



Wafangdian Bearing Company Limited
2020 Annual Report

2021-10

April 23, 2021

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

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

Chairman Mr.Liu Jun,General Accountant Ms. Sun Najuan and accounting charger Ms. Zhang Yajing declare: guarantee the truth and completeness of the financial report in the annual report.

All directors attended the Board meeting and discussed the report.

Forward-looking statements relating to future prospects and plans in the current annual report,The above business plan and business target do not represent the company's profit forecast for 2021. Whether it can be realized depends on the change of market conditions, the efforts of the management team and other factors. There are great uncertainties and they do not constitute the company's substantial commitment to investors.

In the fourth section of this report, "Discussion and Analysis of Business Situation", "IX. Prospects for the future development of the company", the company describes in detail the possible risks and countermeasures in the company's business operation. Please pay attention to the relevant contents.

The company plans not to distribute cash dividends, not to send bonus shares, not to reserve fund to increase capital.

Table of Contents

| | |
|--|-----|
| <u>Chapter I. Important Prompts, Table of Contents, and Definitions</u> | 2 |
| <u>Chapter II. Company Profile and Financial Highlights</u> | 5 |
| <u>Chapter III Business Summary</u> | 7 |
| <u>Chapter IV Discussion and Analysis of the Management</u> | 8 |
| <u>Chapter V Significant Events</u> | 15 |
| <u>Chapter VI. Changes in Shares and Particulars about the Shareholders</u> | 22 |
| <u>Chapter VII. About the Preferred Shares</u> | 29 |
| <u>Chapter VIII. Convertible corporate bonds related information</u> | 29 |
| <u>Chapter IX Directors, Supervisors, Senior Management and Staff</u> | 29 |
| <u>Chapter X. Corporate Governance</u> | 35 |
| <u>Chapter XI. bonds related information</u> | 40 |
| <u>Chapter XII. Financial Report</u> | 41 |
| <u>Chapter XIII. List of Documents Available for Inspection</u> | 156 |

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 1,2020 - December 31,2020 |
| Liaozhou Co.,Ltd | Defined as | Wazhou Liaoyang Bearing Manufacture Co.,Ltd |
| Dalian motor | Defined as | Dalian motor Bearing Co.,Ltd |
| The Board of Directors | Defined as | Wafangdian Bearing Company Limited The Board of Directors |
| The Supervisory Committee | Defined as | Wafangdian Bearing Company Limited The Supervisory Committee |
| Wafangdian Bearing Company Limited | Defined as | Wafangdian Bearing Company Limited The Shareholders' Meeting |
| Shen Jiao Suo | Defined as | Shen Zhen Stock Exchange |
| SRC | Defined as | China Securities Regulatory Commission |

Chapter II. Company Profile and Financial Highlights

I. Company Information

| | | | |
|--|--|-------------|--------|
| Abbreviated name of the stock | Wazhou B | Stock code: | 200706 |
| Listing location of the Company's stock: | Shenzhen Stock Exchange | | |
| Chinese name of the Company | 瓦房店轴承股份有限公司 | | |
| Abbreviation of Chinese name | 瓦轴股份公司 | | |
| English name of the Company | Wafangdian Bearing Company Limited | | |
| Abbreviation of English name | WBC | | |
| Legal representative of the Company | Liu Jun | | |
| 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 | 0411-62198008 | 0411-62198236 |
| Fax | 0411-62198333 | 0411-62198333 |
| E-mail | zwz2308@126.com | zwz2308@126.com |

III. Place for information disclosure

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

IV. Change of Business Registration

| | |
|--------------------------------------|--------------------|
| No. of Taxation Registration | 912102002423997128 |
| Change of main business since listed | None |

| | |
|--|------|
| Change of controlling shareholder all previous(if any) | None |
|--|------|

V. Other relevant information

The accounting firm employed by the company

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

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

Applicable Inapplicable

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

Applicable Inapplicable

VI. Main accounting data and financial indicators

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

Yes No

| | 2020 | 2019 | Compare with last year(+/-) | 2018 |
|--|--------------------|--------------------|---|--------------------|
| Operating income (yuan) | 1,859,176,415.58 | 1,855,489,141.65 | 0.20% | 2,168,398,656.83 |
| Net profit attributable to shareholders of the listed company (yuan) | -380,228,430.56 | -123,201,977.73 | 208.62% | 10,632,169.84 |
| Net profit attributable to shareholders of the listed company after deducting non-recurring profit and loss (yuan) | -390,440,462.25 | -135,336,054.17 | 188.50% | -8,737,823.23 |
| Net cash flow from operating activities (yuan) | 61,224,927.73 | 157,914,340.86 | -61.23% | 228,603,893.98 |
| Basic earnings per share (yuan/share) | -0.94 | -0.31 | 203.23% | 0.03 |
| Diluted earnings per share (yuan/share) | -0.94 | -0.31 | 203.23% | 0.03 |
| Weighted average return on equity | -36.69% | -9.34% | -27.35% | 0.77% |
| | At the end of 2020 | At the end of 2019 | More or less at the end of this year than at the end of the previous year | At the end of 2018 |
| Total assets (yuan) | 3,133,942,842.94 | 2,961,477,469.55 | 5.82% | 3,298,167,332.49 |
| Net assets attributable to shareholders of the listed company (yuan) | 814,004,967.89 | 1,226,441,398.45 | -33.63% | 1,380,023,044.55 |

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

Yes No

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

Yes No

| item | 2020 | 2019 | note |
|--|------------------|------------------|--------------------------------------|
| Operating Income (Yuan) | 1,859,176,415.58 | 1,855,489,141.65 | Revenue within the scope of business |
| Amount of Deduction from Operating Income (Yuan) | 265,479,347.01 | 224,458,385.48 | See the detail |
| Amount of Business Income after Deduction (Yuan) | 1,593,697,068.57 | 1,631,030,756.17 | No deductions |

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

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

Applicable Inapplicable

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

Applicable Inapplicable

VIII. Financial Data Summary based on Quarters

In RMB Yuan

| | In the first quarter | In the second quarter | In the third quarter | In the fourth quarter |
|--|----------------------|-----------------------|----------------------|-----------------------|
| Operating revenue | 475,596,504.32 | 481,942,896.10 | 439,006,040.14 | 462,630,975.02 |
| Net profit attributable to the Company's shareholders | 3,072,545.00 | 4,698,522.43 | -18,609,107.09 | -369,390,390.90 |
| Net profit attributable to the Company's shareholders less the non-recurring profit and loss | 53,267.40 | 6,140,303.38 | -21,897,768.34 | -374,736,264.69 |
| Net cash flows arising from operating activities | -40,453,537.22 | 5,717,418.08 | 138,166,380.02 | -42,205,333.15 |

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

Yes No

IX. Non-recurring gain/loss items and amounts

Applicable Inapplicable

In RMB Yuan

| item | Amount of 2020 | Amount of 2019 | Amount of 2018 | instructions |
|--|----------------|----------------|----------------|-------------------------------|
| Gains and losses on disposal of non-current assets (including charge-off portion of impairment provisions for assets already provided) | -1,221,382.96 | 1,662,685.28 | 1,714,192.31 | Disposal of fixed assets, etc |
| Government subsidies included in current profits and losses (except government subsidies that are closely related to the business of the enterprise and enjoy in accordance with the unified national standard quota or quantitative amount) | 9,520,190.48 | 9,474,928.76 | 8,337,141.38 | |

| | | | | |
|--|---------------|---------------|---------------|----|
| Debt restructuring gains and losses | 1,226,811.33 | -2,753,960.82 | 4,178,887.79 | |
| In addition to the normal business of the company effective hedging related business, tradable financial assets, derivative financial assets, tradable financial liabilities, changes in the fair value of the derivative financial liabilities to generate profits and losses, as well as the disposal of tradable financial assets, derivative financial assets, tradable financial liabilities, derivative financial liabilities and other creditor's rights investment returns | -57,011.50 | -13,867.66 | -49,309.20 | |
| The receivables and contract assets for which the impairment test is conducted separately will be turned back | | 2,341,773.02 | 550,000.00 | |
| Other non-operating income and expenses other than those mentioned above | 3,056,476.10 | 3,733,384.42 | 9,012,773.72 | |
| Minus: income tax impact | 2,313,051.76 | 2,310,866.56 | 4,373,692.93 | |
| A combined | 10,212,031.69 | 12,134,076.44 | 19,369,993.07 | -- |

For the company according to the company information disclosure of securities for public issuance explanatory announcement no. 1 - non-recurring profit and loss "define non-recurring gains and losses as defined in the project, and put the company information disclosure of securities for public issuance explanatory announcement no. 1 - non-recurring profit and loss of non-recurring profit and loss items defined as listed in the current profits and losses of the project, should be the reasons why

Applicable Inapplicable

During the reporting period of the company, there is no circumstance that the non-recurring profit and loss items listed and defined as the regular profit and loss items according to the explanatory notice no. 1 of the company's information disclosure for public issuance of securities -- non-recurring profit and loss.

