



Wafangdian Bearing Company Limited

2016 Midyear Report

2016-25

August 25, 2016

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

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

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

Name	Post	Reasons	Assignee name
Tang Yurong	director	Busy work	Fang Bo
Wan Shouyi	Independent director	Busy work	Zhang Li

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

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

According to the relevant provisions of the "Shenzhen Stock Exchange Listing Rules", if the company 's net profit attributable to shareholders of audit listed companies continue to be negative by the year 2016, the company shares will be suspended from listing in the 2016 annual announcement. Please the majority of investors of investment risks.

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

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Glossary

Terms	Defined as	Description
Company,the Company	Defined as	Wafangdian Bearing Company Limited
Wazhou Group	Defined as	Wafangdian Bearing Group Company
the report period, the current period, the current year	Defined as	January 1,2016–June 30,2016
Liaozhou Co.,Ltd	Defined as	Wazhou Liaoyang Bearing Manufacture Co.,Ltd
Dalian motor	Defined as	Dalian motor Bearing Co.,Ltd
SRB company	Defined as	Wazhou spherial roller bearing company limited
The Board of Directors	Defined as	Wafangdian Bearing Company Limited The Board of Directors
The Supervisory Committee	Defined as	Wafangdian Bearing Company Limited The Supervisory Committee
The Shareholders' Meeting	Defined as	Wafangdian Bearing Company Limited The Shareholders' Meeting
Shen Jiao Suo	Defined as	Shen Zhen Stock Exchange
SRC	Defined as	China Securities Regulatory Commission

Chapter II. Company Profile

I. Company Information

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

II. Contacts

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

III. Other information

i. The way to contact with company

In the report period the Registered address, P.C, office address, office P.C of the company is no change. Details can be seen in 2015 annual report.

ii. Place for information disclosure

In the report period the place for information disclosure is no change. is no change. Details can be seen in 2015 annual report.

iii. Change of Business Registration

In the report period the Registration date, Registration place, No. of Incorporation, Certificate No. of Taxation Registration, Organization code is no change. Details can be seen in 2015 annual report.

iv. Other relevant information

In the report period other relevant information is no change.

Chapter III. Financial Highlights

I. Main accounting data and indices

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

Yes No

In RMB Yuan			
	current period	previous period	+/- (%) comparing with the previous period
Turnover(RMB)	1,125,455,031.98	1,168,093,679.34	-3.65%
Net profit attributable to shareholders of the listed company(Yuan)	-44,024,185.93	-59,587,254.16	-26.12%
Net profit attributable to the shareholders of the listed company and after deducting of non-recurring gain/loss(RMB)	-55,263,473.29	-65,404,823.42	-15.51%
Net Cash flow generated by business operation (RMB)	-8,389,665.15	14,734,845.66	-156.94%
Basic earnings per share(Yuan/share)	-0.11	-0.15	-26.67%
Diluted earnings per share(Yuan/share)	-0.11	-0.15	-26.67%
Net return on equity(%)	-3.32%	-4.41%	1.09%
	End of 2016.06.30	End of 2015.12.31	Changed over last year (%)
Total Assets (RMB)	3,520,139,949.23	3,523,969,203.48	-0.11%
Owner's Equity Attributed to Shareholders of Listed Company(RMB)	1,304,440,789.40	1,348,464,975.33	-3.26%

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

No difference

III. Non-recurring gain/loss items and amounts

In RMB Yuan

Items	Amount	Remarks
Gain/loss of non-current assets (includes the neutralized part of the asset impairment provision drawn already)	4,570,629.34	
Gains and losses included in the current period of government subsidies, excluding those government grants which are closely related to normal business and in line with national policy, or in accordance with fixed standards or quantities	5,575,349.68	
Debt restructuring gains and losses	1,972,518.59	
Other non-business income and expenditures other than the above	480,334.81	
Influenced amount of income tax	1,359,545.06	
Total	11,239,287.36	--

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

Applicable Inapplicable

Chapter IV Directors Report

I. Overview

In the first half of year, the macroeconomic downward pressure diminished, the industrial economy remains in the doldrums, the bearing industry is still in negative growth, but the company has overcome the lack of market orders, sales prices continue to decline, market competition and many other difficulties, has taken various measures to actively and steadily, maintained a steady business development.

At the end of June 30, company's total assets is 3.25014 billion Yuan, which decrease 0.11% compared with the beginning of this year; Net assets attributing to shareholders of listed company 1.30444 billion Yuan, decreased by 3.26% compared with then beginning of this year; Operating income is 1.12546 billion Yuan, decrease by 3.65% compared with the same period last year; Net profit of attributing to shareholders of the parent company is minus 44.02 million Yuan, in the last year was 59.59 million Yuan.

II. Analysis of Main Business

Item	Report period	Last report period	Changed by %YoY	Change reason
Main Business Income	1,125,455,031.98	1,168,093,679.34	-3.65%	
Main Business Cost	1,043,602,026.69	1,068,509,261.57	-2.33%	
Sales Expenses	84,742,685.88	98,588,255.39	-14.04%	
Management Expenses	36,646,177.56	40,067,918.93	-8.54%	
Financial Expenses	12,390,741.72	20,655,027.80	-40.01%	1. the loan interest decrease with 5.41 million Yuan, 2. exchange gain and loss decrease with 5.04 million Yuan. 3. long-term loan interest increase 1.23 million Yuan.
Tax Expenses		264,036.88	-100.00%	Because the SRB company is loss, the tax expense is unprovision.
Spending on research and development of the business income ratio	45,000,000.00	55,000,000.00	-18.18%	
Net Cash Flows from Operating Activities	-8,389,665.15	14,734,845.66	-156.94%	The sale amount decrease, receivable from customer decline, which make the Net Cash Flows from Operating Activities decrease sharply.
Net Cash Flows from Investing Activities	-25,642,335.69	-17,722,945.26	44.68%	The cash pay to assets increase.
Net Cash Flows from Financing Activities	68,025,342.68	-58,164,206.80	-216.95%	Mainly affected by loan change, the Repayment of borrowings decrease.
Net Increase in Cash and Cash Equivalents	35,385,469.18	-60,933,606.57	-158.07%	Net Cash Flows from Financing Activities increase.
Bills receivable	176,846,224.26	100,506,003.70	75.96%	Because the returned money by bank acceptance increase.
Dividend receivable	0.00	240,000.00	-100.00%	Dividend receivable with 240 thousand Yuan from ME at the beginning of the year
Non-operating revenue	14,004,273.12	6,894,300.08	103.13%	1. disposal of fixed assets income increased with 3.69 million Yuan. 2. Mainly because the fine income from agency. 3. the government subsidiary increased with 3.08 million Yuan.
Non-operating cost	1,405,440.70	474,066.00	196.47%	

				1.debt restruct loss increase with 580 thousand Yuan.2.personal injury compensation with 550 thousand Yuan.
Other cash received relating to operating activities	3,957,803.39	1,986,184.06	99.27%	the government subsidiary increase.
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	10,000,000.00	18,000.00	55,455.56%	Sale assets to WBGC, receive the payment.
Cash paid to acquire fixed assets, intangible assets and other long-term assets	35,882,335.69	6,490,945.26	452.81%	Payment for grinding machines
Cash paid to acquire investment		11,250,000.00	-100.00%	Mainly because last year the company buy Dalian sikaifu ZWZ Bearing Co., Ltd. 51% of the equity, the issuing bank letter of credit of 11.25 million yuan payment at maturity
Other proceeds relating to financing activities	147,525,694.44			Generations of forging discounted repayment separately to the payment related to financing activities cash. At the same time, the imputation in the purchase of goods and receive services paid cash with 70.83 million Yuan.
Repayment of borrowings	287,000,000.00	488,000,000.00	-41.19%	Affected by loan change, the repayment of borrowings decrease in the report peirod.
Effects of foreign exchange rate changes on cash	1,392,127.34	218,699.83	536.55%	Because the dollar exchange rate increase, the exchange profit increase, impact of the current dollar denominated bank deposits

The profit structure or source change greatly

Applicable Inapplicable

Pre-disclosure of operation plan

Applicable Inapplicable

Review on the progress of prior disclosure development strategy and business plan during the reporting period

In 2016, the domestic market was more competitive, price of product was failing, profit margins was becoming narrowly. The international market competition was trending he domestic market, domestic competition internationalization was serious day by day, sales price of bearing product continued to slide, These reasons constitute a bigger threat to improve operation quality, cause the company did not finish business plan.

III. Main business composition

In RMB Yuan

	Operating income	Operating cost	BOI	+/- (%) of operating income	+/- (%) of operating cost	+/- (%) of BOI
By Industries						
Export	185,404,198.78	171,817,900.02	7.33%	-4.33%	-7.78%	3.47%
Civil	313,045,519.50	309,100,505.47	1.26%	-4.23%	2.48%	-6.46%
Including: Traffic Bearing	234,876,679.63	209,419,001.52	10.84%	-3.19%	-5.13%	1.83%
Special Bearing	264,036,944.51	223,609,548.98	15.31%	-9.63%	-9.51%	-0.12%
Common Bearing	25,188,757.18	30,843,348.31	-22.45%	114.30%	109.50%	2.81%
Industrial income	313,045,519.50	309,100,505.47	1.26%	-4.23%	2.48%	-6.46%
On Products						
Bearing	997,363,342.42	913,946,955.99	8.36%	-5.50%	-4.38%	-1.08%

Industry operation	25,188,757.18	30,843,348.31	-22.45%	114.30%	109.50%	2.81%
Region						
Civil	837,147,900.82	772,972,404.28	7.67%	-4.15%	-1.43%	-2.54%
Foreign	185,404,198.78	171,817,900.02	7.33%	-4.33%	-7.78%	3.47%

IV. Core competence analyzing

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

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

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

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

V. Investment Analysis

1. External equity investment

None

2. Analysis of Main Subsidiaries and Investment Companies

Unit:RMB

Company Name	Type	Industry	Main Product or Service	Registered Capital	Total Asset	Net Asset	Operating Revenue	Operating Profit	Net Profit
Liaoyang Bearing	Subsidiary		Product and Sale Bearing and machine-electrical equipment	19,350,000	115,076,935.48	-48,220,600.98	78,874,398.15	-5,338,468.89	-3,648,342.18
Dalian Electrical Equipment	Subsidiary		Product and Sale Bearing	10,000,000	116,143,552.74	19,653,622.82	66,288,350.18	764,169.49	764,169.49
Wzhou precision spherical roller bearing(Wafangdian) Co.,Ltd.	Joint-stock Company		Product and Sales Spherical Roller Bearing	194,000,000	243,863,379.97	226,056,372.94	51,235,049.19	-5,451,705.19	-5,348,869.95

3. Important Non-raised Capital's Projects

Unit:0000'Yuan

Project	Total Plan Investment	Investment in the report period	Accumulated investment	Progress	Earnings
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The second generation wheel hub bearing	787	273	620	80.00%	Imform the grinding ability of second generation wheel hub with 150 thousand sets.
Precise roller improved	1,400	306	1,106	85.00%	Provide matched roller for main product
Large precise entity cage	550	14	147	30.00%	Provide cage for Large precise bearing
Heat treatment and matched machines	660	187	478	60.00%	Improve the ability
Other projects	2,000	1,106	1,106	65.00%	To ensure the bearing qulity and enhance productivity
Total	5,397	1,886	3,457		--

VI. Forecast for operation outstanding from 2016 January to September

Inapplicable

VII. Explanation of the Board of Directions and Board of supervisor on the Qualified Auditor's Report Issued by the CPAs

The financial report is unaudited

VIII Explanation of the Board of Directions on the Qualified Auditor's last year Report Issued by the CPAs

The financial report is unaudited

IX. Dividend Distribution

Inapplicable

X.Reception of investigations,communications,or interviews in the report period

Time/date	Place	Way	Type of visitors	Visitors	Main content involved and material provided
January 27,2016	Office	Telephone communication	Private investor	Private investor	The general information of the company
March9,2016	Office	Telephone communication	Private investor	Private investor	The general information of the company
March 17,2016	Office	Telephone communication	Private investor	Private investor	The general information of the company
April 27,2016	Office	Telephone communication	Private investor	Private investor	The general information of the company

Chapter V Significant Events

I. Corporate Governance

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

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

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

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

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

(2) The Company was independent in terms of its personnel, labor and salary management, and had its own independent labor and personnel management systems.

