589,493.24		4,443,800	42.1%	42.1%	36,746.78	11,264.27	4.79%	raise money	14,466,961.01

Wafangdian Bearing Company Ltd.

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of grinding machine											by self or loan	
Auto column bearing reform	18,804,498	9,883,798.23	7,847,731.29		7,550,000	41.7%	41.7%	138,006.74	33,525.49	4.79%	raise money by self or loan	10,181,529.52
Improvement of finished goods storage	11,608,368.6	9,834,744.03	1,625,200		1,334,000	14%	14%	193,390.96	29,029.27	4.79%	raise money by self or loan	10,125,944.03
Improvement of plant	12,619,796	8,968,944.08	6,379,360	104,549.49	4,989,380	50.6%	50.6%	889,729.94	176,068.46	4.79%	raise money by self or loan	10,254,374.59
DaLian Industry Plant Project	30,234,980	5,784,723.29	10,342,183.78	220,068.39	1,165,000	34.2%	34.2%	8,031,503.05	25,173.53	4.79%	raise money by self or loan	14,741,838.68
Digital Boring machine	15,803,000	4,793,544.27	563,857.27		2,021,900	3.6%	3.6%	510,044.97	11,090.32	4.79%	raise money by self or loan	3,335,501.54
Special-large factory reform	3,315,000	3,564,271.89	1,410,344	243,589.74	1,010,000	42.5%	42.5%	1,615.55	538.52	4.79%	raise money by self or loan	3,721,026.15
Crane Project	3,723,136	3,250,186.34						182,414.31	5,583.21	4.79%	raise money by self or loan	3,250,186.34
Total	364,696,053.6	238,907,254.37	159,738,147.67	24,201,155.99	127,838,819.23	--	--	14,308,541.3	1,558,649.4	--	--	246,605,426.82

7.12 Intangible assets

(1) Details

Unit: Yuan

Items	2012.01.01	Increase	Decrease	2012.06.30
Cost	154,344,084.79	0	0	154,344,084.79
Land use right	148,782,429.5			148,782,429.5
ERP software	4,985,843.33			4,985,843.33
Others	575,811.96			575,811.96
Amortization	22,364,675.73	2,144,947.32	0	24,509,623.05
Land use right	18,875,135.79	1,859,757.72		20,734,893.51
ERP software	2,991,505.65	249,292.14		3,240,797.79
Others	498,034.29	35,897.46		533,931.75
Net book value	131,979,409.06	0	2,144,947.32	129,834,461.74
Land use right	129,907,293.71		1,859,757.72	128,047,535.99
ERP software	1,994,337.68		249,292.14	1,745,045.54
Others	77,777.67		35,897.46	41,880.21
Provision for impairment	0	0	0	0
Land use right				
ERP software				
Others				
Book value	131,979,409.06	0	2,144,947.32	129,834,461.74
Land use right	129,907,293.71		1,859,757.72	128,047,535.99
ERP software	1,994,337.68		249,292.14	1,745,045.54
Others	77,777.67		35,897.46	41,880.21

Note: The increased accumulated amortization of this year is including normal amortization of intangible assets for RMB 2,144,947.32.

7.13 Long-term deferred and prepaid expenses

Unit: Yuan

Items	2012.01.01	Increase	Amortization	Other decrease	2012.06.30	Reason
Right to use premise	860,513.47		33,915.18		826,598.29	
Heat fee etc	8,991.53		8,991.53		0	
Total	869,505	0	42,906.71	0	826,598.29	--

7.14 Deferred tax assets and deferred tax liabilities

(1) Recognized deferred tax assets and deferred tax liabilities

√ Applicable □ inapplicable

Unit: Yuan

Item	2012.06.30	2012.01.01
Deferred tax assets		
Provision for impairment of assets	9,489,483.24	9,489,483.24
Total	9,489,483.24	9,489,483.24
Deferred tax liabilities		
Unrealized intragroup loss	246,635.79	246,635.79
Total	246,635.79	246,635.79

7.15 Details of provision for impairment of assets

Unit: Yuan

Items	2012.01.01	Increase	Decrease		2012.06.30
			Reversal	Others transfer	
Provision for bad debts	55,350,303.31			317,449.68	55,032,853.63
Provision for decline in value of inventories	59,619,074.06	0	0	0	59,619,074.06
Provision for impairment of long-term equity investments		0			0
Provision for impairment of fixed assets	3,484,939.66			28,161	3,456,778.66
Provision for impairment of construction in progress	0	0			0
Provision for impairment of intangible assets	0	0			0
Other					
Total	118,454,317.03	0	0	345,610.68	118,108,706.35

7.16 Short-term loan

(1) Category of short-term loan

Unit: Yuan

Loan category	2012.06.30	2012.01.01
Mortgage loan	13,590,235.14	13,590,235.14
Guarantee loan	90,000,000	
Credit loan	550,000,000	510,000,000
Total	653,590,235.14	523,590,235.14

(2) Short-term loan due but not repaid

Unit: Yuan

Creditor	Amount	Interest rate	Purpose	Reason of outstanding on schedule	Expected payment date
Industrial and Commercial Bank of China Liaoyang Branch	13,590,235.14	5.31%	Production	Transferred to assets management from bank	Uncertainty
Total	13,590,235.14	--	--	--	--

A Pursuant to the loan contract signed between Liaoyang Bearings and Liaoyang Zhanqian Branch, the Industrial and Commercial Bank of China, for the one year current loan of RMB 13,590,235.14 with annual interest rate of 5.31% for the period from 21 August 2001 to 16 August 2002. The borrowing has been transferred into the Great Wall Capital Management Company due to overdue.

The above short-term loan due but not repaid are still overdue at the balance sheet date.

7.17 Notes payable

Unit: Yuan

Items	2012.06.30	2012.01.01
Commercial acceptance notes	0	0
Bank acceptance notes	195,714,142.09	94,100,000
Total	195,714,142.09	94,100,000

7.18 Accounts payable

(1)

Unit: Yuan

Items	2012.06.30	2012.01.01
Within 1 year	868,817,203	937,328,476.94
over 1 year	116,772,119.57	101,972,016.35
Total	985,589,322.57	1,039,300,493.29

(2) Accounts payable is due to shareholders holding over 5% (including 5%) of the Company's shares at the end of period.

applicable inapplicable

Note: Accounts payable with age over 1 year arise mainly due to the fact that the accounts payable related to materials purchase and construction project has not been paid in time.