Chapter III Business Summary

I Principal Businesses in the Reporting Period

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

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

II. Significant Changes in the Prime Assets

1. Major asset changes

2. Main overseas assets

Applicable Inapplicable

III. Analysis on Core Competitiveness

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

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

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

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

Chapter IV Discussion and Analysis of the Management

I General

In 2020, the board of directors will supervise and support the management of the company to deeply implement the fundamental requirements of high-quality development of the company, and firmly grasp the opportunities of changing supply and demand in the global market. With the increase of domestic macroeconomic uncertainties, market competition is more intense and other adverse factors, Adhere to the overall improvement of operation quality and product quality as the center, to provide product users with more cost-effective, high quality products,

Based on the principle of six everything and four determinations, Strive to build the company into the most quality and strength of the adaptive organization, To realize the common growth of employees, partners and enterprises. Continuously strengthen the management of the company, Seize every rare market and various development opportunities, adjust the strategy of the company operations in timely, insist on the “the quality is the first” strategy, Enhance the company's competitiveness, support to realize the ideal economic benefits and the good development of the company.

In this report, the company also face the new development challenges, in this bearing industry, the middle and the high end bearings are in short supply, low-level bearings are so excessively, The sharp rise in the cost of raw materials and auxiliary materials has brought great pressure to bearing enterprises, and the contradiction between rising labor costs and narrowing profit space is still prominent. The enterprise competition environment is more fervent; Customer needs are more diversified, which brings no small difficulty to the production organization, and the company's operation quality is not high in 2020.

During the reporting period, the company achieved an operating income of RMB 1,859.18 million, an increase of 0.20% over the previous year. Net profit loss of \$38.023 million. By the end of 2020, the total assets of the company were 3.134 billion yuan, increased by 5.82% compared with the end of the previous year, and the net assets belonging to the shareholders of the listed company were 814 million yuan, decreased by 33.63% compared with the end of the previous year.

II Analysis on Principal Businesses

1. General

Refer to “I. General” of “Discussion and Analysis of the Management”

2. Revenue and Costs

(1) Revenue structure

In RMB Yuan

| | 2020 | | 2019 | | Year-on-year increase/decrease |
|-----------------------------|------------------|-------------------------------------|------------------|-------------------------------------|--------------------------------|
| | Amount | Proportion in the operating revenue | Amount | Proportion in the operating revenue | |
| Total operating revenue | 1,859,176,415.58 | 100% | 1,855,489,141.65 | 100% | 0.20% |
| Classified based on sectors | | | | | |
| exit | 149,255,608.09 | 8.03% | 172,405,718.50 | 9.29% | -13.43% |
| Traffic bearing | 226,218,965.88 | 12.17% | 345,269,959.22 | 18.61% | -34.48% |
| Special bearings | 543,592,815.95 | 29.24% | 445,785,193.31 | 24.03% | 21.94% |
| General bearing | 608,812,963.18 | 32.75% | 605,764,652.83 | 32.65% | 0.50% |
| Industrial work | 65,816,715.47 | 3.54% | 61,805,232.31 | 3.33% | 6.49% |
| Other business | 265,479,347.01 | 14.28% | 224,458,385.48 | 12.10% | 18.28% |

| | | | | | |
|-----------------------------|------------------|--------|------------------|--------|---------|
| income | | | | | |
| Classified based on product | | | | | |
| bearing | 1,527,880,353.10 | 82.18% | 1,569,225,523.86 | 84.57% | -2.63% |
| Industrial work | 65,816,715.47 | 3.54% | 61,805,232.31 | 3.33% | 6.49% |
| Other business income | 265,479,347.01 | 14.28% | 224,458,385.48 | 12.10% | 18.28% |
| Classified based on regions | | | | | |
| exit | 1,709,920,807.49 | 91.97% | 1,683,083,423.15 | 91.00% | 1.59% |
| domestic | 149,255,608.09 | 8.03% | 172,405,718.50 | 9.00% | -13.43% |

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

Applicable Inapplicable

(3)Whether physical sales revenue is greater than the labor income

Applicable Inapplicable

| Business categories | Items | item | 2020 | 2019 | Compared with last year(+/-) |
|---------------------|------------|--------|------------|------------|------------------------------|
| bearing | sales | Set of | 14,160,710 | 13,165,926 | 7.56% |
| | production | Set of | 14,856,446 | 13,359,161 | 11.21% |
| | inventory | Set of | 9,432,669 | 8,736,933 | 7.96% |

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

Applicable Inapplicable

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

Applicable Inapplicable

(5) Composition of Operating Costs

Classified based on sectors and products

In RMB Yuan

| Classified based on sectors | Items | 2020 | | 2019 | | Year-on-year (+/-) |
|-----------------------------|-------|------------------|-------------------------------|------------------|-------------------------------|--------------------|
| | | Amount | Proportion in operating costs | Amount | Proportion in operating costs | |
| Bearing | | 1,051,507,223.37 | 76.88% | 1,215,643,750.39 | 80.46% | -13.50% |
| Include:raw material | | 692,709,763.72 | 50.65% | 849,050,758.66 | 56.19% | -18.41% |
| Artificial cost | | 158,066,596.06 | 11.56% | 161,574,188.97 | 10.69% | -2.17% |
| depreciation | | 57,415,894.73 | 4.20% | 68,576,025.17 | 4.54% | -16.27% |
| Energy and power | | 45,162,110.81 | 3.30% | 41,559,670.22 | 2.75% | 8.67% |
| other | | 98,152,858.05 | 7.18% | 94,883,107.37 | 6.28% | 3.45% |

| | | | | | | |
|-------------------|--|------------------|---------|------------------|---------|--------|
| Industrial income | | 84,165,434.46 | 6.15% | 92,420,739.78 | 6.12% | -8.93% |
| Other business | | 232,010,647.05 | 16.96% | 202,877,641.10 | 13.43% | 14.36% |
| total | | 1,367,683,304.88 | 100.00% | 1,510,942,131.27 | 100.00% | -9.48% |

Instructions

none

(6) Is there any change in the consolidation scope in the reporting period Yes No**(7) Is there any significant change or adjustment related situation take place in the Company's business, products or services in the reporting period** Applicable Inapplicable**(8) Major trade debtors and major suppliers**

The company mainly sells customer information

| | |
|---|----------------|
| Total Sales Amount of Top 5 Customers (RMB) | 483,846,839.87 |
| The total sales sum of the top five customers accounts for the proportion of the total annual sales | 26.02% |
| Sales of related parties in the top five customers accounted for the proportion of total annual sales | 16.27% |

Company's top 5 major customer information

| No. | The customer name | Sales (Yuan) | Percentage of total annual sales |
|-------|---|----------------|----------------------------------|
| 1 | Customer controlled by the same actual controller 1 | 302,473,535.52 | 16.27% |
| 2 | Customer 2 | 64,040,598.00 | 3.44% |
| 3 | Customer 3 | 48,812,202.48 | 2.63% |
| 4 | Customer 4 | 34,669,032.41 | 1.86% |
| 5 | Customer 5 | 33,851,471.46 | 1.82% |
| Total | -- | 483,846,839.87 | 26.02% |

Other information of major customers

 Applicable Inapplicable

Company's major suppliers

| | |
|--|------------------|
| Total Purchase Amount of Top 5 Suppliers (RMB) | 1,171,071,750.35 |
| The total purchase amount of the top five suppliers accounts for the proportion of the total annual purchase | 64.00% |
| The proportion of the purchase amount of related parties in the total annual purchase amount of the top five suppliers | 52.69% |

Profiles of top 5 suppliers

| No. | Name of suppliers | Amount of purchase(RMB) | Percentage in total purchase of year(%) |
|-----|-------------------|-------------------------|---|
|-----|-------------------|-------------------------|---|

| | | | |
|-------|------------|------------------|--------|
| 1 | Supplier1 | 964,142,295.97 | 52.69% |
| 2 | Supplier 2 | 71,491,035.61 | 3.91% |
| 3 | Supplier 3 | 58,854,135.44 | 3.22% |
| 4 | Supplier 4 | 38,397,363.31 | 2.10% |
| 5 | Supplier 5 | 38,186,920.02 | 2.09% |
| Total | -- | 1,171,071,750.35 | 64.00% |

Other information of major suppliers

Applicable Inapplicable

3. Expenses

In RMB Yuan

| | 2020 | 2019 | Year-on-year increase/decrease | Note to significant changes |
|-------------------------|----------------|----------------|--------------------------------|-----------------------------|
| Sales expenses | 210,217,418.49 | 158,933,297.31 | 32.27% | |
| Administrative expenses | 93,959,959.13 | 63,221,726.23 | 48.62% | |
| Financial expenses | 43,427,505.67 | 35,710,805.12 | 21.61% | |
| R&D | 227,548,185.54 | 132,242,455.59 | 72.07% | |

4. Investment in R & D

Applicable Inapplicable

To improve the competitiveness of the Wazhou products in the international and the domestic markets, to meet the needs of customers constantly updated, this year increased the investment in research and development. It is expected to further improve the market share of tile products.