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

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

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

II. Main Lawsuits and Arbitration Affairs

Applicable Inapplicable

There were no important lawsuits and arbitration affairs.

III. Media query.

Applicable Inapplicable

There was no media query in the report period.

IV. Bankruptcy and Recombination

Applicable Inapplicable

V. Asset business

Applicable Inapplicable

Sales of asset

The dealing party	assets for sale	Sale date	Price (10 thousand Yuan)	The assets Contribution to profit	Influence to company	Pricing principle	Whether is related transactions	The assets right is totally changed or not	The debt is totally transferred or not	Date of disclosure	The index
Wazhou Group	assets and liabilities related with auto transfer case bearing	May 18, 2018	1,094.3		Details can be found in announcement		value of net assets.	Yes			http://www.cninfo.com.cn Wafangdian Bearing Company Limited Affiliate Transaction Announcement of Assets Sale

VI. Implementation and Influence of Equity Incentives

Applicable Inapplicable

VII. Important Contracts and Implementation

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

Relative parties	Relationship	Relative type	Content	Principle of price	Relative Price	Relative Amount(R MB'0000)	The Percentage of accounted for similar deals(%)	Approval amount (RMB'0000)	More than the approved amount or not	The Way Of Account	Market price	Disclosure Date	Disclosure Index
Wazhou precision Steel Ball Company	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Merchandise Procurement	Components	Justice and Equity	Market price	257	0.17%	300	no	Cash Payment or The Knot			
		Lease of Houses	Lease of Houses	Justice and Equity	Market price	45	0.03%	22	Yes	Cash Payment or The Knot			
		Sales of goods	Goods and Materials	Justice and Equity	Market price	76	0.07%	70	Yes	Cash Payment or The Knot			
		Land rent	Land rent	Justice and Equity	Market price	10	0.01%	20	no	Cash Payment or The Knot			
		Provide Service	Heat treatment	Justice and Equity	Market price	45	0.03%	300	no	Cash Payment or The Knot			
Wazhou precision forging Ltd.,	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Merchandise Procurement	Components	Justice and Equity	Market price	8,093	5.25%	20,000	no	Cash Payment or The Knot			
		Sales of goods	Goods and Materials	Justice and Equity	Market price	8,099	7.20%	21,000	no	Cash Payment or The Knot			
		Lease of Houses	Lease of Houses	Justice and Equity	Market price	17	0.02%	55	no	Cash Payment or The Knot			
		Land rent	Land rent	Justice and Equity	Market price	28	0.02%	55	no	Cash Payment or The Knot			
Dalian Wazhou Manufacturing Equipment Co., Ltd	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Merchandise Procurement	Production	Justice and Equity	Market price	712	0.46%	1,500	no	Cash Payment or The Knot			
		Sales of goods	Goods and Materials	Justice and Equity	Market price	55	0.05%	400	no	Cash Payment or The Knot			
		Merchandise Procurement	Equipment	Justice and Equity	Market price	48	0.05%	1,800	no	Cash Payment or The Knot			

Wazhou Group Turnplate Bearing Ltd	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Merchandise Procurement	Bearing Product	Justice and Equity	Market price	2,959	1.92%	5,000	no	Cash Payment or The Knot			
		Sales of goods	Materials	Justice and Equity	Market price	31	0.03%	200	no	Cash Payment or The Knot			
Wazhou Group precision Transmission Bearing Co., Ltd	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Merchandise Procurement	Bearing Product	Justice and Equity	Market price	4,504	2.92%	9,500	no	Cash Payment or The Knot			
		Sales of goods	Materials	Justice and Equity	Market price	1,453	1.29%	6,000	no	Cash Payment or The Knot			
		Provide Service	Heat treatment	Justice and Equity	Market price	44	0.03%	0	Yes	Cash Payment or The Knot			
Wazhou Group Precision special Bearing Company Limited	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of goods	Goods and Materials	Justice and Equity	Market price	145	0.13%	600	no	Cash Payment or The Knot			
		Lease of Houses	Lease of Houses	Justice and Equity	Market price	26	0.02%	51	no	Cash Payment or The Knot			
		Land rent	Land rent	Justice and Equity	Market price	4	0.00%	9	no	Cash Payment or The Knot			
		Provide Service	Heat treatment	Justice and Equity	Market price	18	0.01%	100	no	Cash Payment or The Knot			
Equipment technical engineering	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Merchandise Procurement	Equipment and service	Justice and Equity	Market price	1,261	0.82%	3,000	no	Cash Payment or The Knot			
Wafangdian Tongda Bearing Manufacturing Co., Ltd	Other Related party	Merchandise Procurement	Bearing Product	Justice and Equity	Market price	2,531	1.64%	7,000	no	Cash Payment or The Knot			
		Provide Service	Heat treatment	Justice and Equity	Market price	0	0.00%	50	no	Cash Payment or The Knot			
		Sales of goods	Goods and Materials	Justice and Equity	Market price	12	0.01%	100	no	Cash Payment or The Knot			
Da Lian KOYO Co., Ltd	Other Related party	Merchandise Procurement	Goods	Justice and Equity	Market price	1,755	1.14%	4,000	no	Cash Payment or The Knot			
Da Lian Wazhou Fengyuan	Other Related party	Merchandise Procurement	Bearing Product	Justice and Equity	Market price	4,408	2.86%	10,000	no	Cash Payment or The Knot			

Machine Co.,Ltd		Sales of goods	Lease of huouse	Justice and Equity	Market price	5	0.00%	11	no	Cash Payment or The Knot			
		Provide Service	Heat treatment	Justice and Equity	Market price	0	0.00%	20	no	Cash Payment or The Knot			
Da Lian Wazhou Jin Zhou Machine Co.,Ltd	Other Related party	Merchandise Procurement	Bearing Product	Justice and Equity	Market price	4,148	2.69%	9,500	no	Cash Payment or The Knot			
		Sales of goods	Goods and Materials	Justice and Equity	Market price	33	0.03%	150	no	Cash Payment or The Knot			
		Lease of Houses	Lease of Houses	Justice and Equity	Market price	40	0.04%	80	no	Cash Payment or The Knot			
		Provide Service	Heat treatment	Justice and Equity	Market price	5	0.00%	100	no	Cash Payment or The Knot			
Wazhou group (USA) bearing co., LTD	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of goods	Bearing Product	Justice and Equity	Market price	4,751	4.22%	13,000	no	Cash Payment or The Knot			
Wazhou group high-end automobile bearing co., LTD	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of goods	Bearing Product	Justice and Equity	Market price	378	0.34%	0	Yes	Cash Payment or The Knot			
Da Lian North metal material trading center	Other Companies controlled by the same controlling share holders and the ultimate controlling party	Sales of goods	Goods and Materials	Justice and Equity	Market price	0	0.00%	9,000	no	Cash Payment or The Knot			
Wazhou Group	The controlling share holders and the ultimate controlling party	Merchandise Procurement	product	justice and Equity	Market price	7,389	4.80%	16,000	no	Cash Payment or The Knot			
		Accept Service	Security and Fire Service	justice and Equity	Market price	165	0.11%	329	no	Cash Payment or The Knot			
			Announcement Service	justice and Equity	Market price	39	0.03%	80	no	Cash Payment or The Knot			
			Technol	justice and	Market price	270	0.18%	540	no	Cash Payment			

			ogy Develop ment Service	Equity						or The Knot			
			Tradema rk	justice and Equity	Market price	212	0.14%	500	no	Cash Payment or The Knot			
			Lease of Houses,	justice and Equity	Market price	468	0.30%	1,900	no	Cash Payment or The Knot			
			Land rent	justice and Equity	Market price	83	0.05%	524	no	Cash Payment or The Knot			
			machime s rent			467	0.30%	1,239	no	Cash Payment or The Knot			
		Sales of goods	Goods and Materials	Justice and Equity	Market price	1,788	1.59%	8,000	no	Cash Payment or The Knot			
Total						56,877	--	152,105					
Details of the rejection of the goods already sold in big amount				non									
In case the total amount of the regularrelated transaction incurred in thereporting period has been predicted basedon categories, state the actual implementation of the in the reportingperiod (if any)				non									
Cause of the big difference between the transaction price and the market reference price. (if applicable)				In-applicable									

ii、 The related business on asset purchase and sales

iii. Major related business on jointly investment

iv、 Credit and Debt with relevant parties

Credit and Debt from non-operation

Applicable Inapplicable

V. Other important related business

Applicable Inapplicable

Vi. Important contract and implement

VIII. Statements of the Supervisory Committee and Independent Directors (if applicable) on the “Non-standard Auditors’ Report” issued by the CPA.

Applicable Inapplicable

IX. The implement of major contract and its performance

1. Deposit, contract and rent.

The content of rent can be found in part eleven “Related Parties Relationship and Transactions” section five “Related rent”

X. Commitment made by sharehoder with over 5% shares in the report or happen before but last to the report

Applicable Inapplicable

XI. Hiring, firing certified public accountants

Applicable Inapplicable

XII. Punishment and rectification

Applicable Inapplicable

XIII. Suspension and terminated listig after the annual report disclosure.

Yes No

XIV. Other important matters

Yes No

Chapter VI. Changes in Capital Stock and Shareholders

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

I. Changes in Capital Stock

Reason of Changes of Shares

Applicable Inapplicable

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

Applicable Inapplicable

II. Shareholders and Actual Controller

1. Number of Shareholders and Shares

Unit: Share

Total number of shareholder at the end of report period		7,325		Total number of shareholder at the end of report period with preferred stock			0	
Shareholders with 5% or above Shares								
Name	Nature	Ratio (%)	Total shares held	Increase or Decrease in hereportperiod	Non-current shares held	Current shares held	Impawnd or Frozen Shares	
							Status	Amount
Wafangdian Bearing Group Corporation	State-owned shareholder	60.61%	402,600,000		244,000,000			
AKTIEBOLAGET SKF	Foreign shareholder	19.70%	79,300,000			79,300,000	Frozen	79,300,000
Huang Junyue	Domestic shareholder	1.01%	4,050,000					
BOCI SECURITIES LIMITED	Foreign shareholder	0.55%	2,220,000					
Jin Yunhua	Domestic shareholder	0.51%	2,072,629					
Hu Xiaofeng	Domestic shareholder	0.47%	1,879,277					
GUOTAI JUNAN SECURITIES(HO	Foreign shareholder	0.45%	1,795,540					



NGKONG) LIMITED							
CREDIT SUISSE (HONG KONG) LIMITED	Foreign shareholder	0.26%	1,049,915				
MAN,KWAI WING 文贵荣	Foreign private shareholde	0.18%	713,101				
Miao Jun	Domestic shareholder	0.14%	552,700				
Explanation for the Affiliated Relations or United Action of the Top Ten Shareholders	In the report period, the frozen period of the shares purchased by the company's strategic investor AKTIEBOLAGET SKF expired in 1999, and has not dealt with the releasing-procedure in this report period.						
Notes to relationship or "action in concert" among the top ten shareholders.							
Top Ten Tradable Shareholders							
Name	Current shares held at end of year	Category of Shares					
		Categories	Amount				
AKTIEBOLAGET SKF	79,300,000	B	79,300,000				
Huang Junyue	4,050,000	B	4,050,000				
BOCI SECURITIES LIMITED	2,220,000	B	2,220,000				
Jin Yunhua	2,072,629	B	2,072,629				
Hu Xiaofeng	1,879,277	B	1,879,277				
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	1,795,540	B	1,795,540				
CREDIT SUISSE (HONG KONG) LIMITED	1,049,915	B	1,049,915				
MAN,KWAI WING 文贵荣	713,101	B	713,101				
Miao Jun	552,700	B	552,700				
Zhou Junlin	539,600	B	539,600				
Explanation for the Affiliated Relations or United Action of the Top Ten Shareholders and the Top Ten Tradable Shareholders	There was no relationship and consistent activities between the first big shareholder and other shareholders or the top ten common stock holders; The relationship among other shareholders, top ten circulation shareholders, top ten circulation shareholders and other shareholders was not clear.						