7.19 Advances from customers

(1)

Unit: Yuan

Items	2012.06.30	2012.01.01
Within 1 year	38,751,138.66	44,267,968.08

over 1 year	3,489,322.91	6,139,927.57
Total	42,240,461.57	50,407,895.65

(2) Advances from customers is due to shareholders holding over 5% (including 5%) of the Company's shares at the end of period.

applicable inapplicable

7.20 Employee benefits payable

Unit: Yuan

Items	2012.01.01	Increase	Decrease	2012.06.30
Salary, bonus, allowance and subsidy	3,839,463.02	90,227,259.13	93,209,155.47	857,566.68
Employee welfare	0	9,713,333.19	9,713,333.19	0
Social insurance	10,588,126.47	31,014,738.91	31,637,649.32	9,965,216.06
Including: Medical insurance	19,885.64	7,523,920.59	7,518,597.57	25,208.66
Basis pension	9,963,797.07	19,474,125.9	20,065,907.31	9,372,015.66
Unemployment insurance	315,390.13	1,840,379.29	1,865,606.98	290,162.44
Compo insurance	219,758.7	1,412,103.3	1,419,423.29	212,438.71
Maternity insurance	69,294.93	764,209.83	768,114.17	65,390.59
Housing fund	3,040,791.86	5,128,631.4	5,236,088.8	2,933,334.46
Compensation for cancellation of labour relationship	0	725,515	725,515	
Other	12,040,203.59	96,182.98	1,848,512.32	10,287,874.25
Labour union expenditure & employee education expenditure	12,040,203.59	96,182.98	1,848,512.32	10,287,874.25
Total	29,508,584.94	136,905,660.61	142,370,254.1	24,043,991.45

The amount in employee benefits payable is behind in payment

Labour union expenditure & employee education expenditure is 1,848,512.32 Yuan; non-cash fund amount is 7,856,666.5 Yuan; termination compensation is 725,515 Yuan.

The employee benefits payable allocated by month.

7.21 Taxes payable

Unit: Yuan

Items	2012.06.30	2012.01.01
Value-added tax	15,229,637.04	90,995.2
Consumer tax		
Business tax	181,705.12	281,249.63
Enterprise income tax		
Individual income tax	70,047.44	851,553.59
City maintenance and construction tax	1,042,035.82	272,928.4
Real estate tax	-58,891.1	28,600
Land use tax	-78,052	39,280
Stamp tax	137,597.6	135,645.48
Education surcharge	744,823.76	189,416.97
River toll fee	91,811.24	2,373.89
Others	0	31,598.96
Total	17,360,714.92	1,923,642.12

7.22 Other payables

(1)

Unit: Yuan

Items	2012.06.30	2012.01.01
Within 1 year	70,834,734.6	67,402,130.71
Over 1 year	52,804,481.1	48,840,550.97
Total	123,639,215.7	116,242,681.68

(2) Other payables due to shareholders who hold more than 5% (including 5%) of the Group's shares

applicable inapplicable

Unit: Yuan

Company name	2012.06.30	2012.01.01
Wazhou Group	29,796,527.28	25,923,909.17
Total	29,796,527.28	25,923,909.17

(3) Expalnation on the other payables with age over 1 year

The other payables with age over 1 year are mainly due to Wazhou Group, and accounts payable of the company's subsidiary—Liaoyang Bearing with Liaoyang Baolin Real Estate Development Co., Ltd.

(4) Significant other payables at the end of the period

Unit: Yuan

Item	Amount	Aging	Nature or contents
Liaoyang Baolin Real Estate Development	32,500,000.00	Within1 year,1-2years	Current account

Co., Ltd.			
Wazhou Group	29,796,527.28	1-3 years and above	Current account
Shen Yang town and country Building Engineering Company	5,952,436.61	within 1 year	Construction fee
Liaoyang Baotai Building Engineering Company	3,107,486.66	within 1 year	Construction fee
Dalian Meishanglian international logistics company	2,915,979.81	within 1 year	Current account
Total	74,272,430.36		

7.23 Non-current liabilities due within one year

(1)

Unit: Yuan

Item	2012.06.30	2012.01.01
Long-term loan due within one year	8,000,000	138,000,000
Long-term security due within one year		
Long-term payable account due within one year		
Total	8,000,000	138,000,000

(2) Long-term loan due within one year

Unit: Yuan

Category	2012.06.30	2012.01.01
Mortgage loan		
Guarantee loan	8,000,000	138,000,000
Credit loan		
Total	8,000,000	138,000,000

As at 30 June 2012, the five largest long-term loan due within 1 year are set out below

Unit: Yuan

Creditor	Starting date	Maturity	Currency	Interest rate (%)	2012.06.30		2012.01.01	
					Currency amount	RMB amount	Currency amount	RMB amount
China development bank	2007-9-7	2012-10-20	CNY	7.05%		8,000,000		48,000,000
Amount	--	--	--	--	--	8,000,000	--	48,000,000

7.24 Special payables

Unit: Yuan

Item	2012.01.01	Increase	Decrease	2012.06.30	Note
Special pollution treatment	221,698.98	0	0	221,698.98	

Total	221,698.98	0	0	221,698.98	--
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Note: Special pollution treatment is the environmental protection subsidy granted by Wafangdian Bureau of Finance and Wafangdian Bureau of Environment Protection for the treatment of waste water pursuant to the circular No.[2004]217.

7.25 Other non-current liabilities

Unit: Yuan

Item	2012.06.30	2012.01.01
Improvement subsidy*	4,053,500	4,422,000
Compensation for plants moving**	44,619,891.2	45,972,009.12
Total	48,673,391.2	50,394,009.12

Note: The improvement subsidy is the railway transportation bearing technologic improvement subsidy granted by Bureau of Finance Liaoning province. The subsidy should be deferred over the useful life of related asset (i.e. 10 years). In 2011 the revenue should be recognized at RMB 737,000.00.