The situations of the R&D investment in company

| | 2020 | 2019 | Changes in the proportion |
|--|----------------|----------------|---------------------------|
| Number of R&D personnel (persons) | 355 | 296 | 19.93% |
| The proportion of R&D personnel | 15.00% | 12.00% | 3.00% |
| Research and development investment (yuan) | 227,548,185.54 | 132,242,455.59 | 72.07% |
| Ratio of R&D investment to revenue | 12.24% | 7.13% | 5.11% |
| Amount of capitalized R&D investment (yuan) | 0.00 | 0.00 | |
| The proportion of capitalized R&D investment in R&D investment | 0.00% | 0.00% | |

Reasons for the significant change in the proportion of total R&D investment in operating revenue compared with the previous year

Applicable Inapplicable

This year increased the wind power bearing research and development investment, the material cost increased greatly Research and development investment capitalization rate of large changes and its rationality

Applicable Inapplicable

5.Cash flow

Unit:yuan

| project | 2020 | 2019 | Year-on-year (+/_) |
|---|------------------|------------------|--------------------|
| Subtotal of cash flows from operating activities | 1,165,069,098.28 | 991,034,674.35 | 17.56% |
| Subtotal of cash outflow from operating activities | 1,103,844,170.55 | 833,120,333.49 | 32.50% |
| Net cash flow from operating activities | 61,224,927.73 | 157,914,340.86 | -61.23% |
| Subtotal of cash inflow from investment activities | 2,397,893.92 | 5,414,488.75 | -55.71% |
| Subtotal of cash outflow from investment activities | 3,579,393.58 | 1,546,302.77 | 131.48% |
| Net cash flow from investment activities | -1,181,499.66 | 3,868,185.98 | -130.54% |
| Subtotal of cash inflow from financing activities | 999,000,000.00 | 886,627,104.67 | 12.67% |
| Subtotal of cash outflow from financing activities | 1,029,848,259.00 | 1,099,786,760.67 | -6.36% |
| Net cash flow arising from financing activities | -30,848,259.00 | -213,159,656.00 | -85.53% |
| Net increase in cash and cash equivalents | 26,404,311.44 | -51,107,316.70 | -151.66% |

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

Applicable Inapplicable

The amount paid in currency for the current period is higher than the increase in currency receipts received reasons for the significant difference between the net cash flow generated by the company's operating activities during the reporting period and the net profit of the current year

Applicable Inapplicable

This year, a relatively large amount of inventory depreciation provisions have been set aside.This measure does not affect cash flow, but can reduce net profit.

III . Analysis on Non-Principal Businesses

Applicable Inapplicable

Unit:yuan

| | Amount | Proportion of total profits | Causes of formation | Whether it is sustainable |
|---------------------------------------|-----------------|-----------------------------|---|---------------------------|
| Return on investment | 1,230,774.07 | -0.32% | Mainly debt restructuring | No |
| Change in fair value gains and losses | -57,011.50 | 0.01% | Changes in share prices of tradable financial assets | No |
| Asset impairment | -272,535,475.00 | 71.67% | Provision for falling prices of inventories | No |
| Non-operating income | 3,188,770.05 | -0.84% | Cannot pay the amount of verification, penalty income | No |
| Non-operating | 1,353,676.91 | -0.36% | Non-current assets damaged | No |

| | | | | |
|-------------------|-----------------|-------|--|----|
| expenses | | | and scrapped losses, public welfare donations expenditure | |
| Credit impairment | -22,443,182.09 | 5.90% | Prepare and draw expected credit impairment of receivables | No |
| Total | -289,262,447.56 | | | |

IV. Situation of assets and liabilities

1. Major change in asset items

Since 2020, the company will implement new revenue criteria or new leasing criteria for the first time and adjust and implement related items in the financial statements at the beginning of the year

Applicable Inapplicable

Unit: yuan

| | At the end of the year 2020 | | At the beginning of the year 2020 | | The proportion (+/_) | Notes on Major Changes |
|-----------------------------|-----------------------------|----------------------------|-----------------------------------|----------------------------|----------------------|------------------------|
| | Amount | Percentage of total assets | Amount | Percentage of total assets | | |
| Monetary fund | 194,152,280.08 | 6.20% | 183,648,867.58 | 6.20% | 0.00% | |
| Accounts receivable | 975,628,091.12 | 31.13% | 995,091,454.06 | 33.60% | -2.47% | |
| inventory | 615,656,946.30 | 19.64% | 704,467,062.61 | 23.79% | -4.15% | |
| Investment property | 117,516,482.39 | 3.75% | 122,930,874.57 | 4.15% | -0.40% | |
| Long-term equity investment | | 0.00% | | | 0.00% | |
| Fixed assets | 474,109,923.22 | 15.13% | 587,452,012.49 | 19.84% | -4.71% | |
| Projects under construction | 24,254,985.16 | 0.77% | 33,932,882.85 | 1.15% | -0.38% | |
| Short-term borrowing | 670,000,000.00 | 21.38% | 655,000,000.00 | 22.12% | -0.74% | |

2.Assets and liabilities measured at fair value

Applicable Inapplicable

Unit: yuan

| item | Ending balance | Current fair value change profit and | Accumulated changes in fair value of equity | Impairment of the current period | Current Purchase Amount | Current Sale Amount | Other changes | The final number |
|------|----------------|--------------------------------------|---|----------------------------------|-------------------------|---------------------|---------------|------------------|
| | | | | | | | | |

| | | loss | | | | | | |
|---|------------|------------|-------------|--|--|--|--|------------|
| Financial assets | | | | | | | | |
| 1. Trading financial assets (excluding derivative financial assets) | 285,057.50 | -57,011.50 | -338,987.30 | | | | | 228,046.00 |
| The above total | 285,057.50 | -57,011.50 | -338,987.30 | | | | | 228,046.00 |
| Financial liabilities | 0.00 | 0.00 | 0.00 | | | | | 0.00 |

Other changes

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

Yes No

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

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

V. Investment

1. General situation

Applicable Inapplicable

2. Significant equity investments obtained during the reporting period 3. Major ongoing non-equity investments during the reporting period

Applicable Inapplicable

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

Applicable Inapplicable

4. Financial asset investment**(1) securities investment**

Applicable Inapplicable

Unit :yuan

| Varieties of securities | Varieties of code | The abbreviation of securities | Initial cost of investment | Accounting measurement model | Initial book value | Current fair value change profit and loss | Accumulated changes in fair value of equity | Current Purchase Amount | Current Sale Amount | Profit and loss during the reporting period | Ending book value | Accounting subject | Sources of funding |
|---|-------------------|--------------------------------|----------------------------|------------------------------|--------------------|---|---|-------------------------|---------------------|---|-------------------|--------------------------|--------------------|
| Domestic and foreign stocks | 601005 | Chongqing iron and steel | 567,033.30 | Fair value measurement | 285,057.50 | -57,011.50 | -338,987.30 | 0.00 | 0.00 | -57,011.50 | 228,046.00 | Trading financial assets | debt-for-equity |
| total | | | 567,033.30 | -- | 285,057.50 | -57,011.50 | -338,987.30 | 0.00 | 0.00 | -57,011.50 | 228,046.00 | -- | -- |
| Disclosure date of the announcement of the board of directors for the approval of securities investment | | | | | | | | | | | | | |
| Disclosure Date of Announcement of Shareholders' Committee for Approval of Securities Investment (if any) | | | | | | | | | | | | | |

(2) derivatives investment

Applicable Inapplicable

There is no derivative investment during the reporting period.

5. Use of the raised funds

Applicable Inapplicable

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

VI. Sales of Significant Assets and Equity

1. Sales of Significant Assets

Applicable Inapplicable

2. Sales of Significant Equity

Applicable Inapplicable

VII. Analysis on Principal Subsidiaries and Mutual Shareholding Companies

Applicable Inapplicable

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

In RMB Yuan

| Company name | Company type | Principal business | registered capital | total assets | net asset | Operating income | operating profit | net profit |
|---|--------------|---|--------------------|----------------|----------------|------------------|------------------|----------------|
| Liaoyang Bearing company | Subsidiary | Product and Sale Bearing and machine-electrical equipment | 17,337,259.95 | 144,939,702.31 | -75,117,746.33 | 98,970,440.92 | -15,714,829.56 | -14,890,730.63 |
| Dalian Electrical Equipment | Subsidiary | Product and Sale Bearing and machine-electrical equipment | 10,478,956.37 | 132,391,002.60 | -6,733,857.14 | 100,788,466.85 | -2,445,837.38 | -1,956,043.52 |
| Wzhou precision spherical roller bearing(Wafangdian) Co.,Ltd. | Subsidiary | Product and Sale Bearing and machine-electrical equipment | 68,600,000.00 | 292,545,483.49 | 212,377,413.83 | 151,374,139.31 | 9,465,150.54 | 9,843,457.12 |

Acquisition and disposal of subsidiaries during the reporting period

Applicable Inapplicable

Description of the main holding and shareholding companies

VIII.A structured entity controlled by a company

Applicable Inapplicable

IX. Development Prospect

In this 2021, the first year of the 14th Five-Year Plan, Outside the outbreak growth continues, the world economy downside risks, the development of the industry is not stable uncertainty increased obviously, while the current national macro economic environment has improved, but is needed to fully recover, bearing industry facing the environment is still grim, bearing industry high-end product market are almost eight big multinational monopoly bearing group.

Crisis is pregnant with vitality. First, the Fifth Plenary Session of the 19th CPC Central Committee put forward a series of development ideas and key tasks, as well as the proposal of the

Three-year Action Plan for the Reform of State-owned Enterprises, which will bring a lot of favorable policies and play a strong role in promoting the development of the bearing industry.

Second, the country proposes to gradually form a new development pattern with the domestic cycle as the main body and the domestic and international double cycles mutually promoting, which promotes the recovery of the domestic bearing market demand and brings the opportunity for the growth of the high-end market.