iii Change of Controlling Shareholder Actual Controller in the Report Period

Applicable Inapplicable

Chapter VII. Relevant information about preferred stock

Chapter VIII. Directors, Supervisors, Senior Management and Staff

I. Shares holding change in Directors, Supervisors, Senior Management

Inapplicable

II. Changes of Directors, Supervisors and Senior Management

Name	Position	Type	Date	Reason
Wu Chunyou	Independent Director	expiration	May 18,2016	
Liu Yuping	Independent Director	Elected	May 18,2016	

Chapter VIII. Financial Report

I. Audit Report

The financial report is unaudited

II. Financial Statement

1. Consolidated Balance Sheet.

Unit: RMB Yuan

Item	Closing Balance	Opening Balance
Current assets :		
Monetary fund	137,341,499.74	116,316,020.57
Financial assets held-for-trading		
Bills receivable	176,846,224.26	100,506,003.70
Account receivable	1,023,728,246.54	993,933,326.37
Account paid in advance	36,428,881.73	32,673,623.77
Interest receivable		
Dividend receivable		240,000.00
Other receivables	23,335,159.29	21,462,837.65
Inventory	1,023,253,563.94	1,075,275,456.02
Non-current assets due within 1 year		
Other current assets	6,509,506.13	8,973,032.78
Total current assets	2,427,443,081.63	2,349,380,300.86
Non-current assets		
Financial assets available-for-sale	2,000,000.00	2,000,000.00
Investments held-to-maturity		
Long-term receivable		
Long-term equity investment		
Investment property		
Fixed assets	616,407,430.76	695,125,451.81
Construction in progress	328,735,373.03	329,632,219.42
Construction materials		
Fixed assets disposal		
Biological assets		
Gas and petrol assets		
Intangible assets	133,145,519.69	135,366,608.09
Development expenditure		
Goodwill		
Long-term prepaid expense	555,276.85	611,356.03
Deferred tax assets	11,853,267.27	11,853,267.27
Other non-current assets		
Total non-current assets	1,092,696,867.60	1,174,588,902.62
Total assets	3,520,139,949.23	3,523,969,203.48
Current liabilities		
Short-term loan	468,000,000.00	385,000,000.00
Note payable	280,518,900.00	327,466,550.20
Accounts payable	987,988,300.81	973,485,937.22
Accounts received in advance	32,089,340.69	44,835,510.10
Commission charge payable		
Accrued payroll	18,561,649.49	19,440,701.80
Tax payable	5,092,488.91	6,074,347.23
Interest payable	1,630,007.00	1,400,000.00
Dividends payable		
Other payables	141,135,587.68	133,832,447.67
Non-current liabilities due within 1 year		50,000,000.00

Other current liabilities	4,651,103.83	4,411,103.83
Total current liabilities	1,939,667,378.41	1,945,946,598.05
Non-current liabilities		
Long-term loan		
Debenture payable		
Long-term payables	1,597,305.72	1,597,305.72
Special payables	321,698.98	321,698.98
Contingent liabilities		
Deferred income	43,124,348.14	46,650,196.82
Deferred tax liabilities	988,428.58	988,428.58
Other non-current liabilities		
Total non-current liabilities	276,031,781.42	229,557,630.10
Total liabilities	2,215,699,159.83	2,175,504,228.15
Owner's equity (shareholders' equity)		
Capital stock	402,600,000.00	402,600,000.00
Capital public reserves	485,691,050.47	485,691,050.47
Less: treasury share		
Surplus reserve	131,442,909.11	131,442,909.11
Undistributed profit	284,706,829.82	328,731,015.75
Difference of foreign currency translation		
Equity attributable to parent company	1,304,440,789.40	1,348,464,975.33
Minority interest		
Total owner's equity	1,304,440,789.40	1,348,464,975.33
Total owner's equity and liabilities	3,520,139,949.23	3,523,969,203.48

Chairman: Meng Wei General Accountant : Sun Najuan Accounting charger: Yao Chunjuan

2. Balance Sheet of Parent Company

Unit: RMB Yuan

Item	Opening Balance	Closing Balance
Current assets :		
Monetary fund	126,213,924.67	108,582,231.28
Financial assets held-for-trading		
Bills receivable	163,966,034.71	89,099,697.82
Account receivable	1,059,965,179.77	1,020,633,783.54
Account paid in advance	24,244,288.23	23,489,543.17
Interest receivable		
Dividend receivable		
Other receivables	20,572,835.85	19,679,695.34
Inventory	957,755,966.88	998,035,803.15
Non-current assets due within 1 year		
Other current assets	3,984,664.78	4,828,826.85
Total current assets	2,356,702,894.89	2,264,589,581.15
Non-current assets		
Financial assets available-for-sale	2,000,000.00	2,000,000.00
Investments held-to-maturity		
Long-term receivable		
Long-term equity investment	211,583,897.67	211,583,897.67
Investment property		
Fixed assets	481,663,202.15	577,635,433.51
Construction in progress	230,348,546.67	204,617,819.76
Construction materials		
Fixed assets disposal		
Biological assets		
Gas and petrol assets		
Intangible assets	113,240,306.68	115,105,064.38

Development expenditure		
Goodwill		
Long-term prepaid expense	555,276.85	611,356.03
Deferred tax assets	10,580,100.02	10,580,100.02
Other non-current assets		
Total non-current assets	1,049,971,330.04	1,122,133,671.37
Total assets	3,406,674,224.93	3,386,723,252.52
Current liabilities		
Short-term loan	468,000,000.00	385,000,000.00
Note payable	280,518,900.00	327,466,550.20
Accounts payable	917,783,859.28	882,281,596.61
Accounts received in advance	29,570,701.69	44,003,546.25
Commission charge payable		
Accrued payroll	11,152,800.28	11,902,749.05
Tax payable	1,901,261.90	3,381,449.54
Interest payable	1,630,007.00	1,400,000.00
Dividends payable		
Other payables	102,700,853.83	94,547,419.88
Non-current liabilities due within 1 year		50,000,000.00
Other current liabilities	4,553,555.83	4,313,555.83
Total current liabilities	1,817,811,939.81	1,804,296,867.36
Non-current liabilities		
Long-term loan	230,000,000.00	180,000,000.00
Debenture payable		
Long-term payables		
Special payables	321,698.98	321,698.98
Contingent liabilities		
Deferred income	38,734,688.14	42,260,536.82
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities	269,056,387.12	222,582,235.80
Total liabilities	2,086,868,326.93	2,026,879,103.16
Owner's equity (shareholders' equity)		
Capital stock	402,600,000.00	402,600,000.00
Capital public reserves	485,678,443.26	485,678,443.26
Less: treasury share		
Surplus reserve	131,442,909.11	131,442,909.11
Undistributed profit	300,084,545.63	340,122,796.99
Total owner's equity	1,319,805,898.00	1,359,844,149.36
Total owner's equity and liabilities	3,406,674,224.93	3,386,723,252.52

3. Consolidated Income Sheet.

Unit: RMB Yuan

Item	Account for the current period	Account for the prior period
1.Total operating income	1,125,455,031.98	1,168,093,679.34
Including: Operating revenue	1,125,455,031.98	1,168,093,679.34
Interest income		
Handling charge and commission income		
2.Total operating cost	1,182,078,050.33	1,233,837,130.70
Including: Operating cost	1,043,602,026.69	1,068,509,261.57
Interest expenses		
Handling charge and commission income		
Tax & surcharges for main operations	4,695,351.44	6,001,203.40
Selling expenses	84,742,685.88	98,588,255.39
Administrative expense	36,646,177.56	40,067,918.93
Financial expense	12,390,741.72	20,655,027.80
Loss of impairment of assets	1,067.04	15,463.61
Add: Gains of change of fair value of assets(loss with "-")		

Investment income(loss with "-")		
Including: Income form investment on associated enterprise and jointly enterprise		
3.Operating profit (loss with "-")	-56,623,018.35	-65,743,451.36
Add: Non-operating revenue	14,004,273.12	6,894,300.08
Including:income on disposal of non-current assets	4,649,046.02	957,589.72
Less: Non-operating cost	1,405,440.70	474,066.00
Including: loss on disposal of non-current assets	78,416.68	240,546.34
4.Total profit(loss with "-")	-44,024,185.93	-59,323,217.28
Less: Income tax expenses		264,036.88
5. Net profit(Loss with "-")	-44,024,185.93	-59,587,254.16
Net profit attributable to shareholders of parent company	-44,024,185.93	-59,587,254.16
Minority interests		
6. Other comprehensive returns		
7. Total comprehensive returns	-44,024,185.93	-59,587,254.16
Total comprehensive returns available for parent company	-44,024,185.93	-59,587,254.16
Total comprehensive returns available for minority shareholders		
6.Earnings per share		
(1) Basic earnings per share	-0.11	-0.15
(2) Diluted earnings per share	-0.11	-0.15

Chairman: Meng Wei General Accountant : Sun Najuan Accounting charger: Yao Chunjuan

4. Income Sheet of Parent Company.

Unit: RMB Yuan

Item	Account for the current period	Account for the prior period
1.Total operating income	1,139,151,566.77	1,207,722,167.59
Less:Operating cost	1,066,012,164.06	1,113,365,931.88
Tax & surcharges for main operations	4,099,633.44	5,301,076.02
Selling expenses	83,766,587.44	98,046,463.76
Administrative expense	23,712,562.59	25,937,146.39
Financial expense	12,403,674.03	20,948,319.00
Loss of impairment of assets	1,067.04	15,463.61
Add: Gains of change of fair value of assets(loss with "-")		
Investment income(loss with "-")		
Including: Income form investment on associated enterprise and jointly enterprise		
2.Operating profit (loss with "-")	-50,844,121.83	-55,892,233.07
Add: Non-operating revenue	12,178,115.07	6,560,907.95
Less: Non-operating cost	1,372,244.60	340,057.61
Including: loss on disposal of non-current assets		
3.Total profit(loss with "-")	-40,038,251.36	-49,671,382.73
Less: Income tax expenses		
4. Net profit(Loss with "-")	-40,038,251.36	-49,671,382.73
Net profit attributable to shareholders of parent company		
Minority interests		
5. Other comprehensive returns		
6. Total comprehensive returns	-40,038,251.36	-49,671,382.73
7.Earnings per share		
(1) Basic earnings per share	-0.11	-0.15
(2) Diluted earnings per share	-0.11	-0.15

5. Consolidated Cash Flow Statement.

Unit: RMB yuan

Item	Account for the current period	Account for the prior period
------	--------------------------------	------------------------------

1.Cash from operating activities		
Cash received from sale of goods or Provideing of services	553,562,725.50	602,752,635.37
Refund of taxes and fares		
Other cash received relating to operating activities	3,957,803.39	1,986,184.06
Sub-total of cash inflows	557,520,528.89	604,738,819.43
Cash paid for goods and services	326,921,872.04	331,602,614.87
Cash paid to or on behalf of the employees	156,421,038.32	170,346,950.86
Tax payments	26,059,090.72	25,216,808.36
Other cash paid relating to operating activities	56,508,192.96	62,837,599.68
Sub-total of cash outflows	565,910,194.04	590,003,973.77
Net cash flows from operating activities	-8,389,665.15	14,734,845.66
2.Cash flows from investing activities		
Cash received from return of investment		
Cash received from investment incomes	240,000.00	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	10,000,000.00	18,000.00
Proceeds from sale of subsidiaries and other operating units		
Other cash received relating to investing activities		
Sub-total of cash inflows	10,240,000.00	18,000.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets	35,882,335.69	6,490,945.26
Cash paid to acquire investment		11,250,000.00
Net cash used in acquiring subsidiaries and other operating units		
Other cash paid relating to investing activities		
Sub-total of cash outflows	35,882,335.69	17,740,945.26
Net cash flows from investment activities	-25,642,335.69	-17,722,945.26
3.Cash flows from financing activities		
Cash received from absorbing investment		
Including: Cash received from increase in minority interest		
Proceeds from borrowings	375,000,000.00	447,579,700.00
Other proceeds relating to financing activities	147,525,694.44	
Sub-total of cash inflows	522,525,694.44	447,579,700.00
Repayment of borrowings	287,000,000.00	488,000,000.00
Distribution of dividends or profits & interest expenses	17,500,351.76	17,743,906.80
Including: dividends or profit paid to minority interest		
Cash paid for other financing activities	150,000,000.00	
Sub-total of cash outflows	454,500,351.76	505,743,906.80
Net cash flows from financing activities	68,025,342.68	-58,164,206.80
4. Effects of foreign exchange rate changes on cash	1,392,127.34	218,699.83
5.Net increases in cash and cash equivalents	35,385,469.18	-60,933,606.57
Add: cash and cash equivalent, at the beginning of year	78,556,030.56	143,399,164.66
6.Cash and cash equivalent at the end of the year	113,941,499.74	82,465,558.09