The compensation for Dalian plants moving is RMB 59,820,000.00, which is paid by Dalian State-owned Assets Investment Business Group Company Limited. And the amount of making up for the removal loss of the current period is RMB48,676,244.95; The rest is the removal compensation related with assets, which is amortized 18 years according to the new fixed assets formed after the Dalian branch removal. The income confirmed in this year is RMB 2,704,235.80

7.26 Share capital

Unit: Yuan

	2012.01.01	Increase/ decrease (+, -)					2012.06.30
		Issuing new shares	Distributing shares	Transferring capital reserves to capital	Others	Subtotal	
Total shares	402,600,000					0	402,600,000

7.27 Capital reserves

Unit: Yuan

Items	2012.01.01	Increase	Decrease	2012.06.30
Share premium	201,956,446.52			201,956,446.52
Other capital reserves	283,734,603.95			283,734,603.95
Total	485,691,050.47	0	0	485,691,050.47

7.28 Surplus reserves

Unit: Yuan

Items	2012.01.01	Increase	Decrease	2012.06.30
Statutory surplus reserve	103,381,649.26			103,381,649.26
Discretionary surplus reserve	20,590,618.91			20,590,618.91
Total	123,972,268.17			123,972,268.17

7.29 Undistributed profit

Unit: Yuan

Item	2012.06.30		2012.01.01	
	Amount	Provision or distribution %	Amount	Provision or distribution %
Undistributed profit as at 30 June, 2012	507,873,600.57	--	477,496,320.23	--

7.30 Operating revenue & cost**(1) Operating revenue & cost**

Unit: Yuan

Item	2012.01.01-2012.06.30	2011.01.01-2011.06.30
Revenue from main operation	1,373,071,130.04	1,409,588,079.02
Revenue from other operation	244,675,564.99	348,277,584.26
Operation cost	1,433,460,380.71	1,549,779,169.18

(2) Main operation - classified according to operation

√ applicable □ inapplicable

Unit: Yuan

Items	2012.01.01-2012.06.30		2011.01.01-2011.06.30	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Export	136,789,260.11	137,835,006.35	92,059,807.51	93,338,365.04
Transportation vehicle bearings	495,964,564.24	440,341,915.64	552,386,739.64	487,643,937.89
Special use bearings	282,818,191.38	237,585,214.27	288,116,927.78	239,407,962.19
General use bearings	403,687,524.75	350,746,226.95	404,943,846.52	352,000,103.57
Industrial Operations	53,811,589.56	59,693,569.81	72,080,757.57	72,863,731.1
Total	1,373,071,130.04	1,226,201,933.02	1,409,588,079.02	1,245,254,099.79

(3) Main operation - classified according to products

√ applicable □ inapplicable

Unit: Yuan

Items	2012.01.01-2012.06.30		2011.01.01-2011.06.30	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Bearings	1,319,259,540.48	1,166,508,363.21	1,337,507,321.45	1,172,390,368.69
Components	53,811,589.56	59,693,569.81	72,080,757.57	72,863,731.1
Total	1,373,071,130.04	1,226,201,933.02	1,409,588,079.02	1,245,254,099.79

(4) Main operation - classified according to region

√ Applicable □ inapplicable

Unit : Yuan

Items	2012.01.01-2012.06.30	2011.01.01-2011.06.30
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	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Export	136,789,260.11	137,835,006.35	92,059,807.51	93,338,365.04
Domestic	1,236,281,869.93	1,088,366,926.67	1,317,528,271.51	1,151,915,734.75
Total	1,373,071,130.04	1,226,201,933.02	1,409,588,079.02	1,245,254,099.79

(5) Sales revenue from top 5 customers

Unit : Yuan

Items	Sales revenue	Accounting for proportion of total
China railway material company	67,267,798.32	4.16%
China Heavy Vehicle Group Jinan Qiaoxiang Company Limited	56,538,065.5	3.49%
China shenhua engery company railway locomotive transport company	31,837,377.78	1.97%
Gangzhou wazhou railway bearing sales company	30,019,104.99	1.86%
Tian Jin municipality Hua Mei Wazhou selling Co.,Ltd	24,615,160.65	1.52%
Total	210,277,507.24	13%

7.31 Operating taxes and surcharges

Unit : Yuan

Item	The period amount	Previous period amount	Applicable tax rate (%)
Consumer tax			
Business tax	392,064.6	263,731.81	5%
City construction tax	3,474,108.43	3,753,470.16	7%
Education surcharge	2,491,918.85	2,583,297.72	4%
Resource tax			
Other	27,613.01	17,739.39	
Total	6,385,704.89	6,618,239.08	--

7.32 Investment income**(1) Sources of investment income**

Unit: Yuan

Item	The period amount	Previous period amount
Long-term equity investment income under cost method		
Long-term equity investment income under equity method	2,985,002.73	6,302,534.5
Investment income from disposal of long-term equity investment	-6,938.21	0

Total	2,978,064.52	6,302,534.5
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(3) Long-term equity investment income under equity method

Unit: Yuan

Items	The period amount	Previous period amount	Reason for change
Incl: Dalian SKF Wazhou Bearings Co., Ltd.	2,985,002.73	6,302,534.5	The associates profits decreased
Total	2,985,002.73	6,302,534.5	--

7.33 Assets impairment losses

Unit: Yuan

Items	The period amount	Previous period amount
Loss of bad debts	295,087.17	206,649.94
Loss of long-term equity investment		
Total	295,087.17	206,649.94

7.34 Non-operating income**(1)**

Unit: Yuan

Item	2012.01.01-2012.06.30	2011.01.01-2012.06.30
Gains on disposal of non-current assets	644,282.54	4,558,735.3
Including: gains on disposal of fixed assets	644,282.54	4,558,735.3
gains on disposal of intangible assets		
Income from debt restructuring	1,448,127.73	342,225.97
Government grants	1,720,617.92	5,100
Penalty income	22,599.15	1,499
Others	139,022.95	694,565.85
Total	3,974,650.29	5,602,126.12

(2) details

Unit :Yuan

Item	2012.01.01-2012.06.30	2011.01.01-2012.06.30	Note
Improvement subsidy	368,500		
Compensation for plants moving	1,352,117.92		
Booth fees		5,100	
Total	1,720,617.92	5,100	--

7.35 Non-operating expenses

Unit: Yuan

Item	2012.01.01-2012.06.30	2011.01.01-2012.06.30
Loss on disposal of non-current assets		33,413.92

Including: Loss on disposal of fixed assets		33,413.92
Loss on disposal of intangible assets		
Income from debt restructuring	1,632,022.46	213,436.55
Others	781,443.98	768,278.23
Total	2,413,466.44	1,015,128.7

7.36 Income tax expenses

Unit: Yuan

Item	2012.01.01-2012.06.30	2011.01.01-2012.06.30
Current income tax expenses	3,052,564.11	10,381,701.83
Deferred income tax expenses		
Total	3,052,564.11	10,381,701.83