The current national economic development is facing unprecedented challenges, the company must fully estimate the difficulties, risks and uncertainties, to develop high-end products, achieve high-end breakthrough as a strategy, to drive high-quality business growth;The implementation of differentiated management, not only focus on products, technology, market, and more focus on the core value of customers, enhance the core competitiveness of enterprises;Adhere to quality first, enhance brand influence;Accelerate the pace of reform, stimulate new vitality of enterprises;Improve the cost performance of bearing products, take advantage of the different market positioning of international big brand companies, fully seize the larger market growth space, see the tile shaft market space, enterprises have resources, development policies, employees have the advantage of dream, to achieve efficient and sustainable development.

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

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

Applicable Inapplicable

| Reception time | Reception site | way | Reception object type | Reception object | The main contents of the discussion and the information provided | Index of the basic facts of the survey |
|--|----------------|-------------------------|-----------------------|---------------------|--|--|
| 2020.01.16 | The office | Telephone communication | personal | Individual investor | Production and operation of the company | Production and operation of the company |
| 2020.02.24 | The office | Telephone communication | personal | Individual investor | Production and operation of the company | Production and operation of the company |
| 2020.06.11 | The office | Telephone communication | personal | Individual investor | Distribution of interests of the company | Distribution of interests of the company |
| 2020.06.11 | The office | Telephone communication | personal | Individual investor | Production and operation of the company | Production and operation of the company |
| 2020.06.19 | The office | Telephone communication | personal | Individual investor | Production and operation of the company | Production and operation of the company |
| 2020.07.13 | The office | Telephone communication | personal | Individual investor | Production and operation of the company | Production and operation of the company |
| The reception number | | | 6 | | | |
| Number of reception institutions | | | 0 | | | |
| Number of Receiving Individuals | | | 6 | | | |
| Number of other objects to receive | | | 0 | | | |
| Disclosing, disclosing or disclosing material information that has not been publicly disclosed | | | No | | | |

Chapter V Significant Events

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

The formulation, implementation or adjustment of common stock profit distribution policies, especially cash dividend policies, during the reporting period

Applicable Inapplicable

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

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

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

| Cash dividend policy of special statement | |
|--|-----|
| Whether compliance with the provisions of the company's articles of association or resolutions of the shareholders' general meeting requirements: | yes |
| Whether the standard and proportion of dividends are clear and clear: | yes |
| Whether related decision-making process and mechanism are completeness: | yes |
| Whether the independent director takes office responsible and play a proper role: | yes |
| Whether the small and medium-sized shareholders the chance to fully express their views and demands; Whether the legitimate rights and interests were protected fully: | yes |
| Whether the conditions and procedures for adjusting or changing the cash dividend policy are compliant and transparent: | yes |

The Company's common stock dividend distribution plan (Prepare solution) and capital reserve fund conversion plan (Prepare solution) in recent 3 years (including this reporting period)

| Share out bonus is the annual | Year 2020 | Year 2019 | Year 2018 |
|--|-----------|---|--|
| Dividends payable on common stock | 0 | Cash dividend of RMB 0.8 per 10 shares (tax included) | RMB0.4 (tax included) of cash for each 10 shares |
| Dividends on common shares converted into equity | 0 | 0 | 0 |

Dividend distribution scheme in last 3 years.

Unit: yuan

| Year of Dividend Distribution | Amount of Cash Dividend (including tax) | Net profit attributable to the Company's shareholders in the consolidated statements of the year of dividend distribution | to the Company's shareholders in the consolidated statements of the year of dividend distribution Ratio of the net profit attributable to the Company's shareholders taken in the consolidated statements | Amount of cash dividend distributed in other way(s) | Proportion of the cash dividend distributed in other way(s) |
|-------------------------------|---|---|---|---|---|
| 2020 | 0.00 | -380,228,430.56 | 0.00% | 0.00 | 0.00% |
| 2019 | 32,208,000.00 | -123,201,977.73 | -26.14% | | |
| 2018 | 16,104,000.00 | 10,632,169.84 | 151.46% | | |

During the reporting period, the company made profits and the parent company made positive profit available for common shareholders to distribute

Applicable Inapplicable

II. This report period profit distribution and capital accumulation fund to increase capital stock situation

Applicable Inapplicable

The company plans to not distribute cash dividends, not to send bonus shares, not to reserve fund to increase capital.

III. Implementation of Commitments

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

Applicable Inapplicable

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

Applicable Inapplicable

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

Applicable Inapplicable

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

Applicable Inapplicable

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

Applicable Inapplicable

On July 5, 2017, the Ministry of Finance revised the Accounting Standards for Business Enterprises No. 14 -- Revenue (hereinafter referred to as the "new revenue standards") with the Finance and Accounting No. 22 [2017]. When preparing the financial statements for the year 2020, the Group has implemented the relevant accounting standards and dealt with them in accordance with the relevant convergence provisions.

Due to the implementation of the new revenue criteria, the Group reassessed the recognition and measurement, accounting and presentation of major contract revenue. In accordance with the new revenue guidelines, the Group has chosen to adjust only the cumulative impact number of contracts outstanding on January 1, 2020. The amount of retained earnings and other related items in the financial statements at the beginning of the current period of the first execution (i.e. January 1, 2020) is not adjusted for the financial statements of the year 2019.

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

Applicable Inapplicable

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

Applicable Inapplicable

IX. Employment and dismissal of accounting firms

The accounting firm currently employed

| | |
|--|---|
| Names of the Domestic Certified Public Accountants | Shine wing Certified Public Accountants |
| Reward for of accountants of the Domestic Certified Public Accountants(RMB 10000yuan) | 53 |
| Successive Years Offering Auditing Services | 16Years |
| Names of accountants of the Domestic Certified Public Accountants | Sui Guojun Zhang Shizhuo |
| The consecutive years of auditing services of certified public accountants of domestic accounting firms. | 2 |

Has the CPA been changed in the current period?

Yes No

Employ internal control audit accounting firm, financial consultant or sponsor

Applicable Inapplicable

The company employ Shine wing Certified Public Accountants as the internal control audit accounting firm, reward for it is 170 000 Yuan.

X. The disclosure of the annual report after the suspension and termination of the listing

Applicable Inapplicable

XI. Matters concerning Bankruptcy Reorganization

Applicable Inapplicable

XII. Significant Lawsuits and Arbitrations

Applicable Inapplicable

XIII. Penalty and Rectification

Applicable Inapplicable

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

Applicable Inapplicable

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

Applicable Inapplicable

XVI. Important Related Transactions

1. Related transactions related to daily operations

Applicable Inapplicable

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

Applicable Inapplicable

During the reporting period, there is no related transaction of asset or equity purchase or sale.

3. Related transactions concerning joint investment in foreign countries

Applicable Inapplicable

During the reporting period of the company, there is no related transaction of joint foreign investment.

4. Current Associated Rights of Credit and Liabilities

Applicable Inapplicable

Whether there is non - operating debt - related debt

Yes No

During the reporting period of the company, there is no non - operating related debt.

5.Other Major Related Transactions

Applicable Inapplicable

Please refer to the "Announcement of Wafangdian Bearing Co., Ltd. on the Forecast of Routine Affiliated Transactions in 2021" and the "Affiliated Parties and Affiliated Transactions" (5) "Affiliated Transactions" of Section 11, Section 12 of this report disclosed by the Company on Juchao Information Net on April 27, 2021.

Major related transactions interim report disclosure website related inquiry

XVII. Important Contracts and Implementation

1. Custody, Contracting and Leases

(1) Custody

Applicable Inapplicable

(2) Contracting

Applicable Inapplicable

(3) Leases

Applicable Inapplicable

Lease fact sheet

All the leasing information of the company is related leasing, please refer to the notes for details.

The items that bring more than 10% of the total profit of the company during the reporting period

Applicable Inapplicable

During the reporting period of the company, there is no leasing project that brings more than 10% of the total profit of the company.

2. Significant Guarantees

Applicable Inapplicable

3. Entrusting other Person to Manage the Cash Assets

(1) Finance Management on Commission

Applicable Inapplicable

(2) Entrusted Loan

Applicable Inapplicable

4. Major contracts for daily operation

Applicable Inapplicable

5. Other Major Contracts

Applicable Inapplicable

XVIII. Social Responsibility

1. Fulfillment of social responsibilities

In 2021, the company will earnestly fulfill its due social responsibilities. While pursuing the economic benefits of the company, it will actively undertake its due responsibilities for the overall development of the country and society, natural environment and resources, as well as stakeholders such as shareholders, employees, customers, consumers, suppliers and communities, thus realizing the social value of the company. It has better realized the win-win cooperation between the country, society and stakeholders, strengthened environmental protection, improved resource efficiency, influenced and driven the development of local economy through project construction and other ways, and effectively promoted the coordinated development of the company with society, nature and other stakeholders.

In strict accordance with relevant national and local laws, regulations and document requirements, the company provides employees with endowment insurance, unemployment insurance, medical insurance, industrial injury insurance, maternity insurance, housing accumulation fund and large medical mutual aid insurance. Provide timely assistance and assistance to employees in difficulty. An employment system, including a salary system and incentive mechanism, has been established and improved to ensure

that workers enjoy their labor rights and fulfill their labor obligations in accordance with the law. Establish and improve the labor safety and health system, strictly implements national labor safety and health regulations and standards, undertake to the worker labor safety and hygiene education, occupational protection and health checks for the worker to provide healthy and safe working environment and living environment, maximum limit to prevent accidents during work and reduce occupational hazards.