6. Cash Flow Statement Of Parent Company.

Unit: RMB yuan

Item	Account for the current period	Account for the prior period
1.Cash from operating activities		
Cash received from sale of goods or Providing of services	541,591,437.79	599,345,378.91
Refund of taxes and fares		
Other cash received relating to operating activities	3,381,289.60	1,583,863.47
Sub-total of cash inflows	544,972,727.39	600,929,242.38

Cash paid for goods and services	356,059,070.83	374,127,409.24
Cash paid to or on behalf of the employees	128,163,845.74	139,776,818.16
Tax payments	20,179,431.19	18,316,626.33
Other cash paid relating to operating activities	52,713,413.47	55,546,990.88
Sub-total of cash outflows	557,115,761.23	587,767,844.61
Net cash flows from operating activities	-12,143,033.84	13,161,397.77
2.Cash flows from investing activities		
Cash received from return of investment		
Cash received from investment incomes	240,000.00	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	10,000,000.00	
Proceeds from sale of subsidiaries and other operating units		
Other cash received relating to investing activities		
Sub-total of cash inflows	10,240,000.00	
Cash paid to acquire fixed assets, intangible assets and other long-term assets	35,523,972.38	5,168,003.59
Cash paid to acquire investment		11,250,000.00
Net cash used in acquiring subsidiaries and other operating units		
Other cash paid relating to investing activities		
Sub-total of cash outflows	35,523,972.38	16,418,003.59
Net cash flows from investment activities	-25,283,972.38	-16,418,003.59
3.Cash flows from financing activities		
Cash received from absorbing investment		
Including: Cash received from increase in minority interest		
Proceeds from borrowings	375,000,000.00	447,579,700.00
Other proceeds relating to financing activities	147,525,694.44	
Sub-total of cash inflows	522,525,694.44	447,579,700.00
Repayment of borrowings	287,000,000.00	488,000,000.00
Distribution of dividends or profits & interest expenses	17,499,132.16	17,741,736.11
Including: dividends or profit paid to minority interest	150,000,000.00	
Cash paid for other financing activities		
Sub-total of cash outflows	454,499,132.16	505,741,736.11
Net cash flows from financing activities	68,026,562.28	-58,162,036.11
4. Effects of foreign exchange rate changes on cash	1,392,127.34	218,699.83
5.Net increases in cash and cash equivalents	31,991,683.40	-61,199,942.10
Add: cash and cash equivalent, at the beginning of year	70,822,241.27	135,518,792.14
6.Cash and cash equivalent at the end of the year	102,813,924.67	74,318,850.04

7. Consolidated Sheet Of Changes In Shareholder's Equity

Unit: RMB Yuan

Item	Amount in current period								Minority shareholders' equity	Owner's equity
	Owner's equity attributable to parent company									
	Capital stock	Capital public reserves	less: treasury stock	Surplus public reserves	General provision for risk	Undistributed profits	Others			
1. Balance at the end of last year	402,600,000.00	485,691,050.47		131,442,909.11		328,731,015.75			1,348,464,975.33	
Add: changes in accounting policies										
Changes in previous errors										
Others										
2. Balance at the beginning of this year	402,600,000.00	485,691,050.47		131,442,909.11		328,731,015.75			1,348,464,975.33	
3. The changes in this year (decrease with "-")						-44,024,185.93			-44,024,185.93	
(1) Total of comprehensive income						-44,024,185.93			-44,024,185.93	
(2) Capital contribution and reduction										
1) Ordinary share										
2) Capital contributed by other equity instrument holders										
3) Share-based payments charged to equity										
4) Others										
(4) Profits distribution										
1) Provision for surplus public reserves										
2) provision for general risks										
3) distribution for owner (shareholders)										
4) others										
(5) interior transference of owner's equity										
1) capital (capital										



stock)transferred by the capital public reserves								
2)capital (capital stock)transferred by the surplus public reserves								
3)loss offset by the surplus public reserves								
4)others								
4. Balance at the end of the current period	402,600,000.00	485,691,050.47		131,442,909.11		284,706,829.82		1,304,440,789.40

Unit: RMB yuan

Item	Amount in previous period								
	Owner's equity attributable to parent company							Minority shareholders' equity	Owner's equity
	Capital stock	Capital public reserves	less: treasure stock	Surplus public reserves	General provision for risk	Undistributed profits	Others		
1.Balance at the end of last year	402,600,000.00	485,691,050.47		131,442,909.11		362,111,029.14		1,381,844,988.72	
Add: changes in accounting policies									
Changes in previous errors									
Others									
2.Balance at the beginning of this year	402,600,000.00	485,691,050.47		131,442,909.11		362,111,029.14		1,381,844,988.72	
3. The changes in this year (decrease with“-”)						-33,380,013.39		-33,380,013.39	
(1) Total of comprehensive income						-33,380,013.39		-33,380,013.39	
(2) Capital contribution and reduction									
1) Ordinary share									
2) Capital contributed by other equity instrument holders									
3) Share-based payments charged to equity									
4) Others									
(4) Profits distribution									



1)Provision for surplus public reserves								
2)provision for general risks								
3)distribution for owner(shareholders)								
4)others								
(5) interior transference of owner's equity								
1)capital (capital stock)transferred by the capital public reserves								
2)capital (capital stock)transferred by the surplus public reserves								
3)loss offset by the surplus public reserves								
4)others								
4. Balance at the end of the current period	402,600,000.00	485,691,050.47		131,442,909.11		328,731,015.75		1,348,464,975.33

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

Unit: RMB yuan

Item	Amount in current period							Minority shareholders' equity	Owner's equity
	Owner's equity attributable to parent company						Undistributed profits		
	Capital stock	Capital public reserves	less: treasure stock	Surplus public reserves	General provision for risk	Undistributed profits			
1.Balance at the end of last year	402,600,000.00	485,678,443.26		131,442,909.11		362,111,029.14		1,381,844,988.72	
Add: changes in accounting policies									
Changes in previous errors									
Others									
2.Balance at the beginning of this year	402,600,000.00	485,678,443.26		131,442,909.11		362,111,029.14		1,381,844,988.72	
3. The changes in this year (decrease with "-")						-33,380,013.39		-33,380,013.39	
(1) Total of comprehensive income						-33,380,013.39		-33,380,013.39	



(2) Capital contribution and reduction								
1) Ordinary share								
2) Capital contributed by other equity instrument holders								
3) Share-based payments charged to equity								
4) Others								
(4) Profits distribution								
1) Provision for surplus public reserves								
2) provision for general risks								
3) distribution for owner (shareholders)								
4) others								
(5) interior transference of owner's equity								
1) capital (capital stock) transferred by the capital public reserves								
2) capital (capital stock) transferred by the surplus public reserves								
3) loss offset by the surplus public reserves								
4) others								
4. Balance at the end of the current period	402,600,000.00	485,678,443.26		131,442,909.11		328,731,015.75		1,348,464,975.33

Unit: RMB yuan

Item	Amount in previous period								
	Owner's equity attributable to parent company							Minority shareholders' equity	Owner's equity
	Capital stock	Capital public reserves	less: treasure stock	Surplus public reserves	General provision for risk	Undistributed profits	Others		
1. Balance at the end of last year	402,600,000.00	485,678,443.26		131,442,909.11		350,783,815.44		1,370,505,167.81	
Add: changes in accounting policies									



Changes in previous errors								
Others								
2. Balance at the beginning of this year	402,600,000.00	485,678,443.26		131,442,909.11		350,783,815.44		1,370,505,167.81
3. The changes in this year (decrease with“-”)						-10,661,018.45		-10,661,018.45
(1) Total of comprehensive income						-10,661,018.45		-10,661,018.45
(2) Capital contribution and reduction								
1) Ordinary share								
2) Capital contributed by other equity instrument holders								
3) Share-based payments charged to equity								
4) Others								
(4) Profits distribution								
1) Provision for surplus public reserves								
2) provision for general risks								
3) distribution for owner (shareholders)								
4) others								
(5) interior transference of owner's equity								
1) capital (capital stock) transferred by the capital public reserves								
2) capital (capital stock) transferred by the surplus public reserves								
3) loss offset by the surplus public reserves								
4) others								
4. Balance at the end of the current period	402,600,000.00	485,678,443.26		131,442,909.11		340,122,796.99		1,359,844,149.36

III. General information

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

The Company’s B shares have been listed on the Shenzhen Stock Exchange since 29 February 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”.

IV. Basis for the preparation of financial statements

1 Basis for the preparation of financial statements

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

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

1 Complying with Accounting Standard for Business Enterprise

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

2 Accounting period

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

3. Operating cycle

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

4 Functional currency

The Group adopts RMB as functional currency.

5 Recording basis and pricing principle

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

6 Business combination

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

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

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

7 Method of preparation of consolidated financial statements

(1) Recognition principle of scope of consolidation

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

(2) Accounting method of consolidated financial statements

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

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

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

8 Cash and cash equivalent

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

9 Translation of foreign currency

(1) Foreign currency transaction

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

(2) Translation of foreign currency financial statements

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

spot exchange rate on the day when the cash flows incur. The amounts resulted from change of exchange rate are presented separately in the cash flow statement.

10 Financial assets and financial liabilities

(1) Financial assets

1) Classification

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

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

c) Held-to-maturity financial assets

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

d) Available-for-sale financial assets

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

2) Recognition and measurement

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

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

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

3) Impairment of financial assets

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

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

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

4) Derecognizing of financial assets

Financial assets are derecognized when: i) the contractual rights to receive the cash flows from the financial assets have expired; or ii) all substantial risks and rewards of ownership of the financial assets have been transferred; or iii) the

control over the financial asset has been waived even if the Group does not transfer or retain nearly all of the risks and rewards relating to the ownership of a financial asset.

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

(2) Financial liabilities

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

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

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

(3) Fair value measurement of financial assets and liabilities

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

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

11 Provision for bad debts of receivables

The Group shall review the carrying amount of receivables fully at the balance sheet date. 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 accure 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	
Accounting aging	Use the accounting aging of the receivables as the credit risk characteristics to classify the portfolio
Related parties	Use the amount characteristics of the receivables , if the transaction party is related parties characteristics need to classify the portfolio
Risk-free	Use the amount characteristics of the receivables, the credit of transaction party, the nature of the amounts and the safeguard mechanism of transaction as characteristics to classify the portfolio

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

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

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

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

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

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

12 Inventories

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

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

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

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

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

13 Long-term equity investment

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

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

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

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

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

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

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

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

14 Fixed asset

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

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

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

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

Classification of fixed assets: Building, machinery, transportation equipment, electronic equipment and others. Measurement of fixed assets: Initial measurement of fixed assets shall be conducted on fixed assets according to the actual cost when obtained, including, the cost of purchased fixed asset including purchase price, value added tax, duty and other related tax and fee, other expenses that bring the fixed asset to the expected conditions for use and that may be relegated to the fixed asset. The cost of a self-constructed fixed asset shall be formed by the necessary expenses incurred for bringing the asset to the expected conditions for use. The cost of fixed asset which was invested by investor should be recorded in accordance with the price stipulated in the contract or agreement, other than those of unfair value as stipulated in the contract or agreement. The cost of fixed assets which is obtained by financial leasing should be measured at the lower one of fair value and the minimum lease payment in the beginning of lease.

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

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

The Company should derecognized fixed asset when the fixed asset has been disposed, or the fixed assets can't generate any future economic benefit through using and disposal. The amount that income resulting from disposal of fixed asset deducts fixed asset's book value and relevant tax shall be recorded in the profit and loss for the current period.

15 Construction in progress

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

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

16 Borrowing costs

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

Duration of capitalization of borrowing cost: When expenditures and borrowing cost are being incurred, and activities that are necessary to put the asset available for use or sale are in progress, the capitalization of borrowing costs as part of the cost of a qualifying asset should commence. Capitalization of borrowing costs should be suspended during extended periods in which active development is interrupted and interruption period last for over 3 month. The borrowing cost incurred during the period should be recognized as expenses and recorded into the profit and loss in the current period. When all the activities for bringing the asset to its intended use or sale are completed, the capitalization of borrowing costs ceases, and the borrowing costs should be recognized as an expense in the period incurred.