7.37 Calculation of basic earnings per share and diluted earnings per share

Items	No.	The period	Previous period
Net profit attributable to shareholders of parent company	1	30,377,280.34	53,579,496.41
Non-operating profit and loss attributable to shareholders of parent company	2	1,561,183.85	4,586,997.42
Net profit after deducting non-operating profit and loss attributable to shareholders of parent company	3=1-2	28,816,096.49	48,992,498.99
Total number of shares at the period begin	4	402,600,000.00	402,600,000.00
The number of shares increased due to transferring capital reserve into share capital or dividend distribution of shares during report period (I)	5	—	—
The number of shares increased due to issuance of new shares or debt for equity swap during the report period (II)	6	—	—
the number of shares (II)from the next month to the end of the report period for increase of shares	7	—	—
The number of months decreased due to stock	8	—	—

repurchase or draw back stock during the report period			
The number of months from the next month to the end of the report period for decrease of shares	9		
The number of shares for decrease of shares	10		
Duration of the period in terms of month	11		
Weighted average number of ordinary shares issued out	$12=4+5+6\times7\div11$ $-8\times9\div11-10$	402,600,000.00	402,600,000.00
EPS – basis (I)			
EPS – basis (II)	$13=1\div12$	0.08	0.13
Potential diluted interests of ordinary shares recognized as expense	$14=3\div12$	0.07	0.12
Transfer fee	15		
EIT rate	16		
Weighted average amount of ordinary shares increased due to warrant, share options	17		
EPS – diluted (I)	18		
EPS – diluted (II)	$19=[1+(15-16)\times(1-17)]\div(12+18)$	0.08	0.13
Duration of the period in terms of month	$19=[3+(15-16)\times(1-17)]\div(12+18)$	0.07	0.12
合计			

7.38 Notes to cash flow statement

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

Unit: Yuan

Item	Amount
Return of reserve fund, deposit etc.	6,650,395.2
Interest income	1,020,713.94
Total	7,671,109.14

(2) Other cash paid relating to operating activities

Unit: Yuan

Item	Amount
Trademark use fee	9,000,000
Travel expenses	13,986,192.34
Rent expense	9,941,172.13
Freight service expense	14,306,806.02
Conference expense	9,955,624.8
Collection and payment for others	3,116,016.35
Office expense	3,909,744.1
Market developing expenses	1,158,248.67
Guard and fire fighting expense	1,620,000
Business promotion expense	2,129,419.62
Total	9,537,870.68
Total	78,661,094.71

7.39 Supplementary information of consolidated cash flow statement

(1) Supplementary information

Unit: Yuan

Item	Amount in the period	Amount in the previous period
1. Adjusting net profit into cash flows of operating activities:	--	--
Net profit	30,377,280.34	53,579,496.41
Add: Provision for impairment of assets	295,087.17	206,649.94
Depreciation of fixed assets	39,206,790.74	42,261,896.82
Amortization of intangible assets	2,144,947.32	2,154,705.03
Amortization of long-term deferred expenses	42,906.71	120,402.96
Losses on disposal of fixed assets, intangible assets, and long-term assets (income listed with"-")	-644,282.54	-4,525,321.38
Financial expense (income listed with"-")	13,815,248.96	12,337,942.4
Investment loss (income listed with"-")	-2,978,064.52	-6,302,534.5
Decrease of deferred tax assets(increase listed with"-")		
Increase of deferred tax liabilities(decrease listed with"-")		
Decrease of inventories (increase listed with"-")	84,429,746.86	-54,940,815.54
Decrease of operating receivables (increase listed with"-")	-191,225,781.9	-212,387,652.92

Increase of operating payables (decrease listed with“-”)	173,391,446.6	258,884,501.55
Others		
Net cash flows arising from operating activities	148,855,325.74	91,389,270.77
2. Significant investment and financing activities unrelated to cash income and expenses	--	--
Liabilities transferred to capital		
Convertible bonds within 1 year		
Financing leased fixed assets		
3. Net increase (decrease) of cash and cash equivalent	--	--
Ending balance of cash	92,645,925.15	79,938,608.43
Less: Opening balance of cash	62,187,956.71	52,057,009.69
Add: Ending balance of cash equivalent		
Less: Opening balance of cash equivalent		
Net increase of cash and cash equivalent	30,457,968.44	27,881,598.74

(3) Cash and cash equivalents

Unit: Yuan

Item	2012.06.30	2012.01.01
Cash	92,645,925.15	62,187,956.71
Including: Cash on hand	311,328.15	328,678.6
Bank deposit used for paying at any moment	91,807,975.27	61,333,040.65
Other cash used for paying at any moment	526,621.73	526,237.46
Cash equivalents		
Including: Bond investment due within 3 months		
Closing balance of cash and cash equivalents	92,645,925.15	62,187,956.71

8 Related parties relationship and transactions

8.1 Parent company and ultimate controller

Unit: Yuan

Parent company	Relationship	Enterprise nature	Registered address	Legal representative	Business nature	Registered capital	Holding (%)	Voting (%)	ultimate controller	Organization code

Wazhou Group	Parent company	State-owned Limited	No. 1 North Gongji Street, Wafangdian City, Dalian	Wang Lushun	Manufacture and sales of bearing and other equipments	413,793,100	60.61%	60.61%	supervising and Managing Committee of Dalian Government for Stated Owned Assets	24238666-3
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Note: Wafangdian Bearing Group Corporation is a state-owned sole venture company, the actual controller is supervising and Managing Committee of Dalian Government for Stated Owned Assets, the office Address is No.576, Zhongshan Road, Shahekou District Dalian City. And the director is Wang Chun.

8.2 Subsidiaries

Unit: Yuan

Subsidiaries	Relationship	Enterprise nature	Registered address	Legal representative	Business nature	Registered capital	Holding (%)	Voting (%)	Organization code
Liaoyang Bearing	Stock holding	Limited	No.61, Weiguo road, Baita district Liaoyang city	Shao Yang	Manufacture and sales of bearing and machine manufacture	19,350,000	100%	100%	12199127-7
Dalian Electrical Equipment	Stock holding	Limited	No.12, Shisanli yongsheng street, free trade zone Dalian city	Shao Yang	Manufacture and sales of bearing and machine manufacture	10,000,000	100%	100%	55980608-0

8.3 Information on Joint venture

Unit: Yuan

Investee	Enterprise nature	Registered address	Legal representative	Business nature	Registered capital	Holding %	Voting %	Total assets as at June 30 2012	Total liabilities as at June 30 2012	Total net assets as at June 30 2012	Total sales revenue in the H1 of 2012	Net profits in the H1 of 2012	Relationship	Organization code
Joint venture	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Dalian SKF Wazhou Bearings Co., Ltd.	Chinese-foreign equity joint venture	No.1, Phrase 1, Gongji Street, Wafangdian North	Wang Lushun	Manufacture and sales of ball-surface rolling bearing	140,000,000	49%	49%	23,475.63	4,517.81	18,957.82	9,802.27	609.18	联营企业	70218806-0