The company adheres to the principles of voluntary, fairness, equivalent compensation, honesty and credit in its business activities, strictly controls the quality objectives, and guarantees to provide qualified products. The technical department of the company actively carries out the development of new products and new materials. The company guarantees that all products or services provided by the company meet the relevant national quality standards or have been certified by the relevant national quality inspection department, and actively applies for various domestic and foreign third-party certifications. The company pays attention to customer after-sales service, and properly deals with complaints and suggestions from customers and consumers. Strictly conducted third-party qualification examination and on-site inspection of suppliers, selected qualified suppliers, carefully understood the needs of suppliers, and actively built a good cooperation atmosphere.

2. Achievement of social responsibility for targeted poverty alleviation

(1) Targeted poverty alleviation plan

(2) Annual outline of targeted poverty alleviation

(3) Achievements in targeted poverty alleviation

(4) Subsequent targeted poverty alleviation plan

3. Environmental protection related conditions

Whether the listed company and its subsidiary belong to the key pollutant discharging unit announced by the environmental protection department

Yes No

The company conscientiously carries out the ISO14001 environmental management system standard, through the environmental system internal audit, supervision audit and external audit, so that the environmental management system effectively operates. We conscientiously implemented various environmental protection rules and regulations, actively cooperated with the superior departments in environmental protection supervision and management, strengthened self-inspection and self-examination of environmental protection on production site, strengthened online monitoring of sewage discharge, comparison test of sewage discharge sampling and effectiveness audit, and effectively controlled pollutant discharge. Waste recycling and utilization were strengthened, and hazardous waste was disposed of in a standardized way, thus promoting the construction of enterprise resource recycling. In view of the environmental emergency contingency plan prepared by the company, the company organized the fire emergency drill on the fire site to test the operation ability of the emergency plan, so as to ensure that the emergency team could work quickly, orderly and efficiently in accordance with the procedures of the emergency plan

XIX. Notes to Other Significant Events

Applicable Inapplicable

XX. Significant Events of the Company's Subsidiaries

Applicable Inapplicable

Chapter VI Change of Shares and Particulars about Shareholders

I. Changes in Capital Stock

1.Changes in Capital Stock

Unit:share

| | Before Changes | | Changes in Shares | | | | | After Changes | |
|---|----------------|---------|-------------------|--------------|---------------------------------|--------|----------|---------------|---------|
| | Shares | Ratio | New Shares Issued | Bonus Shares | Conversion of Reserves to Share | Others | Subtotal | Shares | Ratio |
| I. Unlisted shares in circulation | 244,000,000 | 60.61% | | | | | | 244,000,000 | 60.61% |
| 1. Shares of the sponsors | 244,000,000 | 60.61% | | | | | | 244,000,000 | 60.61% |
| Among them: The state holds a stake | 244,000,000 | 60.61% | | | | | | 244,000,000 | 60.61% |
| Domestic legal persons hold shares | | | | | | | | | |
| Foreign legal persons hold shares | | | | | | | | | |
| other | | | | | | | | | |
| 2. Solicit legal shares | | | | | | | | | |
| 3, internal labor units | | | | | | | | | |
| 4. Preferred shares or others | | | | | | | | | |
| II. Shares already listed in circulation | 158,600,000 | 39.39% | | | | | | 158,600,000 | 39.39% |
| 1. RMB common stock | | | | | | | | | |
| 2. Foreign capital stocks listed in China | 158,600,000 | 39.39% | | | | | | 158,600,000 | 39.39% |
| 3. Foreign capital stocks listed overseas | | | | | | | | | |
| 4, other | | | | | | | | | |
| III. Total number of shares | 402,600,000 | 100.00% | | | | | | 402,600,000 | 100.00% |

Reasons for share changes

 Applicable Inapplicable

Approval of share changes

 Applicable Inapplicable

The transfer of shares

Applicable Inapplicable

Progress on the implementation of share repurchase

Applicable Inapplicable

The implementation progress of reducing the share of repurchase by centralized bidding Applicable Inapplicable

Applicable Inapplicable

The influence of share changes on the basic earnings per share and diluted earnings per share of the most recent year and the most recent period, the net assets per share attributable to the company's common shareholders and other financial indicators

Other disclosures the company deems necessary or required by securities regulators

Applicable Inapplicable

2.Changes of restricted shares

Applicable Inapplicable

II. Securities issuance and listing

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

Applicable Inapplicable

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

Applicable Inapplicable

3. Existing internal job shares

Applicable Inapplicable

III. Shareholders and Actual Controlling Shareholder

1. Number of Shareholders and Shares

Unit: Share

| | | | | | | | |
|---|-------|---|-------|---|---|--|---|
| Total common shareholders in the reporting period | 6,045 | Total common shareholders at the end of the month before the date of disclosing the annual report | 5,896 | Total preference shareholders with the voting power recovered at the end of the reporting period (if any)(See Note 8) | 0 | Total preference shareholders with the voting power not recovered at the end of the month before the day of disclosing the annual report(if any)(See Note 8) | 0 |
|---|-------|---|-------|---|---|--|---|

| Shares held by the shareholders holding over 5% shares or the top ten shareholders | | | | | | | | |
|--|----------------------------|------------------------------------|---|---------------------------------|--|---|------------------|---------------|
| Shareholder names | Nature of the shareholders | The number of shares in proportion | Number of holdings at the end of reporting period | Changes in the reporting period | The number of unlisted outstanding shares held | The number of outstanding shares held on the market | Pledge or freeze | |
| | | | | | | | Shares in state | The number of |
| Wafangdian Bearing Group Corporation | State-owned shareholder | 60.61% | 244,000,000 | | 244,000,000 | | | |
| AKTIEBOLAGET SKF | Foreign shareholder | 19.70% | 79,300,000 | | | 79,300,000 | | |
| China merchants securities Hong Kong limited | State-owned shareholder | 1.89% | 7,611,592 | | | 7,611,592 | | |
| Huang Junyue | Domestic shareholder | 1.70% | 6,836,968 | | | 6,836,968 | | |

| Hu Xiaofeng | Domestic shareholder | 0.47% | 1,879,277 | | | 1,879,277 | | |
|---|---|-------|-----------|------------|------------|-----------|--|--|
| GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED | Foreign shareholder | 0.35% | 1,395,400 | | | 1,395,400 | | |
| BOCI SECURITIES LIMITED | Foreign shareholder | 0.33% | 1,310,000 | | | 1,310,000 | | |
| Jin Yunhua | Domestic shareholder | 0.19% | 750,000 | | | 750,000 | | |
| Meng Qingliang | Domestic shareholder | 0.18% | 734,548 | | | 734,548 | | |
| MAN,KWAI WING 文贵荣 | Domestic shareholder | 0.18% | 713,101 | | | 713,101 | | |
| Where a strategic investor or general legal person becomes a top 10 shareholder as a result of the placement of new shares (if any) (see Note 3) | none | | | | | | | |
| A description of such shareholder association or concerted action | Among the top ten shareholders of the company, there is no correlation relationship or concerted action between the largest shareholder and other shareholders, or between the top ten shareholders of tradable shares, while the correlation relationship and concerted action between other shareholders, between the top ten shareholders of tradable shares, or between the top ten shareholders of tradable shares and other shareholders are unknown. | | | | | | | |
| Explanation of the aforesaid shareholders' involvement in entrustment /fiduciary voting rights and abandonment of voting rights | none | | | | | | | |
| Shareholding of top 10 shareholders of unrestricted shares | | | | | | | | |
| Shareholder's Name | Quantity of unrestricted shares held at the end of there porting period | | | Share type | | | | |
| | | | | Share type | Quantity | | | |
| AKTIEBOLAGET SKF | 79,300,000 | | | B-shares | 79,300,000 | | | |
| China merchants securities Hong Kong limited | 7,611,592 | | | B-shares | 7,611,592 | | | |
| Huang Junyue | 6,836,968 | | | B-shares | 6,836,968 | | | |
| Hu Xiaofeng | 1,879,277 | | | B-shares | 1,879,277 | | | |
| GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED | 1,395,400 | | | B-shares | 1,395,400 | | | |
| BOCI SECURITIES LIMITED | 1,310,000 | | | B-shares | 1,310,000 | | | |
| Jin Yunhua | 750,000 | | | B-shares | 750,000 | | | |
| Meng Qingliang | 734,548 | | | B-shares | 734,548 | | | |
| MAN,KWAI WING 文贵荣 | 713,101 | | | B-shares | 713,101 | | | |
| Zhou Lin | 575,100 | | | B-shares | 575,100 | | | |
| Explanation to the associated relationship or consistent action among the top 10 shareholders of non-restricted negotiable shares and that between the top 10 shareholders of non-restricted negotiable shares and top 10 shareholders. | There was no relationship and consistent activities between the first big shareholder and other shareholders or the top ten common stock holders; The relationship among other shareholders, top ten circulation shareholders, top ten circulation shareholders and other shareholders was not clear. | | | | | | | |
| Description of Top 10 Common Shareholders' Participation in Margin and Short Selling Business (if any) (see Note 4) | none | | | | | | | |