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.

17 Intangible assets

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

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

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

18 Impairment of non-financial asset

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

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

Indications of impairment as follows:

(1) During the period, a fair value of the asset in the market has declined significantly, which exceeds the expected decline as time passing or normal use;

(2) Significant changes with an adverse effect on the Group have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated;

(3) Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate applied in calculating an asset's value in use and decrease the asset's recoverable amount materially;

(4) Evidence is available of obsolescence or physical damage of an asset;

(5) The asset has been idle or is becoming idle, discontinued, or plans to dispose of an asset before the previously expected date;

(6) Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected; and

(7) Other evidence indicates impairment of asset.

19 Long-term deferred expenses

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

20 Employee benefits

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

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

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

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

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

21 Contingent liabilities

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

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

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

22 Principle of recognition of revenue

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

- (1) Recognition of revenue from selling good:

- 1) The significant risks and rewards of ownership of the goods have been transferred to the buyer;

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

(2) Recognition of revenue from providing labour services:

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

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

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

23 Government grants

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

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

24 Deferred tax assets and deferred tax liabilities

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

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

25 Lease

The leases of the Group refer to operating lease.

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

26 Accounting treatment method of income tax

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

Tax	Tax base	Tax rate
Value-added tax (VAT)	Sales revenue or Purchase	17%,13%,11%,6%,3%
Business tax	Revenue from property lease, examination fee, surcharge	5%
City construction tax	Value-added tax payables, business tax	7%
Education surcharge	Value-added tax payables, business tax	3%
Local education surcharge	Value-added tax payables, business tax	2%
Enterprise income tax(EIT)	Current period taxable profit	15%
Real estate tax	70% of cost of own property or revenue from leasing property	1.2% or 12%

Land use tax	Land using right area	RMB 6 per square meter
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Notes for tax principles with different EIT rate

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

2. Tax preference

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

27 Segment report

Business segment is confirmed in accordance with governance structure, management requests, internal reporting system, and the Group confirm the report segment on the basis of business segment.

Business segment is a component of the Group that satisfies the following conditions simultaneously: the component can take revenue and expenses; the management level can appraise the operating performance of the component in order to allocation of resource and appraise the performance; and the Group can acquire the financial position, operating performance and cash flow of the component etc.

28 Discontinued operation

Discontinued operation represents the component of the Group that had been disposed or plan to sell, and the component can be separately divided when operating and preparing financial statements. The component shall be disposed partly or wholly in accordance with the Group's plan.

The component of the Group shall be recognized as the component held for selling when satisfying the conditions as below:

- 1) The Group had made a decision on disposal of the component;
- 2) The Group had signed the irrevocably Transfer Agreement with transferee; and
- 3) The transfer shall be finished within one year.

29. Changes in accounting policies, accounting estimates and correction of previous errors

There are no changes in accounting policies, accounting estimates and correction of previous errors

VI. Taxation

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

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

Notes for tax principles with different EIT rate

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

2. Tax preference and approval

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

VII. Notes to consolidated financial statements

1. Cash and cash in bank

Item	Closing Balance	Opening Balance
Cash on hand	333,827.70	372,523.88
Cash in bank	113,607,672.04	78,183,506.68
Other cash and cash equivalents	23,400,000.00	37,759,990.01
Total	137,341,499.74	116,316,020.57

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

2 Notes receivable

(1) Category of notes receivable

Items	2016.06.30	2015.12.31
Bank acceptance notes	112,870,440.17	74,843,528.50
Commercial acceptance notes	63,975,784.09	25,662,475.20
Total	176,846,224.26	100,506,003.70

3 Accounts receivable

(1) Category of accounts receivable

Items	Closing Balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	
Accountsreceivable with individual significant amount and identification separately bad debt provision	12,810,943.69	1.14%	12,810,943.69	100.00%	
Accounts receivable identified bad debt provision based on the characters of credit risk portfolio	1,067,829,852.59	0.96%	44,101,606.05	4.36%	
Accountsreceivable with individual insignificant amount and identification separately bad debt provision	30,991,469.16	2.80%	30,991,469.16	100.00%	
Total	1,111,632,265.44	100.00%	87,904,018.90	7.91%	

(Continued)

Items	Opening balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	
Accountsreceivable with individual significant amount and identification separately bad debt provision	12,810,943.69	1.18%	12,810,943.69	100.00%	
Accounts receivable identified bad debt provision based on the characters of credit risk portfolio	1,038,035,999.46	95.95%	44,102,673.09	4.53%	993,933,326.37
Accountsreceivable with individual insignificant amount and identification separately bad debt provision	30,991,469.16	2.85%	30,991,469.16	100.00%	
Total	1,081,838,412.31	100.00%	87,905,085.94		993,933,326.37

1) Accounts receivable with individual significant amount and identification separately bad debt provision at the end of June 30,2016

Company name	Booking balance	Provision for bad debts	Provision rate (%)	Reasons for provision
A	5,092,669.00	5,092,669.00	100.00%	Broke down
B	3,910,007.43	3,910,007.43	100.00%	A/R with over 5 years aging, unlikely to be collected
C	3,808,267.26	3,808,267.26	100.00%	A/R with over 5 years aging, unlikely to be collected
Total	9,002,676.43	9,002,676.43	—	—

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

Aging	Closing Balance		
	Accounts receivable	Provision for bad debts	Proportion (%)
Within1 year	809,091,481.86	8,090,914.82	1.00%
1 to 2 years	111,813,205.52	5,590,660.28	5.00%



2 to 3 years	50,832,435.38	10,166,487.08	20.00%
Over 3 years	40,507,087.76	20,253,543.88	50.00%
Total	1,012,244,210.52	44,101,606.05	

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

(3) Accounts receivable written off in current period

Item	Written-off Amount
Accounts receivable written off	2,134.08

4 Advances to suppliers

(1) Aging of advances to suppliers

Items	2016.06.30		2015.12.31	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	27,077,091.48	74.33%	21,395,885.05	65.48%
1 to 2 years	3,752,459.60	10.30%	1,883,664.93	5.77%
2 to 3 years	247,994.57	0.68%	5,206,158.32	15.93%
Over 3 years	5,351,336.08	14.69%	4,187,915.47	12.82%
Total	36,428,881.73	--	32,673,623.77	--

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

The total amount of top five significant advances to suppliers categorized by debtors is 19,922,566.83 Yuan, taking the parentage of 54.69% of the closing balance of advances to suppliers.

5. Dividends receivable

(1) Dividends receivable

Company	Closing Balance	Opening Balance
Shanghai ME Mechanical & Electrical Equipment Chain Co., Ltd		240,000.00
Total		240,000.00

6 Other receivables

(1) The categories of other receivable

Items	Closing Balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	
Other receivables identified bad debt provision based on the characters of credit risk portfolio	24,599,803.89	0.89%	1,264,644.60	0.07%	23,335,159.29

Accountsreceivable with individual insignificant amount and identification separately bad debt provision	1,687,122.13	5.27%	1,687,122.13	100.00%	
Total	26,286,926.02	100.00%	2,951,766.73	11.23%	23,335,159.29

(Continued)

Items	Opening Balance				
	Booking balance		Provision		Booking balance
	Amount	%	Amount	%	
Other receivables identified bad debt provision based on the characters of credit risk portfolio	22,727,482.25	0.93%	1,264,644.60	8.31%	21,462,837.65
Accountsreceivable with individual insignificant amount and identification separately bad debt provision	1,687,122.13	6.91%	1,687,122.13	100.00%	
Total	24,414,604.38	100.00%	2,951,766.73		21,462,837.65

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

Aging	Closing Balance		
	Other receivables	Provision for bad debts	Proportion (%)
Within 1 year	13,385,177.48	133,851.77	1.00%
1-2 years	1,415,238.37	70,761.92	5.00%
2-3 years	1,210,546.82	242,109.36	20.00%
Over 3 years	1,635,843.09	817,921.55	50.00%
Total	17,646,805.76	1,264,644.60	

(3) Other receivables categorized by nature

Nature	Closing Balance	Opening Balance
Other receivables	26,286,926.02	24,414,604.38
Total	26,286,926.02	24,414,604.38

7 Inventories

(1) Categories of inventories

Item	2016.06.30			2015.12.31		
	Cost	Provision for decline	Net book value	Cost	Provision for declines	Net book value
Raw materials	142,656,195.54	2,654,008.58	140,002,186.96	136,420,995.34	2,654,008.58	133,766,986.76
Workingin progress	175,101,849.88	602,496.86	174,499,353.02	184,481,338.87	602,496.86	183,878,842.01



Finished goods	771,737,850.71	67,782,949.02	703,954,901.69	821,542,628.29	67,782,949.02	753,759,679.27
Wrappage	4,797,122.27		4,797,122.27	3,869,947.98		3,869,947.98
Total	1,094,293,018.40	71,039,454.46	1,023,253,563.94	1,146,314,910.48	71,039,454.46	1,075,275,456.02

(2) Provision for decline in the value of inventories

Item	Opening Balance	Increase		Decrease		Closing Balance
		Accrual	Other	Reverse/ Written-off	Others transferred	
Raw materials	2,654,008.58					2,654,008.58
Finished goods	602,496.86					602,496.86
Working in progress	67,782,949.02					67,782,949.02
Total	71,039,454.46					71,039,454.46

Accrual for provision for decline in the value of inventories

Item	Basis on recognized convertible net value	Reason for write-off
Raw materials	Materials market price at the end of period	Market price falling
Finished goods	Average sale price of similar product	Falling product unit cost and promote backlogged stock

8 Other current assets

Item	2016.06.30	2015.12.31
VAT to be deducted	4,536,190.23	6,999,716.88
Rental		
Prepaid income tax	1,973,315.90	1,973,315.90
Total	6,509,506.13	8,973,032.78

9. Available-for-sale financial assets

(1) Available-for-sale financial assets

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

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

Name	Booking Balance				Provision				Proportion (%)	Cash dividend
	Opening Balance	Increase	Decrease	Closing Balance	Opening Balance	Increase	Decrease	Closing Balance		



Shanghai ME Mechanical & Electrical Equipment Chain Co., Ltd	2,000,000.00	-	2,000,000.00	-	-	-	-	4.76	240,000.00
Total	2,000,000.00	-	2,000,000.00	-	-	-	-	4.76	240,000.00

10 Fixed assets

(1) Fixed assets by categories

Item	Building	Machinery Equipment	Transportation	Electronic Device	Other Equipment	Total
1. Initial Cost						
(1) Opening Balance	437,178,196.13	1,117,923,351.33	20,025,972.96	65,113,499.42	181,292,058.26	1,821,533,078.10
(2) Increase	975,345.88	55,648,293.66	875,375.91	421,788.50	964,807.92	58,885,611.87
1) Purchase	975,345.88	55,648,293.66	875,375.91	421,788.50	964,807.92	58,885,611.87
2) Transferred from construction-in-progress	677,496.88	56,410.25	71,794.87		0.00	805,702.00
3) Acquired from business combination						
(3) Decrease	0.00	104,476,447.48	1,390,876.92	2,873,244.76	895,469.26	109,636,038.42
1) Disposal		104,476,447.48	1,390,876.92	2,873,244.76	895,469.26	109,636,038.42
(4) Closing Balance	438,153,542.01	1,069,095,197.51	19,510,471.95	62,662,043.16	181,361,396.92	1,770,782,651.55
2. Accumulated Depreciation						
(1) Opening Balance	213,563,140.85	687,481,029.29	15,775,340.86	51,720,694.71	156,431,829.18	1,124,972,034.89
(2) Increase	6,599,355.30	52,206,097.18	1,266,893.77	2,256,682.91	2,532,165.68	64,861,194.84
1) Accrued	6,599,355.30	52,206,097.18	1,266,893.77	2,256,682.91	2,532,165.68	64,861,194.84
2) Other transfer						
(3) Decrease	0.00	33,753,708.20	1,232,638.17	1,875,888.84	28,665.13	36,890,900.34
1) Disposal		33,753,708.20	1,232,638.17	1,875,888.84	28,665.13	36,890,900.34
4) Closing Balance	220,162,496.15	705,933,418.27	15,809,596.46	52,101,488.78	158,935,329.73	1,152,942,329.39
3. Impairment Reserve						
(1) Opening Balance		1,234,431.89	200,000.00		1,159.51	1,435,591.40
(2) Increase						
(3) Decrease		2,700.00				2,700.00
1) Disposal						
(4) Closing Balance		1,231,731.89	200,000.00		1,159.51	1,432,891.40
4. Book Value						
1. Closing book value	217,991,045.86	361,930,047.35	3,500,875.49	10,560,554.38	22,424,907.68	616,407,430.76
2. Opening book value	223,615,055.28	429,207,890.15	4,050,632.10	13,392,804.71	24,859,069.57	695,125,451.81