8.4 Other Related parties relationship information

Unit: Yuan

Name	relationship	Organization code
Dalian Wazhou Manufacturing Equipment Co., Ltd	Other companies controlled by the same parent company and ultimate controlling party	24239291-6
Dalian Manufacturing Equipment investment Company Limited	Other companies controlled by the same parent company and ultimate controlling party	69140874-1
Wazhou Steel Ball Company	Other companies controlled by the same parent company and ultimate controlling party	76078283-4
Wazhou Exact Forge Ltd.	Other companies controlled by the same parent company and ultimate controlling party	76079407-7
Wazhou Group Turnplate Bearing Ltd	Other companies controlled by the same parent company and ultimate controlling party	66112524-9
Wazhou Group Exact Transmission Bearing Co., Ltd	Other companies controlled by the same parent company and ultimate controlling party	66582213-x
Wazhou Group Precision special-use Bearing Company Limited	Other companies controlled by the same parent company and ultimate controlling party	56552248X
Da Lian Wazhou Jin Zhou Machine Co.,Ltd	The GM of the WBC served as chairman of the company	57605032-6
Da Lian Wazhou Fengyuan Machine Co.,Ltd	The GM of the WBC served as chairman of the company	57605568-8

8.5 Related party transactions**(1) Purchase of goods or labors**

Unit: Yuan

Relative parties	Content	Principle of price	2012.06.30		2011.06.30	
			Amount	%	Amount	%
Associates:						
Including: Dalian SKF Wazhou Bearings Co., Ltd.	Procurement of finished goods	Negotiated price	86,536,401.16	4.69%	104,807,746.88	5.58%
Other companies controlled by the same parent company						
Including: Wazhou Steel Ball Company	Procurement of semi finished goods	Market price	4,795,034.2	0.26%	9,665,059.82	0.51%
Wazhou Exact Forge Ltd.,	Procurement of semi finished goods	Market price	134,851,660.65	7.3%	239,449,854.41	12.74%
Dalian Wazhou Manufacturing Equipment Co., Ltd	Procurement of finished Goods	Market price	8,773,401.12	0.48%	9,978,761.83	0.53%
Wazhou Group Turnplate Bearing Ltd	Procurement of finished Goods and labors	Market price	47,462,221.5	2.57%	20,305,363.08	1.08%
Wazhou Group Exact	Procurement of	Market price	68,942,848.37	3.73%	49,600,148.62	2.64%

Transmission Bearing Co., Ltd	finished goods					
Wazhou Group Precision special Bearing Company Limited	Procurement of finished goods	Market price			12,274,987.53	0.65%
Other related parties						
Da Lian Wazhou Fengyuan Machine Co.,Ltd	Procurement of lathes	Market price	53,480,698.48	2.9%	0	0%
Da Lian Wazhou Jin Zhou Machine Co.,Ltd	Procurement of lathes	Market price	50,220,644.83	2.72%	0	0%
Total			455,062,910.31	24.64%	446,081,922.17	23.73%

(2).Sales of goods and supply of labors

Unit: Yuan

Relative parties	Content	Principle of price	2012.06.30		2011.06.30	
			Amount	%		
Parent company:						
Including: Wazhou Group	Sales of finished goods and materials	Market price	-8,581,155.49	-0.53%	13,825,465.42	0.79%
Associates:				0%		0%
Including: Dalian SKF Wazhou Bearings Co., Ltd.	Sales of semi finished goods and materials	Negotiated price	29,748,687.88	1.84%	41,977,744.41	2.39%
Other companies controlled by the same parent company				0%		
Including: Wazhou Steel Ball Company	Sales of materials	Negotiated price	4,365,001.45	0.27%	6,120,820.86	0.35%
Wazhou Exact Forge Ltd.,	Sales of materials	Negotiated price	186,322,652.28	11.52%	212,642,796.07	12.09%
Dalian Wazhou Manufacturing Equipment Co., Ltd	Sales of finished goods and materials	Market price	1,287,960.84	0.08%	904,108.71	0.05%
Wazhou Group Turnplate Bearing Ltd	Sales of semi finished goods and materials	Market price	10,525,530.76	0.64%	51,948,101.86	2.96%
Wazhou Group Exact Transmission Bearing Co., Ltd	Sales of semi finished goods and materials and industrial work	Market price	17,888,650.88	1.1%	19,107,417.33	1.09%
Wazhou Group Precision special Bearing Company Limited	Sales of semi finished goods and materials and industrial work	Market price	6,216,993.25	0.38%	9,106,614.9	0.51%
Other related parties				0%		
Da Lian Wazhou Jin Zhou Machine Co.,Ltd	Sales of materials and industrial work	Market price	1,716,641.66	0.11%	0	0%
Total			249,490,963.51	15.14%	355,633,069.56	20.23%

(3) Assets rent out

Unit: Yuan

Lessor	Lessee	Category of assets rent out	Proportion	Amount	Starting date	Mature date	Basis of lease pricing	Lease income recognized in the current period	Influence to the company
The Company	Wazhou Exact Forge Ltd.,	Land	7,811m ²	3,163,455	2012.01.01	2012.12.31	8Yuan/ m ² per year	0	0
The Company	Wazhou Steel Ball Company	Land	13,171 m ²	5,597,675	2012.01.01	2012.12.31	8Yuan/ m ² per year	0	0
The Company	Wazhou Exact Forge Ltd.,	Building	9,177 m ²	4,775,500	2012.01.01	2012.12.31	Lease expense=(lease assets annual depreciation + estimate value* asset return rate)/(1-operite tax rate-rate*tax and additional tax rate)	0	0
The Company	Wazhou Group Precision special Bearing Company Limited	Building	6,534.4 m ²	5,116,000	2012.01.01	2012.12.31	Lease expense=(lease assets annual depreciation + estimate value* asset return rate)/(1-operite tax rate-rate*tax and additional tax rate)	0	0
The Company	Da Lian Wazhou Fengyuan Machine Co.,Ltd	Building	1,791 m ²	1,473,350.87	2012.01.01	2012.12.31	Lease expense=(lease assets annual depreciation + estimate value* asset return rate)/(1-operite tax rate-rate*tax and additional tax rate)	53,730	Take up0.16% of the total profit
The Company	Da Lian Wazhou Jin Zhou Machine Co.,Ltd	Building	8,118 m ²	8,887,474.07	2012.01.01	2012.12.31	Lease expense=(lease assets annual depreciation + estimate value* asset return rate)/(1-operite tax rate-rate*tax and additional tax rate)	243,540	Take up0.73% of the total profit
Total				29,013,454.94				297,270	Take up0.89% of the total profit