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

Yes No

2. Controlling Shareholder

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

Type of the controlling shareholder: corporate Legal Person

| Name of the Controlling Shareholder | Legal Representative/Leader | Date of incorporation | Organization code | Principal business activities |
|--------------------------------------|-----------------------------|-----------------------|--------------------|---|
| Wafangdian Bearing Group Corporation | Liu Jun | 1995.10.22 | 91210200242386663D | Bearing and bearing parts, bearing special tools, tooling, equipment, machinery and equipment, abrasive, abrasive, casting, auto parts, motorcycle parts and related industrial products manufacturing and sales; bearing design, repair, maintenance and technical services; bearing raw materials and auxiliary materials procurement and sales; housing rental, equipment leasing. |

Change of Controlling Shareholder in the Report Period

Applicable Inapplicable

3. Actual Controller

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

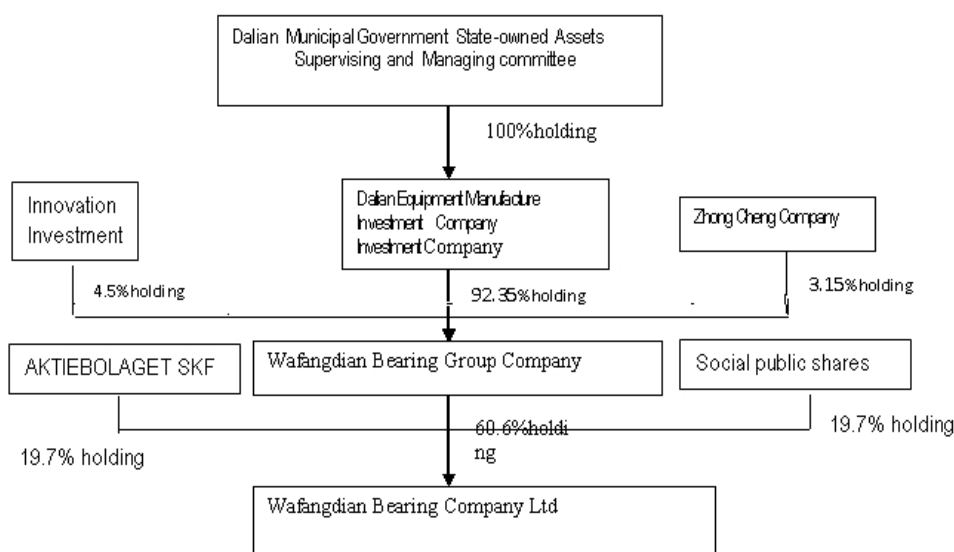
Type of the actual controller: corporate

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

Change of the actual controller in the reporting period

Applicable Inapplicable

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



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

Applicable Inapplicable

4. Other shareholders with more than 10% shares

Applicable Inapplicable

| Name | Legal Representative | Date of establishment | Capital | Main Business |
|------------------|----------------------|-----------------------|---------------------|--|
| AKTIEBOLAGET SKF | Alrik Danielson | 1907.01.01 | 1,138,000, 000(SKR) | Bearings, seals and relative products, and relative services |

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

Applicable Inapplicable

Chapter VII. About the Preferred Shares

Applicable Inapplicable

Chapter VIII. Related information of convertible bonds

Applicable Inapplicable

Chapter IX Directors, Supervisors, Senior Executives and Staff

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

| Name | position | Status of employment | Gender | Age | Starting Date of Tenure | Expiry Date of Tenure | Initial number of shares (shares) | Number of shares increased in current period (shares) | Number of shares to be sold at current period (shares) | Other changes (share) | Ending shares (shares) |
|---------------|--|----------------------|--------|-----|-------------------------|-----------------------|-----------------------------------|---|--|-----------------------|------------------------|
| Liu Jun | Chairman | Incumbent | male | 51 | 2019.09.06 | | 0 | 0 | 0 | 0 | 0 |
| Sun Nanjuan | General accountant, secretary of board | Incumbent | female | 53 | 2013.06.26 | | 0 | 0 | 0 | 0 | 0 |
| Zhang Xinghai | Director | Incumbent | male | 53 | 2015.09.16 | | 0 | 0 | 0 | 0 | 0 |
| Chen Jiajun | Director | Incumbent | male | 54 | 2013.06.26 | | 0 | 0 | 0 | 0 | 0 |
| Tan Jianguang | Director | Incumbent | male | 57 | 2019.09.06 | | 0 | 0 | 0 | 0 | 0 |
| Tang Yurong | Director | Incumbent | male | 59 | 2015.09.16 | | 0 | 0 | 0 | 0 | 0 |
| Fang Bo | Director | Incumbent | female | 49 | 2013.06.26 | | 1,500 | 0 | 0 | 0 | 1,500 |
| Liu Yuping | Independent Director | Incumbent | male | 65 | 2016.05.18 | | 0 | 0 | 0 | 0 | 0 |
| Sun Kun | Independent Director | Incumbent | female | 63 | 2018.05.18 | | 0 | 0 | 0 | 0 | 0 |
| Wen Bo | Independent Director | Incumbent | male | 58 | 2015.06.18 | | 0 | 0 | 0 | 0 | 0 |

| | | | | | | | | | | | |
|----------------|------------------------------------|-------------|--------|----|------------|------------|-------|---|---|---|-------|
| Liang Shuang | Independent Director | Incumbent | female | 56 | 2017.05.18 | | 0 | 0 | 0 | 0 | 0 |
| Sun Shicheng | President of Supervisory Committee | Incumbent | male | 57 | 2015.09.16 | | 0 | 0 | 0 | 0 | 0 |
| Li Xiumin | Supervisory | Incumbent | female | 59 | 2013.06.26 | | 0 | 0 | 0 | 0 | 0 |
| Wang Fuxing | Supervisory | Incumbent | male | 49 | 2016.05.18 | | 0 | 0 | 0 | 0 | 0 |
| Zhang Fuxiang | Supervisory | Incumbent | male | 56 | 2020.02.28 | | | | | | |
| Li Huawei | Vice-G.M. | Incumbent | male | 47 | 2019.12.18 | | 0 | 0 | 0 | 0 | 0 |
| Zhao Yang | Director/G.M. | Resignation | male | 56 | 2017.03.16 | 2021.01.08 | 0 | 0 | 0 | 0 | 0 |
| Duan Tongjiang | Supervisory | Resignation | male | 35 | 2019.08.15 | 2020.02.27 | 0 | 0 | 0 | 0 | 0 |
| Gao Ping | Supervisory | Resignation | male | 57 | 2019.08.15 | 2021.01.07 | 0 | 0 | 0 | 0 | 0 |
| total | -- | -- | -- | -- | -- | -- | 1,500 | 0 | 0 | 0 | 1,500 |

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

Applicable Inapplicable

| Names | Office Taken | Type | Date | Cause |
|----------------|--------------|-------------|------------|--------------|
| Duan Tongjiang | Supervisory | Resignation | 2020.02.27 | Job transfer |

III. Posts Holding

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

(1) Director

Mr. Liu Jun, who was born in January 1970, Sir, a college degree, a master's degree, he has got his first job in August 1992, joined the communist party of China in December 2000, he was the vice general manager of Dalian heavy industries Crane Group Co., LTD. Then he worked in Dalian Huarui Heavy Industry Group Co., Ltd, as a vice president, The Chairman and party secretary of Dalian Rubber & Plastic Machinery Co., LTD. Now, he is the deputy secretary of the party committee, chairman of Wafangdian Bearing Group Co., LTD.

Mr. Zhang Xinghai, was born in October 1968, university culture, professor senior accountant. Since joining Wazhou in 1991, he has successively held the posts of deputy chief accountant and board secretary of WBC, director, chief accountant and board secretary of WBC, Now he is Deputy Secretary of the Party Committee, General Manager and Chief Accountant of Wafangdian Bearing Group Co., Ltd.

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

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

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

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

Ms. Fang Bo, Born in June 1972, undergraduate. She joined Price water house Coopers as an auditor in 1994. In 1997, She joined SKF (China) Co., Ltd., and served as the financial manager of the subsidiary company of the investment company and the person in charge of finance of the investment company. Now, She is the chief financial officer of SKF (China) Co., Ltd., and the manager of the regional capital department of SKF (China). She has been the Head of Financial Operations Center for SKF Northeast Asia since January 2020.

(2)Independent director

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

Ms. Sun kun, born in 1958, Chinese nationality, PhD candidate, professor of accounting, master tutor. Since 1982, he has been working in dongbei university of finance and economics, successively serving as teaching assistant, lecturer and associate professor of dongbei university of finance and economics. He served as deputy to the ninth liaoning provincial people's congress, deputy secretary-general of liaoning provincial internal audit association, and director of liaoning provincial audit association. Moderator of the hearing committee on administrative punishment of certified public accountant industry of the finance department of liaoning province. From May 2002 to March 2008, served as the independent director of dalian dayang trans co., LTD. Currently, he is a member of the academic committee of China internal audit association and a professor of dongbei university of finance and economics.

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

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

(3)Supervisor

Mr. Sun Shicheng was born in December 1964, university culture, Senior Administration, joined in work in 1987, he worked as the section chief in organization department and organizer in Party Committee of WBGCC, party branch secretary of Xibei sales company,

secretary of Huabei sales company, deputy general manager, the minister of organization department, and the chairman of the labor union. Now he work as the labor Union chairman, deputy Secretary of Communist Party of WBGC, staff director and organization department of WBGC.