11 Construction in progress

(1) Details of Construction-in-progress

Item	Closing Balance			Opening Balance		
	Book Balance	Provision		Book Balance	Provision	
Spherical surface bearings new plant	98,386,826.36		98,386,826.36	124,994,399.66		124,994,399.66
Improvement of seven-finished products	79,149,024.85		79,149,024.85	42,161,475.27		42,161,475.27
Improvement of one-finished products	35,208,518.87		35,208,518.87	39,589,942.44		39,589,942.44
Improvement of precision roller branch	25,294,255.36		25,294,255.36	24,819,080.90		24,819,080.90
Dalian industry park project	20,729,890.09		20,729,890.09	20,650,648.09		20,650,648.09
Improvement of Amerauto	4,767,240.49		4,767,240.49	8,827,390.94		8,827,390.94
Improvement of grinding machine	4,353,344.93		4,353,344.93	8,677,462.24		8,677,462.24
Grinding product line	6,775,988.54		6,775,988.54	7,534,651.82		7,534,651.82
Heat treatment product line	7,998,572.50		7,998,572.50	5,166,367.38		5,166,367.38
Improvement of second-finished products	4,470,874.95		4,470,874.95	4,470,874.95		4,470,874.95
Improvement of liaoyang bearing	2,391,715.09		2,391,715.09	3,982,724.88		3,982,724.88
Improvement of plant	3,734,829.95		3,734,829.95	3,734,829.95		3,734,829.95
Improvement of special large branch	3,568,262.29		3,568,262.29	3,448,969.98		3,448,969.98
Crane Project	2,861,762.32		2,861,762.32	2,861,762.32		2,861,762.32
Computer Project	2,646,148.77		2,646,148.77	2,646,148.77		2,646,148.77
Overhaul factory reconstruction	2,610,307.16		2,610,307.16	2,195,185.79		2,195,185.79
Others	23,787,810.51		23,787,810.51	23,870,304.04		23,870,304.04
Total	328,735,373.03		328,735,373.03	329,632,219.42		329,632,219.42

12 Intangible assets

Item	Land use right	software	Total
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1.Initial cost			
1). Opening balance	176,189,727.74	6,135,356.44	182,325,084.18
2).Increase			
(1) Purchase			
(2)Internaldevelopment			
(3) Acquired by company combination			
3). Decrease			
4). Closing balance	176,189,727.74	6,135,356.44	182,325,084.18
2. Amortization			
1). Opening balance	41,037,224.61		5,921,251.48
2).Increase	2,194,753.80		26,334.60
(1)Accrual	2,194,753.80		26,334.60
(2)Transfer into			
3). Decrease			
4). Closing balance	43,231,978.41	5,947,586.08	49,179,564.49
3. Provision for impairment			
1). Opening balance			
2).Increase			
3). Decrease			
4). Closing balance			
4. Book value			
1.Closing Book value	132,957,749.33	187,770.36	133,145,519.69
2.Opening Book value	135,152,503.13	214,104.96	135,366,608.09

13 Long-term deferred and prepaid expenses

Item	2015.12.31	Increase	Amortization	Other decrease	2016.06.30
Right to use premise of Shanghai sales office	589,192.03		33,915.18		555,276.85
Decoration fees	22,164.00		22,164.00		0.00
Total	611,356.03		56,079.18		555,276.85

14 Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets without deduction

Item	Closing Balance		Opening Balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	63,685,949.07	10,062,159.26	63,685,949.07	10,062,159.26

Difference due to depreciation of fixed assets	11,940,720.07	1,791,108.01	11,940,720.07	1,791,108.01
Total	75,626,669.14	11,853,267.27	75,626,669.14	11,853,267.27

(2) Deferred tax liabilities without deduction

Item	Closing Balance		Opening Balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Asset evaluation increment in business combination without the same control	6,589,523.85	988,428.58	6,589,523.85	988,428.58
Total	6,589,523.85	988,428.58	6,589,523.85	988,428.58

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

Item	Closing Balance of deferred tax assets and liabilities with deduction	Closing Balance of deferred tax assets/deferred tax liabilities	Opening Balance of deferred tax assets and liabilities with deduction	Opening Balance of deferred tax assets/deferred tax liabilities
Deferred tax assets		11,853,267.27		11,853,267.27
Deferred tax liabilities		988,428.58		988,428.58

(4) Unrecognized deferred tax assets details

Item	Closing Balance	Opening Balance
Deductible temporary difference	39,005,808.79	39,005,808.79
Deductible loss	271,715,626.48	271,715,626.48
Total	310,721,435.27	310,721,435.27

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

Year	Closing Balance	Opening Balance	Notes
2018	21,053,716.07	21,053,716.07	
2019	166,740,210.42	166,740,210.42	
2020	83,921,699.99	83,921,699.99	
Total	271,715,626.48	271,715,626.48	

15 Short-term loan

(1) Category of short-term loan

Loan category	2016.06.30	2015.12.31
Credit loan	468,000,000.00	385,000,000.00

Total	468,000,000.00	385,000,000.00
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16 Notes payable

Items	2016.06.30	2015.12.31
Commercial acceptance notes	318,900.00	3,086,550.20
Bank acceptance notes	280,200,000.00	324,380,000.00
Total	280,518,900.00	327,466,550.20

17 Accounts payable

(1) Accounts payable

Item	Closing Balance	Opening Balance
Loan	756,558,520.47	755,528,200.42
Project payments	102,592,541.94	103,948,960.02
Other	128,837,238.40	114,008,776.78
Total	987,988,300.81	973,485,937.22

18 Advances from customers

(1) Received in advance

Item	Closing Balance	Opening Balance
Loan	32,089,340.69	44,835,510.10
Total	32,089,340.69	44,835,510.10

19 Employee benefits payable

(1) Category of employee's payables

Item	Opening Balance	Increase	Decrease	Closing Balance
Short-term employee's payable	9,548,956.48	130,031,033.15	130,874,047.63	8,705,942.00
Welfare with deposit and withdrawal plan	9,891,745.32	22,254,189.52	22,290,227.35	9,855,707.49
Total	19,440,701.80	152,285,222.67	153,164,274.98	18,561,649.49

(2) Short-term employee's payables

Item	Opening	Increase	Decrease	Closing
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	Balance			Balance
Salaries, bonus, allowance, and subsidy	631,579.56	98,709,477.88	99,138,368.36	202,689.08
Welfare		9,014,823.32	9,014,823.32	
Social insurance	589,427.33	10,464,411.80	10,497,386.42	556,452.71
Include: Medical insurance	291,857.26	8,956,088.17	8,986,120.17	261,825.26
Industrial injury insurance	226,180.34	1,050,017.09	1,052,424.81	223,772.62
Maternity insurance	71,389.73	458,306.54	458,841.44	70,854.83
Housing funds	2,973,140.95	10,874,238.90	10,986,404.12	2,860,975.73
Labour union and training expense	5,354,808.64	968,081.25	1,237,065.41	5,085,824.48
Total	9,548,956.48	130,031,033.15	130,874,047.63	8,705,942.00

(3) Welfare with deposit and withdrawal plan

Item	Opening Balance	Increase	Decrease	Closing Balance
Pension	9,555,250.03	21,270,619.70	21,303,982.39	9,521,887.34
Unemployment insurance	336,495.29	983,569.82	986,244.96	333,820.15
Total	9,891,745.32	22,254,189.52	22,290,227.35	9,855,707.49

6.20 Taxes payable

Item	Closing Balance	Opening Balance
Value-added tax	3,426,775.73	4,025,060.14
Business tax	0.00	458,152.37
Individual income tax	298,524.32	172,957.42
Enterprise income tax	0.00	6,153.34
City maintenance and construction tax	341,180.25	319,932.74
Real estate tax	313,864.85	310,655.78
Land use tax	53,261.00	252,121.87
Stamp tax	104,020.56	92,079.71
Education surcharge	288,740.44	230,567.80
River toll fee		3,768.13
Others	266,121.76	202,897.93
Total	5,092,488.91	6,074,347.23

21 Interest payable

Item	Closing Balance	Opening Balance
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Interest for short-term loan	1,630,007.00	1,400,000.00
Total	1,630,007.00	1,400,000.00

22 Other payables

Other payables categorized by payments nature

Payments nature	Closing Balance	Opening Balance
Bid security deposits	2,095,575.42	5,075,575.42
Risk deposits from branch manager	21,452,958.00	22,857,703.42
Trademark fees	2,824,012.10	4,931,241.97
Others	114,763,042.16	100,967,926.86
Total	141,135,587.68	133,832,447.67

23 Non-current liabilities due within one year

(1) Non-current liabilities due within one year

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

24 Other non-current liabilities

Item	Closing Balance	Opening Balance
Government subsidy within 1 year	4,651,103.83	4,411,103.83
Total	4,651,103.83	4,411,103.83

Government subsidy

Project	Opening Balance	Increase	Recorded into non-operation income	Other Change	Closing Balance	Related with asset/equity
Technology subsidy from province	737,000.00	-	368,500.00	368,500.00	737,000.00	asset
Dalian sub-factory remove subsidy	2,704,235.83	-	1,352,117.94	1,352,117.94	2,704,235.83	asset
Intelligent equipment manufacturing development specific subsidy	400,000.00	-	200,000.00	200,000.00	400,000.00	asset
High-end bearing improvement project	472,320.00	-	236,160.00	236,160.00	472,320.00	asset
Liaoyang Bearing Industry subsidy	97,548.00	-			97,548.00	asset

Project	Opening Balance	Increase	Recorded into non-operation income	Other Change	Closing Balance	Related with asset/equity
subsidy from heavy axle load wagon			1,125,308.18	1,365,308.18	240,000.00	asset
Total						—

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

25 Long-term loan

(1) Category of long-term loan

Category	2016.06.30	2015.12.31
Assurance loan	140,000,000.00	90,000,000.00
Credit loan	90,000,000.00	90,000,000.00
Total	230,000,000.00	180,000,000.00

26 Long-term payables

(1) Long-term payables categorized by payments nature

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

27 Special payables

Items	Opening Balance	Increase	Decrease	Closing Balance	Formation Basis
Special pollution treatment	221,698.98	-	-	221,698.98	Granted by Wafangdian Bureau of Finance and Wafangdian Bureau of Environment Protection with approval with “WaCaiZhi Qi No. [2004]217”
Informatization Construction	100,000.00	-	-	100,000.00	Dalian Financial Bureau and Municipal Office of Economic and Information Technology Committee with approval with “Da CaiZhi Qi No. [2012]917” and “Da Jing Xin Fa No. [2012]199”
Total	321,698.98	-	-	321,698.98	

28 Other non-current liabilities

(1) Category of deferred income

Item	Opening Balance	Increase	Decrease	Closing Balance	Formation Basis
Government subsidy	46,650,196.82		3,525,848.68	43,124,348.14	
Total	46,650,196.82		3,525,848.68	43,124,348.14	

(2) Government subsidy

Government subsidy item	Opening Balance	Increase	Recorded into non-operation income	Other Change	Closing Balance	Related with asset/equity	Related with asset/equity
Liaozhou Industry development subsidies	4,389,660.00			0.00	4,389,660.00	4,389,660.00	asset
Technology subsidy from province	736,999.97			368,500.00	368,499.97	736,999.97	asset
Compensation for Da Lian plants moving	32,450,829.84			1,352,117.94	31,098,711.90	32,450,829.84	asset
Development of intelligent manufacturing equipment subsidies	3,200,000.00			200,000.00	3,000,000.00	3,200,000.00	asset
Improvement of high-end bearing production subsidies	2,833,920.00			236,160.00	2,597,760.00	2,833,920.00	asset
Interest subsidy of grand axle load	2,400,000.00			1,365,308.18	1,034,691.82	2,400,000.00	asset
Construction of workshop for technology masters subsidy	638,787.01		3,762.56		635,024.45	638,787.01	asset
Total	46,650,196.82		3,762.56	3,522,086.12	43,124,348.14	46,650,196.82	

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

- (1) A: Deferred income: the RMB 4,877,400.00 of “Industry development subsidies” is distributed by the Liaoyang Economic and Development district Bureau of Finance in 2013. The grant is related to land and amortized over 50 years in accordance with land amortization criteria.
- (2) B: Deferred income: the improvement subsidy is the railway transportation bearing technologic improvement subsidy with total amount of RMB 7,370,000.00 granted by Bureau of Finance Liaoning province in 2008. The subsidy related to asset should be deferred over the useful life of 10 years.