Assets under lease

Lessor	Lessee	Category of assets	Proportion	Amount	Starting date	Mature date	Basis of lease pricing	Lease expense confirmed in the current period	Influence to the company
Wazhou Group	The Company	Land	51,302.2 m ²	7,182,308	2012.01.01	2012.12.31	8Yuan/ m ² per year	410,417.60	
Wazhou Group	Da Lian Wazhou Precision dynamo car bearing Co.,Ltd	Land	28,210 m ²	11,735,360	2012.01.01	2012.12.31	8Yuan/ m ² per year	52,893.750	
Wazhou Steel Ball Company	The Company	Building	2,592 m ²	2,721,600	2012.01.01	2012.12.31	Lease expense=(lease assets annual deprecation + estimate value* asset return rate)/(1-operite tax rate-rate*tax and additional tax rate)	00	
Wazhou Group	The Company	Building	65,832.99 m ²	149,933,300	2012.01.01	2012.12.31	Lease expense=(lease assets annual deprecation + estimate value* asset return rate)/(1-operite tax rate-rate*tax and additional tax rate)	6,200,0000	
Total								6,663,311.35	

(4). Guarantee to associate parties

Unit: Yuan

Guarantor	Guarantee	Amount	Beginning date	Mature date	The guarantee is over or not
WBGC	The company	300,000,000.00	2007-3-7	2015-3-7	No(record: 1)
WBGC	The company	46,460,000.00	2012-03-16	2013-3-15	No(record: 2)
WBGC	The company	43,540,000.00	2012-03-23	2013-3-15	No(record: 2)

Statement:

Statement 1: The guarantee is WBGC provide to the company, since the company borrowed 300 million Yuan from Country Development Bank, at the end of 2012.06.30, the loan is with amount of 8000 thousand Yuan.

Statement 2: The guarantee is WBGC provide to the company, since the company borrowed 90 million Yuan from Import and Export Bank, at the end of 2012.06.30, the loan is with amount of 90 million Yuan.

8.6 Accounts receivable and payable due to related parties**(1)Accounts receivable due from related parties**

Unit: Yuan

Items	Related parties	2012.06.30	2012.01.01
Accounts receivable	Wazhou Group	7,523,401.47	25,365,740.94
Accounts receivable	Wazhou Group Turnplate Bearing Ltd		8,170,254.23
Accounts receivable	Wazhou Exact Forge Ltd	6,267,154.37	0
Accounts receivable	Wazhou Special precision Co., Ltd	6,521,998.48	3,956,619.13
Accounts receivable	Dalian wazhou Feng Yuan machinery Co., LTD		629,563.26
Total		20,312,554.32	38,122,177.56

(2) payable due to related parties

Unit: Yuan

Items	Related parties	2012.06.30	2012.01.01
Accounts payable	Dalian SKF Wazhou Bearings Co., Ltd	102,228,644.99	129,040,585.45
Accounts payable	Wazhou Exact Forge Ltd.		83,997,441.08
Accounts payable	Wazhou Group Turnplate Bearing Ltd	21,292,462.65	
Accounts payable	Wazhou Steel Ball Company	1,502,986.51	4,068,575.67
Accounts payable	Wazhou Group Precision Transmission Bearing Company Limited	62,997,342.9	79,800,622.41
Accounts payable	Dalian Wazhou Manufacturing Equipment Co., Ltd	5,937,310.76	7,922,351.43
Accounts payable	Dalian wazhou Feng Yuan machinery Co., LTD	14,568,076.92	
Accounts payable	Dalian wazhou JinZhou machinery Co., LTD		7,545,880.44
Other payable	Wazhou Group	29,796,527.28	25,923,909.17

9. Notes to the main items of the financial statements of parent company**9.1 Accounts receivable**

(1) Accounts receivable

Items	2012.06.30				2012.01.01			
	Booking balance		Provision		Booking balance		Provision	
	Amount	%	Amount	%	Amount	%	Amount	%
Other receivables with individual significant amount and identification separately bad debt provision	3,910,007.43	0.36%	3,910,007.43	100%	3,910,007.43	0.38%	3,910,007.43	100%
Other receivables accrued bad debt provision by portfolio								
Accounting aging portfolio	1,023,039,574.85	94.77%	31,504,358.6	3.08%	932,091,668.42	90.18%	31,821,808.28	3.41%
Related parties portfolio	40,730,376.61	3.77%			85,735,822.23	8.3%		
Risk-free portfolio								
Subtotal of portfolio	1,063,769,951.46	98.54%	31,504,358.6	2.96%	1,017,827,490.65	98.48%	31,821,808.28	3.13%
Other receivables with individual insignificant amount and identification separately bad debt provision	11,813,753.94	1.09%	11,813,753.94	100%	11,813,753.94	1.14%	11,813,753.94	100%
Total	1,079,493,712.83	--	47,228,119.97	--	1,033,551,252.02	--	47,545,569.65	--

1) Individually significant amounts of accounts receivable accrued the bad debt provision separately at the end of 2012.06.30

Unit: Yuan

Debtors name	Booking balance	Provision for bad debts	Proportion (%)	Reasons for provision
Baoding North China Machine & Electronic Equipment Ltd Co.	3,910,007.43	3,910,007.43	100.00	A/R with over 5 years aging, unlikely to be collected
Total	3,910,007.43	3,910,007.43	—	—

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

Unit: Yuan

Items	2012.06.30			2012.01.01		
	Amount	%	Provision	Amount	%	Provision
Within 1 year	914,359,248.9	89.38%	9,143,592.49	807,014,942.85	86.58%	8,070,149.43
Subtotal within 1 year	914,359,248.9	89.38%	9,143,592.49	807,014,942.85	86.58%	8,070,149.43
1-2 years	66,741,929.89	6.52%	3,337,096.49	81,916,697.71	8.79%	4,095,834.89
2-3 years	6,485,094.71	0.63%	1,297,018.94	6,413,966.59	0.69%	1,282,793.32
Over 3 years	35,453,301.35	3.47%	17,726,650.68	36,746,061.27	3.94%	18,373,030.64
3-4 year	24,817,310.95	2.43%	12,408,655.48	25,722,242.89	2.76%	12,861,121.45
4-5 year	7,090,660.27	0.69%	3,545,330.136	7,349,212.254	0.79%	3,674,606.128
Over 5 years	3,545,330.135	0.35%	1,772,665.068	3,674,606.127	0.39%	1,837,303.064
Total	1,023,039,574.85	--	31,504,358.6	932,091,668.42	--	31,821,808.28