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

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

Mr. Zhang fuxiang, male, who born in August 1965. Deputy senior engineer. In August 1988, he joined our company and served as deputy factory director and general manager of precision cage branch of Wafangdian Bearing Co., LTD., deputy chief engineer of engineering center of Wafangdian Group, and now he is the minister of quality assurance department of our company.

Mr. Zhangyihui, Male, born in August 1972, started to work in August 1991, graduated from Liaoning University in June 2000, majored in Business Administration. He used to be the Deputy General Manager of Bearing Accessories Branch of the Company and the General Manager of Wafangdian Branch of High-end Automobile Bearing Company of Wazhou Group. Present company medium and large bearing branch general manager.

(4) Top management

Mr. Wang Jiyuan was born in December 1966. Graduated from Liaoning University, majoring in industrial economics. He served successively as the deputy director of the operation and management department, the director of the planning and finance department, the deputy general manager, and the general manager assistant of tile shaft group company. Now he is the general manager of the company.

Mr. Li Huawei, male, born in June 1974. Graduated from Shenyang University of Technology, majoring in industrial electrical automation, bachelor's degree. He served successively as deputy director of the product development department of the engineering research center, deputy director of the engineering research center, executive deputy director, director, professor and researcher level senior engineer, deputy chief engineer of the group company. Now he is deputy general manager of the company.

Position in the shareholder unit

Applicable Inapplicable

| Name | Company Name | Position | Starting Date of Tenure | Expiry Date of Tenure | Whether receiving remuneration from other companies |
|---------------|----------------------------------|---|-------------------------|-----------------------|---|
| Liu Jun | Wafangdian Bearing Group Co. Ltd | Chairman and Deputy Secretary of the Party Committee | | | yes |
| Zhang Xinghai | Wafangdian Bearing Group Co. Ltd | General manager, chief accountant | | | yes |
| Chen Jiajun | Wafangdian Bearing Group Co. Ltd | Deputy general manager | | | yes |
| Sun Shicheng | Wafangdian Bearing Group Co. Ltd | Director, Deputy Party Secretary, Chairman of the Trade Union | | | yes |
| Sun Njuan | Wafangdian Bearing Group Co. Ltd | director | | | no |
| Li Xiumin | Wafangdian Bearing Group Co. Ltd | Supervisor, special agent | | | yes |
| Tang Yurong | AKTIEBOLAGET SKF | Senior Vice President | | | yes |

Position in other units

Applicable Inapplicable

| Name | Other Company Name | Position | Starting Date of Tenure | Expiry Date of Tenure | Whether receiving remuneration from other companies |
|---------------|--|----------------------------------|-------------------------|-----------------------|---|
| Liu Jun | Dalian Guangyang Wazhou Automobile Bearing Co. LtdDalian Diyejikai Wazhou industry Co. LTD | Chairman | | | No |
| Liu Jun | Dalian Guangyang Wazhou Automobile Bearing Co. LtdDalian Diyejikai Wazhou industry Co. LTD | Chairman | | | No |
| Zhang Xinghai | Wafangdian Bearing Hospital | director | | | No |
| Zhang Xinghai | Wazhou Group (Europe) Bearing Co. Ltd | Managing director | | | No |
| Sun Shicheng | Dalian zhongcheng asset management co. LTD | director | | | No |
| Sun Shicheng | Wafangdian Bearing Hospital | Chairman | | | No |
| Chen Jiajun | Dalian zhongcheng asset management co. LTD | director | | | No |
| Chen Jiajun | Dalian Guangyang Wazhou Automobile Bearing Co. LtdDalian Diyejikai Wazhou industry Co. LTD | director | | | No |
| Chen Jiajun | Dalian Guangyang Wazhou Automobile Bearing Co. LtdDalian Diyejikai Wazhou industry Co. LTD | director | | | No |
| Sun Najuan | Shanghai Aimuyi Electromechanical Equipment Chain Co., Ltd | director | | | No |
| Li Xiumin | Wafangdian Bearing Hospital | supervisor | | | No |
| Li Xiumin | Dalian zhongcheng asset management co. LTD | Chairman of Board of Supervisors | | | No |
| Wang Fuxing | Wafangdian Tongda Bearing Manufacturing Co. Ltd | director | | | No |
| Wang Fuxing | Liaoning northern metal supply chain company. | supervisor | | | No |
| Tang Yurong | Beijing nankou SKF railway bearing co. LTD | director | | | No |
| Tang Yurong | SKF (China) Co., Ltd | director | | | Yes |
| Fang Bo | SKF (China) Co., Ltd | treasurer | | | Yes |
| Wen Bo | Liaoning Huaicheng Law Firm | Founding partner | | | Yes |
| Liu Yuping | Department of Law School, Dongbei University of Finance and Economics | The director of the | | | Yes |
| Liu Yuping | Dalian Thermal Power Co., Ltd | The independent director | | | Yes |
| Liang Shuang | Dongbei University of Finance and Economics | professor | | | Yes |
| Sun Kun | Dongbei University of Finance and Economics | professor | | | Yes |

The penalties imposed by the securities regulatory authorities in the past three years by the company's current and former directors, supervisors and senior managers during the reporting period

 Applicable Inapplicable

IV. The Remuneration of Directors, Supervisors and Senior Management

The company shall strictly implement the company's salary assessment system and determine the salary level according to the salary level of the person in charge of a state-owned enterprise in Dalian and the achievement of the business objectives set by the board of directors at the beginning of the year.

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

Unit: 10000Yuan

| Name | Position | Gender | Age | Office Status | Total remuneration received from the Company | Remuneration actually received at the end of the reporting period |
|----------------|-------------------------------------|--------|-----|---------------|--|---|
| Liu Jun | Chairman | male | 51 | Incumbent | | yes |
| Sun Najuan | Director and secretary of the board | female | 53 | Incumbent | 48.26 | no |
| Zhang Xinghai | Director | male | 53 | Incumbent | | yes |
| Chen Jiajun | Director | male | 54 | Incumbent | | yes |
| Tan Jianguang | Director | male | 57 | Incumbent | 41.4 | no |
| Tang Yurong | Director | male | 59 | Incumbent | | yes |
| Fang Bo | Director | female | 49 | Incumbent | | yes |
| Liu Yuping | Independent Director | male | 65 | Incumbent | 4 | no |
| Sun Kun | Independent Director | female | 63 | Incumbent | 4 | no |
| Wen Bo | Independent Director | male | 58 | Incumbent | 4 | no |
| Liang Shuang | Independent Director | female | 56 | Incumbent | 4 | no |
| Sun Shicheng | Chairman of Board of Supervisors | male | 57 | Incumbent | | yes |
| Li Xiumin | Supervisor | female | 59 | Incumbent | | yes |
| Wang Fuxing | Supervisor | male | 49 | Incumbent | | yes |
| Zhang Fuxiang | Supervisor | male | 56 | Incumbent | 20.63 | no |
| Li Huawei | Deputy general manager | male | 47 | Incumbent | 34.19 | no |
| Zhao Yang | Director, General Manager | male | 56 | Resignation | 50.88 | no |
| Duan Tongjiang | The supervisors | male | 35 | Resignation | | no |
| Gao Ping | The supervisors | male | 57 | Resignation | 22.92 | no |
| total | -- | -- | -- | -- | 234.28 | -- |

Equity incentives granted to the company's directors and senior managers during the reporting period

Applicable Inapplicable

V. About Employees

1. Number of employees, professional composition and educational level

| | |
|--|-------|
| Number of active employees of parent company (persons) | 2,448 |
| Number of active employees in major subsidiaries (persons) | 693 |
| Total number of active employees (persons) | 3,141 |
| Total number of salaried employees in the current period (persons) | 3,141 |
| Number of retired staff and workers to be paid by parent | 181 |

| | |
|--|----------------------------|
| company and principal subsidiary (persons) | |
| Professional composition | |
| Major Composition Category | Number of majors (persons) |
| Production personnel | 2,084 |
| The sales staff | 231 |
| Technical personnel | 147 |
| Financial personnel | 82 |
| Administrative personnel | 383 |
| Not on-the-job delegate | 137 |
| A combined | 77 |
| The degree of education | |
| Education Level Category | Quantity (person) |
| A graduate student | 24 |
| University degree | 447 |
| college | 639 |
| Technical secondary school and below | 2,031 |
| A combined | 3,141 |

2. Remuneration Policy for Staff

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

3. Training Program

There were 223 annual training plans, and 203 training programs were actually carried out due to the epidemic, with a completion rate of 91%. Among them, 21 quality management training items; 7 items of financial/logistics management training, 15 system management training, 65 skills improvement training, 95 items of knowledge and ability training to strengthen the position. The annual plan is 16,521 person-times, and the actual person-times are 17,443 person-times, with the completion rate of 106%.

Through the organization of employee training, the personal working ability of employees can be improved, which provides help for the achievement of good work results, and also provides more opportunities for employees to be promoted and increase their income.

4. Labor outsourcing

Applicable Inapplicable

Chapter X. Corporate Governance

I. Basic situation of corporate governance

Company in accordance with the "company law", "securities law" and other related regulations established by the general meeting of shareholders, board of directors, board of supervisors, and senior management personnel of the company governance structure, formed the authority and decision-making body, watchdog and senior management responsibilities clear, standardized operation mechanism of mutual coordination and mutual checks and balances. It has established internal systems on the operation of the "three meetings", independent directors, information disclosure, investor protection, related transactions, internal control and other aspects.