- (3) C: Deferred income: the compensation for plants moving is RMB 59,820,000.00 granted from Dalian government-owned assets investment and operating Co., Ltd in 2011. And the amount of making up for the removal loss of the current period is RMB 11,143,755.05; The rest of 48,676,244.95 are recognized as the removal compensation related with assets, which is amortized 18 years, according to the new fixed assets formed after the Dalian branch removal.
- (4) D: Deferred income: the RMB 4,000,000.00 of development of intelligent manufacturing equipment subsidy is distributed by Dalian City Finance Bureau in 2012. The subsidies are used in the project "Grinding vehicle integration and processing digitalization". Currently, the equipment has been used for production manufacturing and grant is amortized over 10 years.
- (5) E: Deferred income: the RMB 4,723,200 interest subsidy of "Improvement of bearing base in high-end equipment sector" is distributed by Wafangdian Finance Bureau in 2013 for the year of 2011. The subsidy is specially used to improve the project of improvement of bearing base in high-end equipment sector. The item is amortized within 10 years.
- (6) F: Deferred income: the RMB 2,400,000.00 interest subsidy of "Axle box and bearing technology improvement of grand axle load railway carriages" is granted by Wafangdian Finance Bureau in 2014. The subsidy is now in processing the project "Axle box and bearing technology improvement of grand axle load railway carriages". This project is still in the progress and is expected to be completed for inspection in 2016.
- (7) G: Deferred income: the 700,000.00 RMB of the construction of workshop for technology masters subsidy is granted by Dalian Finance Bureau in 2014 according to "Da Cai She (Zhuan) No. [2013]26", "Da Cai She (Zhuan) No. [2013]37", "Da Cai She (Zhuan) No. [2013]45", "Da Cai She (Zhuan) No. [2014]27", and "Da Cai She (Zhuan) No. [2014]32". No assets are established yet so far, the grant has been booked into non-operating income.

29 Share capital

Shareholders name/category	2015.12.31		Change for current period					2016.06.30	
	Amounts	%	Issuing new shares	Distributing shares	Transferring capital reserves to share capital	Others	Subtotal	Amounts	%
Total shares	402,600,000.00	100.00	—	—	—	—	—	402,600,000.00	100.00

30 Capital reserves

Items	2015.12.31	Increase	Decrease	2016.06.30
Share premium	201,956,446.52			201,956,446.52
Other capital reserves	283,734,603.95			283,734,603.95
Total	485,691,050.47			485,691,050.47

31 Surplus reserves

Items	2015.12.31	Increase	Decrease	2016.06.30
Statutory surplus reserve	110,852,290.20			110,852,290.20
Discretionary surplus reserve	20,590,618.91			20,590,618.91
Total	131,442,909.11			131,442,909.11

32 Undistributed profit

Item	This period	Last period
Closing balance before adjustment	328,731,015.75	362,111,029.14
Opening balance after adjustment	328,731,015.75	362,111,029.14
Add: Current net profit attributable to shareholders of parent company	-44,024,185.93	-33,380,013.39
Closing balance of	284,706,829.82	328,731,015.75

33 Operating revenue & cost

Items	This period		Last period	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Revenue from main operation	1,022,552,099.60	944,790,304.30	1,067,217,904.74	970,528,875.41
Revenue from other operation	102,902,932.38	98,811,722.39	100,875,774.60	97,980,386.16
Total	1,125,455,031.98	1,043,602,026.69	1,168,093,679.34	1,068,509,261.57

34 Operating taxes and surcharges

Items	This period	Last period
Business tax	217,909.95	168,576.54
City construction tax	2,620,938.60	3,380,286.62
Education surcharge	1,844,718.24	2,452,340.24
Other	11,784.65	
Total	4,695,351.44	6,001,203.40

35 Selling expenses

Items	This period	Last period
Transportation expense	30,956,962.62	41,134,466.75
Employee benefit	17,531,901.82	18,073,440.55
Travel expense	7,641,428.07	8,924,402.37
Conference expense	4,375,408.70	2,399,555.14
Trademark use fee	2,000,000.00	2,000,000.00
Other expense	22,236,984.67	26,056,390.58

Total	84,742,685.88	98,588,255.39
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36 Administrative expenses

Items	This period	Last period
Employee benefit	16,327,231.64	16,574,731.01
Tax expense	4,217,328.76	4,092,368.48
Technology development expense	2,713,800.00	3,012,053.45
Intangible assets amortization	2,221,088.40	2,470,380.54
Guide and firefighting expense	1,647,500.00	1,372,500.00
Depreciation expense	1,199,666.57	1,453,558.98
Business entertaining expense	305,960.70	363,178.10
Travel expense	440,495.52	499,658.13
Other expense	7,573,105.97	10,229,490.24
Total	36,646,177.56	40,067,918.93

37 Financial expenses

Items	This period	Last period
Interest expenses	17,700,659.58	21,883,652.63
Less: interest income	131,402.31	293,769.45
Add: Exchange losses	-5,015,729.40	30,814.35
Add: Others expenditure	-162,786.15	-965,669.73
Total	12,390,741.72	20,655,027.80

38 Assets impairment losses

Items	This period	Last period
Loss of bad debts	1,067.04	15,463.61
Total	1,067.04	15,463.61

39 Non-operating income

(1) Non-operating income list

Item	This period	Last period	Amounts recognized into current non-recurring profit or loss
Gains on disposal of non-current assets	4,649,046.02	957,589.72	4,649,046.02
Including: gains on disposal of fixed assets	4,649,046.02	957,589.72	4,649,046.02
Income from debt restructuring	2,695,634.43	3,325,164.04	2,695,634.43
Government grants	5,575,349.68	2,497,040.93	5,576,169.68
Penalty income	1,057,551.00	6,649.49	1,057,551.00

Others	26,691.99	107,855.90	25,871.99
Total	14,004,273.12	6,894,300.08	14,004,273.12

(2) Government grants list

Government subsidy item	Opening Balance	Closing Balance	Related with asset/equity
Technology subsidy from province	368,500.00	368,500.00	Related with asset
Compensation for plants moving	1,352,117.94	1,306,617.94	Related with asset
Improvement of high-end bearing production subsidies	236,160.00	236,160.00	Related with asset
Exhibition subsidy		20,050.00	Related with equity
Technical research and development subsidy		350,000.00	Related with equity
Interest subsidy of grand axle load	1,125,308.18		Related with asset
Development of intelligent manufacturing equipment subsidies	200,000.00	200,000.00	Related with asset
Construction of workshop for technology masters subsidy	3,762.56	15,712.99	Related with equity
Speical subsidies for export stimulation funds	459,501.00		Related with equity
Subsidy from bureau of finance	1,580,000.00		Related with equity
Industry technical research subsidies	250,000.00		Related with equity
Total	5,575,349.68	2,497,040.93	

40 Non-operating expenses

Item	This period	Last period	Amounts recognized into current non-recurring profit or loss
Loss on disposal of non-current assets	78,416.68	240,546.34	78,416.68
Including: Loss on disposal of fixed assets	78,416.68	240,546.34	78,416.68
Loss from debt restructuring	723,115.84	138,947.37	723,115.84
Penalty loss	650.00	10,000.00	650.00
Others	603,258.18	84,572.29	603,258.18
Total	1,405,440.70	474,066.00	1,405,440.70

41 Income tax expenses

(1) Income tax expenses

Items	This period	Last period
Current income tax expenses		264,036.88
Total		264,036.88

(2) Adjustment for profit and income tax expenses

item	amount
Total profit	-44,024,185.93

42 Notes to cash flow statement

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

1) Other cash received relating to operating activities

Items	This period	Last period
Other cash received relating to operating activities	3,957,803.39	1,986,184.06
Total	3,957,803.39	1,986,184.06

2) Other cash paid relating to operating activities

Items	This period	Last period
Other cash paid relating to operating activities	56,508,192.96	62,837,599.68
Total	56,508,192.96	62,837,599.68

3) Other cash received relating to financial activities

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

4) Other cash paid relating to financial activities

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

43 Supplementary information of consolidated cash flow statement

Items	This period	Last period
1. Adjusting net profit into cash flows of operating activities:		
Net profit	-44,024,185.93	-59,587,254.16
Add: Provision for impairment of assets	1,067.04	15,463.61
Depreciation of fixed assets	64,861,194.84	43,773,526.92
Amortization of intangible assets	2,221,088.40	2,470,380.54
Amortization of long-term deferred expenses	56,079.18	78,249.18

Losses on disposal of fixed assets, intangible assets, and long-term assets (income listed with"-")	-4,570,629.34	-717,043.38
Financial expense (income listed with"-")	12,390,741.72	20,655,027.80
Investment loss (income listed with"-")		
Decrease of inventory (increase listed with"-")	-52,021,892.08	-52,131,204.86
Decrease of operating receivables (increase listed with"-")	-95,261,292.96	-79,538,779.90
Increase of operating payables (decrease listed with"-")		
other	107,958,163.98	139,716,479.91
Net cash flows arising from operating activities	-8,389,665.15	14,734,845.66

2. Significant investment and financing activities unrelated to cash income and expenses

3. Net increase (decrease) of cash and cash equivalent

Ending balance of cash	113,941,499.74	82,465,558.09
Less: Opening balance of cash	78,556,030.56	143,399,164.66
Net increase of cash and cash equivalent	35,385,469.18	-60,933,606.57

(3) Cash and cash equivalents

Items	This period	Last period
Cash	113,941,499.74	78,556,030.56
Closing balance of cash and cash equivalents	113,941,499.74	78,556,030.56

VIII. Equity of Other Entities

1. Equity of subsidiaries

(1) Organization structure of group company

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

IX Risk Related to Financial Instrument

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

monitor these risks exposure and control these risks under certain risk level.

1. Objectives and policies of each risk management

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

(1) Market risk

1) Currency risk

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

2) Interest risk

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

(2) Credit risk

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

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

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

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

(3) Liquidity risk

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

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

The Group's main financial resources come from bank loan. By the date of 31 December, 2015, the unencumbered bank loan credit is 2.14 billion Yuan.