3) Other receivable accrued the bad debt provisions in the portfolio as accounting other method

Unit: Yuan

Items	Booking balance	Provision
Related parties portfolio	40,730,376.61	0
Risk-free portfolio	0	0
Total	40,730,376.61	0

4) Individually insignificant amount accounts receivable but accrued bad debt provision separately at the end of 2012.06.30

Unit: Yuan

Company name	Booking balance	Provision for bad debts	Proportion (%)	Reasons for provision
Shenyang Sewerage Equipment Co.,Ltd	2,706,703.13	2,706,703.13	100%	A/R with over 5 years aging, unlikely to be collected
Shen Yang General Bearing Co.,Ltd	2,452,138.58	2,452,138.58	100%	A/R with over 3 years aging, forms a book difference between both sides.
Tiefa coal sector Group Company	2,352,760.15	2,352,760.15	100%	A/R with over 3 years aging, forms a book difference between both sides.
Shuangyashan Mining	1,368,257.55	1,368,257.55	100%	A/R with over 3 years aging, forms a book difference between both sides.

industry Group Company				
Chongqing Sailimeng electrical machine LLC	650,758.88	650,758.88	100%	A/R with over 3 years aging, forms a book difference between both sides.
Qingdao Qingte Zhongli axle Co.,Ltd	590,898.99	590,898.99	100%	A/R with over 3 years aging, forms a book difference between both sides.
Other sporadic accounts receivable	1,692,236.66	1,692,236.66	100%	A/R with over 5 years aging, unlikely to be collected
Total	11,813,753.94	11,813,753.94	100%	

(2) Accounts receivable due from shareholders holding over 5% (including 5%) of the Company's shares

Unit: Yuan

Debtor name	2012.06.30		2012.01.01	
	Amount	Provision for bad debt	Amount	Provision for bad debt
Wazhou Group	7,523,401.47	0	25,365,740.94	0
Total	7,523,401.47	0	25,365,740.94	0

(3) Accounts receivable for the top 5 companies

Unit: Yuan

Company name	Relationship with the Company	Amounts	Aging	% in the total AR
China Railway Materials Company	Unrelated party	54,672,480.56	Within 1 year	5.06%
Daqin railway Stock Co.,Ltd	Unrelated party	26,717,017.96	Within 1 year	2.47%
Dalian Huarui Company Limited	Biggest shareholder	24,909,219.41	Within 1 year	2.31%
Shanxi Fast Gearing Company Limited	Unrelated party	18,131,040.86	Within 1 year	1.68%
Dalian Long Hui Industrial and Business Company Limited	Unrelated party	17,394,507.47	Within 1 year	1.61%
Total		141,824,266.26		13.14%

9.2 Other receivables**(1) The category of other receivable**

Unit: Yuan

Items	2012.06.30				2012.01.01			
	Booking balance		Provision		Booking balance		Provision	
	Amount	%	Amount	%	Amount	%	Amount	%
Other receivables with individual significant amount and identification separately bad debt provision	0	0%	0	0%	0	0%	0	0%
Other receivables accrued bad debt provision by portfolio								
Accounting aging portfolio	11,760,123.06	94.53%	993,498.85	8.45%	10,216,033.67	92.73%	993,498.85	9.72%
Related parties portfolio	0	0%	0	0%				
Risk-free portfolio	680,018.19	5.47%	0	0%	801,514.74	7.27%		
Subtotal of portfolio	12,440,141.25	100%	993,498.85	7.99%	11,017,548.41	100%	993,498.85	9.02%
Other receivables with individual insignificant amount and identification separately bad debt provision	0	0%	0	0%	0	0%	0	0%
Total	12,440,141.25	--	993,498.85	--	11,017,548.41	--	993,498.85	--

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

Unit: Yuan

Items	2012.06.30			2012.01.01		
	Amount	%	Provision	Amount	%	Provision
Within 1 year	9,311,114	79.18%	93,111.14	7,826,406.81	76.62%	78,264.07
Subtotal within 1 year	9,311,114	79.18%	93,111.14	7,826,406.81	76.62%	78,264.07
1-2 years	586,234.6	4.98%	29,311.73	492,921.58	4.82%	24,646.08
2-3 years	201,037.5	1.71%	40,207.5	192,546.46	1.88%	38,509.29
Over 3 years	1,661,736.96	14.13%	830,868.48	1,704,158.82	16.68%	852,079.41
3-4 year	1,163,215.872	9.89%	581,607.936	1,192,911.174	11.68%	596,455.59
4-5 year	332,347.392	2.83%	166,173.696	340,831.764	3.34%	170,415.88

Over 5 years	166,173.696	1.41%	83,086.848	170,415.882	1.67%	85,207.94
Total	11,760,123.06	--	993,498.85	10,216,033.67	--	993,498.85

2) Other receivable accrued the bad debt provisions in the portfolio as accounting other method

Unit: Yuan

Items	Booking balance	Provision
Related parties portfolio		
Risk-free portfolio	680,018.19	0
Total	680,018.19	0

(2) Other receivables from the top 5 debtors

Unit: Yuan

Detor name	Relationship with the Company	Amounts	Aging	% of the total OR
Xi'an Railway Bureau	Unrelated party	100,000	Within 1 year	0.8%
Wu Han Railway Bureau	Unrelated party	99,200	Within 1 year	0.8%
Lan Zhou Railway Bureau	Unrelated party	90,000	Within 1 year	0.72%
Mei Shan Vehivle	Unrelated party	30,000	Within 1 year	0.24%
Nan Vehicle car company in Shi Jia Zhuang	Unrelated party	20,000	Within 1 year	0.16%
Total		339,200		2.73%