X. Disclosure of Fair Value

XI Related Parties Relationship and Transactions

1 Parent company and ultimate controller

Parent company	Registered address	Business nature	Registered capital	Shareholding percentage (%)	Voting power percentage (%)
Wazhou Group	No. 1 North Gongji Street, Wafangdian City, Dalian	Manufacture and sales of bearing and other equipments	413,793,100.00	60.61	60.61

(2). Subsidiaries

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

2 Other related parties

Name of related party	Related party relationship
Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Precision Steel Ball Company	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Exact Forge Ltd.,	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group Precision Turnplate Bearing Ltd	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group Exact Transmission Bearing Co., Ltd	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group Equipment Technology Project Co., Ltd.	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group Special Precision Bearing Co., Ltd.	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group National Bearings Engineering Research Centre Co., Ltd	Other entity controlled by the same parent company and ultimate controlling party
Dalian North Metal Materials Trade Centre Co., Ltd	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group (USA) Bearing CO., Ltd.	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Group High-end auto bearing CO., Ltd.	Other entity controlled by the same parent company and ultimate controlling party
Wazhou Tong Da Bearing Manufacturing Co., Ltd	Other entity controlled by the same parent company and ultimate controlling party
Dalian GONA Wazhou Auto Bearings Co., Ltd	Other related party
Dalian Wazhou Jinzhou Machinery Co., Ltd	Other related party
Dalian WazhouFengyuan Machinery Co., Ltd	Other related party

3 Related party transactions

(1) Purchase of goods

Related party type and company	Content	Amount in report period	Approval amount	More than the approved amount or not	Amount in last period
Wazhou Precision Steel Ball Company	Purchase of goods	2,568,074.54	3,000,000.00	No	2,725,471.71
Wazhou Exact Forge Ltd.,	Purchase of goods	80,928,801.62	200,000,000.00	No	94,883,662.09
Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd	Purchase of goods	7,600,761.94	15,000,000.00	No	19,861,528.90
Wazhou Group Precision Turnplate Bearing Ltd	Purchase of goods	29,594,210.30	50,000,000.00	No	79,575,288.50
Wazhou Group Exact Transmission Bearing Co., Ltd	Purchase of goods	45,035,862.80	95,000,000.00	No	37,937,403.92
Wafangdian Tongda Bearing Manufacturing Co., Ltd.	Purchase of goods	25,311,327.78	70,000,000.00	No	18,877,936.00
Wazhou Group Equipment Technology Project Co., Ltd.	Purchase of goods	12,609,205.58	30,000,000.00	No	15,673,365.23
Dalian GONA Wazhou Auto Bearings Co., Ltd	Purchase of goods	17,547,926.50	40,000,000.00	No	20,401,779.48
Dalian Wazhou Fengyuan Machinery Co., Ltd	Purchase of goods	44,082,609.39	100,000,000.00	No	43,801,272.14
Dalian Wazhou Jinzhou Machinery Co., Ltd	Purchase of goods	41,477,674.50	95,000,000.00	No	55,427,499.53
Wazhou Group	Purchase of goods	73,888,995.00	160,000,000.00	No	29,500,397.79

(2) Sales of goods

Related party type and company	Content	This period	Last period
Wazhou Group	Sales of goods	17,882,786.55	524,942.00
Wazhou Steel Ball Company	Sales of goods	758,255.81	438,013.51
Wazhou Exact Forge Ltd.	Sales of goods	80,988,022.23	88,452,666.21
Dalian Wazhou Manufacturing Equipment Co., Ltd	Sales of goods	552,337.25	761,089.22
Wazhou Group Turnplate Bearing Ltd	Sales of goods	307,525.77	395,923.38
Wazhou Group Exact Transmission Bearing Co., Ltd	Sales of goods	14,527,459.89	8,200,007.98
Wazhou Group Special Precision Bearing Co., Ltd.	Sales of goods	1,454,091.21	1,596,963.99
Dalian Wazhou Jinzhou Machinery Co., Ltd	Sales of goods	325,157.89	299,558.77
Wazhou Group (USA) Bearing CO., Ltd.	Sales of goods	47,514,626.52	84,387,819.12
Wafangdian Tongda Bearing Manufacturing Co., Ltd.	Sales of goods	115,769.90	250,351.68
Wazhou Group High-end auto bearing CO., Ltd.	Sales of goods	3,782,649.18	
Wazhou Steel Ball Company	Provideing service	447,879.20	776,046.02
Wazhou Group Exact Transmission Bearing Co., Ltd	Provideing service	444,777.79	577,433.61
Wazhou Group Special Precision Bearing Co., Ltd.	Provideing service	180,012.65	172,678.01
Dalian Wazhou Jinzhou Machinery Co., Ltd	Provideing service	48,488.29	122,870.03
Wafangdian Tongda manufacture Co., Ltd	Provideing service		57,327.35

4 Assets rent out

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

5 Related party assets transfer and debt structure reconstruction

Related party	Type of transaction	Amount in the report period	Amount in the last period
Wazhou Group	assets transfer	10,943,000.00	
Wazhou Group Equipment Technology Project Co., Ltd.	debt structure reconstruction	164,634.20	
Dalian Wazhou Manufacturing Equipment Co., Ltd	debt structure reconstruction	20,150.00	

6. Balances with related parties

(1) Accounts receivable due from related parties

Item	Related party	Closing Balance		Opening Balance	
		Book Balance	Provision	Book Balance	Provision
Accounts receivable	Wazhou Group	6,903,361.61		6,903,361.61	
Accounts receivable	Wazhou Group Special Precision Bearing Co., Ltd	9,107,540.97		8,421,176.40	
Accounts receivable	Wazhou Group (USA) Bearing CO., Ltd.	35,742,461.41		48,281,914.32	
Accounts receivable	Wazhou Group Exact Transmission Bearing Co., Ltd	104,803.24		104,803.24	
Accounts receivable	Dalian WazhouFengyuan Machinery Co., Ltd	12,295.63			
Accounts receivable	Wazhou Group High-end auto bearing CO., Ltd.	3,715,179.21			
Prepaid	Wazhou Group High-end auto bearing CO., Ltd.	6,956,433.86			
Prepaid	Dalian Wazhou Manufacturing Equipment Co., Ltd			40,853.62	

(2) Accounts payable due from related parties

Item	Related party	Closing Balance	Opening Balance
Accounts payable	Dalian Wazhou Manufacturing Equipment Co., Ltd	32,630,839.08	37,230,732.63
Accounts payable	Wazhou Steel Ball Company	2,876,185.21	4,099,619.68
Accounts payable	Wazhou Group	18,764,171.56	5,723,806.00
Accounts payable	Wazhou Exact Forge Ltd.	9,651,538.76	30,763,439.55
Accounts payable	Wazhou Group Turnplate Bearing Ltd	39,958,061.95	9,451,169.77



Accountspayable	Wazhou Group Exact Transmission Bearing Co., Ltd	47,919,391.19	73,147,036.86
Accounts ayable	Dalian Wazhou Jinzhou Machinery Co., Ltd	25,027,287.08	18,007,755.48
Accounts ayable	Dalian WazhouFengyuan Machinery Co., Ltd	22,778,990.48	10,024,155.08
Accounts ayable	Wazhou Group Equipment Technology Project Co., Ltd.	19,806,900.50	12,482,589.73
Accounts ayable	Wafangdian Tongda manufacture Co., Ltd	32,115,656.73	27,932,114.26
Accounts ayable	Wazhou Group (USA) Bearing CO., Ltd.		484,765.77
Accounts ayable	Wazhou Group Special Precision Bearing Co., Ltd.		395,708.76
Accounts ayable	Dalian GONA Wazhou Auto Bearings Co., Ltd	20,664,595.49	17,871,582.98
Other payables	Wazhou Group	15,178,004.31	21,234,927.86
Other payables	Dalian Wazhou Manufacturing Equipment Co., Ltd		358,588.45
Other payables	Wazhou Group Equipment Technology Project Co., Ltd.	952,000.00	952,000.00
	Wazhou Group (USA) Bearing CO., Ltd.		37,444.44

7. Contingency

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

XII. Share-Based Payment

XIII. Commitment and Contingency

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

XIV. Events after the Balance Sheet Date

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

XV. Other Significant Events

1. Debt restructuring

In this report period, the Company has signed the 'Debt Restructuring Agreement' with the customers, through cash reimbursement less than the debt-equity carrying value, and implemented the restructuring, which lead to the debt restructuring losses RMB723,115.84Yuan, and were recognized into non-operating expenses.

In this report period, the Company has signed the 'Debt Restructuring Agreement' with the creditors, through cash or bank notes reimbursement less than the debt-equity carrying value, and implemented the restructuring, which lead to the debt restructuring income RMB2,695,634.43Yuan and were recognized into non-operating revenue.

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

1 Accounts receivable

(1) Accounts receivable category

Items	2016.06.30			
	Booking balance		Provision	
	Amount	%	Amount	%
Accounts receivable with significant individual amount and separate bad debt provision	7,718,274.69	0.67%	7,718,274.69	100.00%
Accounts receivable with bad debt provision based on the characters of credit risk portfolio	1,103,970,903.58	0.97%	44,005,723.81	4.26%
Accounts receivable with insignificant individual amount and separate bad debt provision	22,131,211.74	1.93%	22,131,211.74	100.00%
Total	1,133,820,390.01	100.00%	73,855,210.24	

(Continued)

Items	2015.12.31			
	Booking balance		Provision	
	Amount	%	Amount	%
Accounts receivable with significant individual amount and separate bad debt provision	7,718,274.69	0.71%	7,718,274.69	100.00%
Accounts receivable with bad debt provision based on the characters of credit risk portfolio	1,064,640,574.39	97.27%	44,006,790.85	4.53%
Accounts receivable with insignificant individual amount and separate bad debt provision	22,131,211.74	2.02%	22,131,211.74	100.00%
Total	1,094,490,060.82	100.00%	73,856,277.28	

1) Individually significant amounts of accounts receivable accrued the bad debt provision separately at the end of June 30,2016

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

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

Aging	Closing Balance		
	Accounts receivable	Provision for bad debts	Proportion (%)
Within 1 year	831,527,165.28	8,315,271.65	1.00%
1-2 years	111,073,673.73	5,553,683.69	5.00%
2-3 years	48,924,390.30	9,784,878.06	20.00%
3-4 years	40,703,780.82	20,351,890.41	50.00%
Total	1,032,229,010.13	44,005,723.81	

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

(3) Accounts receivable written off in current period

Item	Written-off Amount
Accounts receivable written off	2,134.08

2 Other receivables

2. Other receivables

(1) The category of other receivables

Items	Closing Balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	
Other receivables identified bad debt provision based on the characters of credit risk portfolio	21,610,358.03	0.88%	1,037,522.18	0.05%	20,572,835.85
Other receivables with insignificant individual amount and separate bad debt provision	1,512,562.13	5.24%	1,512,562.13	100.00%	
Total	23,122,920.16	100.00%	2,550,084.31		20,572,835.85

(Continued)

Items	Opening Balance				Booking balance
	Booking balance		Provision		
	Amount	%	Amount	%	
Other receivables identified bad debt provision based on the characters of credit risk portfolio	20,717,217.52	76.60%	1,037,522.18	7.85%	19,679,695.34
Other receivables with insignificant individual amount and separate bad	1,512,562.13	6.80%	1,512,562.13	100.00%	

debt provision				
Total	22,229,779.65	100.00%	2,550,084.31	19,679,695.34

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

Aging	Closing Balance		
	Other receivables	Provision for bad debts	Proportion (%)
Within 1 year	12,359,088.23	123,590.88	1.00%
1-2 years	935,907.95	46,795.40	5.00%
2-3 years	692,037.93	138,407.59	20.00%
3-4 years	1,457,456.61	728,728.31	50.00%
Total	15,444,490.72	1,037,522.18	

(2) Other receivables categorized by nature

Nature	Closing Balance	Opening Balance
Other receivables	23,122,920.16	22,229,779.65
Total	23,122,920.16	22,229,779.65

3 Long-term equity investments

(1) Category of long-term equity investments

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

(2) Investments into subsidiaries

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

Bearings(Wafangdian)Co., Ltd					
Total	211,583,897.67			211,583,897.67	

4 Operating revenue and cost

Item	This period		Last period	
	Revenue	Cost	Revenue	Cost
Revenue from main operation	1,045,680,912.95	974,858,913.33	1,105,704,985.20	1,013,477,311.71
Revenue from other operation	93,470,653.82	91,153,250.73	102,017,182.39	99,888,620.17
Total	1,139,151,566.77	1,066,012,164.06	1,207,722,167.59	1,113,365,931.88

XVII Supplementary Information to the Financial Statements

1. Non-operating profit or loss

Items	Amount	Notes
Gain or loss from disposal of non-current assets	4,570,629.34	
Government grants recorded into profit or loss during current period	5,575,349.68	
Profit or loss from debts restructuring	1,972,518.59	
Others non-operating revenue and expense besides the above items	480,334.81	
Effect from income tax	1,359,545.06	
Total	11,239,287.36	

2. Return on equity and earnings per share

Profit of report period	Weighted average return on net assets (%)	Earnings per share (EPS)	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of parent company	-3.32%	-0.11	-0.11
Net profit after deducting non-recurring gains and losses attributable to shareholders of parent company	-4.17%	-0.1373	-0.1373

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

Chapter X. List of reference documents

List of reference documents

1. The 2016 mid-year Accounting statements which is with the signatures and seals of the legal representative, finance controller and the director of accounting department of the Company.
2. Original documents and notices of the Company disclosed in newspapers designated by the Security Supervisory Committee of China in report period.