9.3 Long-term equity investments

Unit: Yuan

Investee	Calculate	Invest cost at the beginning	Beginning balance	alteration	Ending balance	Share holding %	Voting %	Reason of Difference between shareholding and voting	Provision for impairment	Provision impairment calculated for in reporting period	Cash bonus in reporting period
Shanghai ME machine-electrical equipment chain Ltd.	cost method	2,000,000	2,000,000	0	2,000,000	4.76%	4.76%	0	0	0	0
Liaoyang Bearing	cost method	17,337,259.95	17,337,259.95	0	17,337,259.95	100%	100%	0	0	0	0
Dalian Wazhou Precision Motor Car Bearing Company Limited	cost method	10,478,956.37	45,478,956.37	0	45,478,956.37	100%	100%	0	0	0	0
Dalian SKF Wazhou Bearings Co., Ltd.	equity method	68,600,000	84,457,621.14	2,985,002.73	87,442,623.87	49%	49%	0	0	0	0
Shanghai Zhenxin Wazhou Machinery and Electricity Co., Ltd.	equity method	400,000	410,855.12	-410,855.12	0	40%	40%	0	0	0	0
Total	--	98,816,216.32	149,684,692.58	2,574,147.61	152,258,840.19	--	--	--	0	0	0

9.4 Operating revenue and cost**(1) Operating revenue, cost**

Unit: Yuan

Items	2012.06.30	2011.06.30
Revenue from main operation	1,363,566,348.39	1,382,011,740.04
Revenue from other operation	246,967,858.45	367,578,892.85
Cost from operation	1,426,359,883.98	1,548,503,038.12
Total	3,036,894,090.82	3,298,093,671.01

(2) Main operation - classified according to industry

Unit: Yuan

Items	2012.06.30		2011.06.30	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Export	136,789,260.11	137,835,006.35	92,059,807.51	93,338,365.04
Transportation vehicle bearings	488,355,468.26	432,201,256.81	552,386,739.64	477,264,199.14
Special use bearings	282,818,191.38	237,585,214.27	288,116,927.78	234,312,047.1
General use bearings	400,426,483.61	347,257,373.16	373,091,397.99	344,507,609.91
Industrial Operations	55,176,945.03	61,162,035.12	76,356,867.12	76,129,542.38
Total	1,363,566,348.39	1,216,040,885.71	1,382,011,740.04	1,225,551,763.57

(3) Main operation - classified according to product

Unit: Yuan

Items	2012.06.30		2011.06.30	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Bearings	1,308,389,403.36	1,154,878,850.59	1,305,654,872.92	1,149,422,221.19
Component	55,176,945.03	61,162,035.12	76,356,867.12	76,129,542.38
Total	1,363,566,348.39	1,216,040,885.71	1,382,011,740.04	1,225,551,763.57

(4) Main operation - classified according to region

Unit: Yuan

Items	2012.06.30		2011.06.30	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Export	136,789,260.11	137,835,006.35	92,059,807.51	93,338,365.04

Items	2012.06.30		2011.06.30	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Domestic	1,226,777,088.28	1,078,205,879.36	1,289,951,932.53	1,132,213,398.53
Total	1,363,566,348.39	1,216,040,885.71	1,382,011,740.04	1,225,551,763.57

(5) Sales revenue from top 5 customers

Unit: Yuan

Items	Sales revenue	Accounting for proportion of total
China Heavy Vehicle Group Jinan Qiaoxiang Company Limited	67,267,798.32	4.18%
China Railway Materials Company	56,538,065.5	3.51%
Guang Zhou Wazhou Bearing selling Company	31,837,377.78	1.98%
FAW Car Limited Company	30,019,104.99	1.86%
China Railway Materials Company	24,615,160.65	1.53%
Total	210,277,507.24	13.06%

9.5 Investment income**(1) Details of investment income**

Unit: Yuan

Items	2012.06.30	2011.06.30
Income from long-term equity investments under cost method	0	0
Income from long-term equity investments under equity method	2,985,002.73	6,302,534.5
Income on disposal of long-term assets	-6,938.21	0
Total	2,978,064.52	6,302,534.5

(2) Long-term equity investment income under equity method

Unit: Yuan

Items	2012.06.30	2011.06.30	Reason for change
Dalian SKF Wazhou Bearings Co., Ltd.	2,985,002.73	6,302,534.5	The associates profits decreased
Total	2,985,002.73	6,302,534.5	

9.6 Supplementary information of consolidated cash flow statement

Unit: Yuan

Items	2012.06.30	2011.06.30
1. Adjusting net profit into cash flows of operating activities:		
Net profit	39,481,286.48	53,081,596.3
Add: Provision for impairment of assets	295,087.17	206,649.94
Depreciation of fixed assets	34,454,208.48	38,557,132.9
Amortization of intangible assets	2,144,947.32	2,154,705.03
Amortization of long-term deferred expenses	42,906.71	120,402.96
Losses on disposal of fixed assets, intangible assets, and long-term assets (income listed with"-")	-642,321	-3,405,658.21
Losses on write-off of fixed assets (income listed with"-")		
Financial expense (income listed with"-")	13,502,411.13	12,082,558.94
Investment loss (income listed with"-")	-2,978,064.52	-6,302,534.5
Decrease of deferred tax assets(increase listed with"-")		
Increase of deferred tax assets (decrease listed with"-")		
Decrease of inventories (increase listed with"-")	76,262,892.16	-24,162,208.48
Decrease of operating receivables (increase listed with"-")	-162,988,482.94	-202,164,931.31
Increase of operating payables (decrease listed with"-")	149,643,647.71	222,331,421.96
Others		
Net cash flows arising from operating activities	149,218,518.7	92,499,135.53
2. Significant investment and financing activities unrelated to cash income and expenses		
Liabilities transferred to capital	—	—
Convertible bonds within 1 year	—	—
Financing leased fixed assets	—	—
3. Net increase (decrease) of cash and cash equivalent		
Ending balance of cash	91,173,945.34	77,898,307.61
Less: Opening balance of cash	59,742,088.63	43,756,831.34
Add: Ending balance of cash equivalent		
Less: Opening balance of cash equivalent		
Net increase of cash and cash equivalent	31,431,856.71	34,141,476.27

10. Supplementary information

10.1 Return on equity and earnings per share

Unit: Yuan

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	2.02%	0.08	0.13
Net profit after deducting non-recurring gains and losses attributable to shareholders of parent company	1.91%	0.07	0.12

Chapter Eight. List of reference documents

List of reference documents
1. The Accounting statements of the first half year of 2012 which is with the signatures and seals of the legal representative, finance controller and the director of accounting department of the Company.
2. Original documents and notices of the Company disclosed in newspapers designated by the Security Supervisory Committee of China in report period.

Chairman of the Board: Wang Lushun

The delivery date approved by Board Meeting: August 16, 2012