Through the formulation of the Articles of Association of the Company and the implementation of various internal systems, the company has defined the responsibilities, powers, procedures and obligations of the institutions at all levels in decision-making, execution and supervision.

1. Convening of the General Meeting of Shareholders

In 2020, the company held a total of one annual general meeting of shareholders and deliberated 10 proposals, ensuring investors' right to know, participation, decision-making and profitability.

2. Convening of Board Meetings

The convening and convening procedures, proposals, attendance, discussion and voting of the Board of Directors of the Company shall be conducted in accordance with the requirements of relevant laws and regulations, and the resolutions made shall be legal and valid.

During the reporting period, the board of directors of the company held 3 meetings in total and deliberated 23 proposals. The contents of the meetings involved the company's production and operation and profit distribution, related transactions, asset sales, asset impairment provisions and many other matters. Through the full discussion and prudent decision of the board of directors of the company, to ensure the smooth and orderly development of the company's business activities.

All the directors to faithfully and diligently perform their duties, are able to attend the meeting on time or entrust formalities by the regulation, objective and fair statement, for the company's production and business operation and financial management, standardized operation and so on various aspects in a constructive and guiding opinions, played a vital role in the management work.

3. Meeting of the Board of Supervisors

During the reporting period, the Board of Supervisors faithfully performed its duties in accordance with the Articles of Association and Rules of Procedure of the Board of Supervisors. In 2020, the Board of Supervisors held 3 meetings and deliberated 16 proposals in total. The notice and convening of the meeting shall comply with the provisions of the Company Law, the Articles of Association, the Rules of Procedure of the Board of Supervisors and other laws and regulations.

The board of supervisors attend the board of a company all throughout the year, attended the company's 2019 annual general meeting of shareholders, to ensure the timely knowledge to understand the company's major decisions of the board of supervisors and progress, and called on the company, a shareholder meeting and the legal compliance of the board of directors and management layer, the major issues of the decision by the board of directors of the company procedure to carry on the supervision and inspection, We have safeguarded the rights and interests of the company and all its shareholders.

4. Performance of duties by independent directors

During the reporting period, the board of directors of the company in strict accordance with the relevant laws, regulations and the company's articles of association and the system of independent directors work regulations, fulfill their duties, diligent and responsible, and focus on company operation and actively attend the meeting of the board and general meeting of shareholders, and perform their duties independently and guard against legal risks in the development of the company, the management aspects of professional Suggestions are put forward. Review board meetings, through advance and independent opinion, related party transactions to the company, employ financial audit and internal control audit report and other needs of the independent director opinion matters which issued the independent advice, scientifically and objectively the board decision-making and the company's benign development has played a positive role. The company also published the above documents issued by the independent directors in full text on the information media designated by the company in accordance with the regulations, effectively protecting the interests of minority shareholders.

5. Management of information disclosure of the company by the board of directors during the reporting period

The board of directors of the company strictly abides by the provisions on information disclosure, faithfully fulfills the obligation of information disclosure as always, strives to improve the quality of information disclosure, ensures that investors are informed of the company's major events in time, protects investors' interests to the greatest extent, and provides real and objective basis for their investment decisions. In 2020, a total of 27 announcements were issued, which were true, accurate, complete, timely and fair.

6. Investor Interest Protection

Daily mainly by consulting some methods such as telephone, email, interactions with the general investors for exchange and communication, timely answer the investors' questions, the company through the many forms and multi level interactions, on the basis of guarantee fair, make investors have a more comprehensive understanding to the company, to form the benign interaction between the company and the investors, We will effectively protect the legitimate rights and interests of investors.

Does there exist any difference in compliance with the corporate governance, the PRC Company Law and the relevant provisions of CSRC.

Yes No

There is no significant difference between the actual situation of corporate governance and the normative documents on listed corporate governance issued by China securities regulatory commission.

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

The Company and the controlling shareholder shall independently calculate and undertake responsibilities and risks in terms of business, personnel, assets, organization and finance, etc. There is no situation in which the Company and the controlling shareholder cannot guarantee the independence and the ability to operate independently in terms of business, personnel, assets, organization and finance, etc.

III. Competition in the same industry

Applicable Inapplicable

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

1. Annual General Meeting in the Report Period

| Sessions | Meeting Types | Proportion of investors in total participants | Meeting date | Disclosure date | Disclosure index |
|-----------------------------|------------------------|---|--------------|-----------------|---|
| 2019 Annual General Meeting | Annual general meeting | 80.31% | | | http://www.cninfo.com.cn |

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

Applicable Inapplicable

V. Duty Performance of Independent Directors in the Reporting Period

1. Attendance of Board Meeting and Shareholders' Meeting

| Attendance of independent directors at board meetings and shareholder meetings | | | | | | | |
|--|---------------------------------|----------------------|-------------------------|--|--------------|--|---|
| Name | Meetings required to be present | Attendance in person | Attendance by facsimile | The number of directors to attend the board of directors | Absence rate | Non-attendance in person for two consecutive times | Attendance at the general meeting of shareholders |
| Liang Shuang | 3 | 0 | 3 | 0 | 0 | No | 1 |
| Sun Kun | 3 | 0 | 3 | 0 | 0 | No | 1 |
| Liu Yuping | 3 | 0 | 3 | 0 | 0 | No | 1 |
| Wen Bo | 3 | 0 | 3 | 0 | 0 | No | 1 |

Notes to Failure to Personally Attend Board Meetings Successively Twice

Applicable Inapplicable

2. Objection of independent directors on some relevant issues

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

Yes No

3. Other Note to Duty Performance of Independent Directors

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

According to the relevant regulations and requirements of Company Law and Guideline on Establishing Independent Director System in Listed Company, Articles of Association, earnestly fulfilled the obligations of laws and regulations, articles of association

and independent director system, actively attended the board meetings and shareholders' general meetings, examined and guided the production and operation of the Company, proposed independent opinions on significant events, put forward many valuable and expert advice about internal control and daily operation decisions, fulfilled the duties diligently, faithfully, brought their roles into full play and effectively safeguarded the interests of listed companies and general shareholders. IV. Performance of Special Committees under the Board of Directors in the Report Period

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

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

In 2020, the audit committee of the company will hold a total of 5 meetings to examine the company's periodic report, the appointment of accounting firm and other proposals.

VII. Work Summary of the Supervisory Committee

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

Yes No

VIII. Assessment and Incentive Mechanism for Senior Executives

According to Dalian Municipal Management Measures for Cadres and the actual situation of the company, the assessment and evaluation of senior management personnel are carried out, covering quality, ability, performance and other aspects. The Company has formulated the "Administrative Measures on Salary and Allowance of Senior Managers" to mobilize the enthusiasm and creativity of the Company's directors, supervisors and senior managers and maximize the interests of shareholders and the Company.

IX. Internal Control

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

Yes No

2. Internal control self-evaluation report

| | | |
|---|---|---|
| Full disclosure date of internal control evaluation report | 2021.04.27 | |
| Internal control evaluation report full - text disclosure index | http://www.cninfo.com.cn | |
| The ratio of the total assets of the unit included in the evaluation scope to the total assets in the consolidated financial statement of the company | 100.00% | |
| The proportion of the operating income of the unit included in the evaluation scope to the operating income of the company in the consolidated financial statements | 100.00% | |
| Defect identification criteria | | |
| category | The financial reporting | Non-financial report |
| The qualitative standard | The following situations shall be identified as major defects in the internal control of financial reporting, and other situations shall be identified as major or general defects according to the impact degree. (1) fraud by | The following situations shall be identified as major defects in internal control of non-financial reporting, and other situations shall be identified as major or general defects according to |

| | | |
|---|---|---|
| | senior management, including fraud in financial reporting; Improper use of assets; False income, expenses and liabilities; Improper acquisition of assets; Tax evasion and high-level fraud;(2) to make material misstatement and restatement of the issued financial report to reflect the correction of right and wrong statements, and to be punished by the regulatory authorities for the matter; (3) the CPA finds that there is a material misstatement in the current financial report, and the internal control fails to find such misstatement in the operation process;(4) the internal control and supervision of the company's financial report by the audit committee is invalid, including the inability of the audit committee to effectively supervise the internal control of the company's financial report or the lack of qualification and ability to monitor the accuracy of the financial report;(5) failure to perform internal decision-making procedures in accordance with relevant provisions, which affects the total amount of related transactions exceeding the amount of related transactions approved by the general meeting of shareholders. | the impact degree.(1) lack of democratic decision-making procedures; (2) the enterprise decision-making process is not scientific; (3) violation of state laws and regulations, such as environmental pollution; (4) frequent occurrence of media negative news; (5) internal control evaluation results, especially major or important defects, have not been rectified; (6) lack of system control or systematic failure of system in important business. |
| Quantitative standard | Major defect, direct property loss of more than 10 million yuan; Important defects, direct property loss of 5 million yuan (including)-10 million yuan; General defect, below 5 million yuan | Referring to the quantitative standard of internal control defects in financial reports, the quantitative standard for determining the importance of internal control defects in non-financial reports of the company is as follows. It is considered as a major defect to cause direct property loss of more than RMB 500,000 yuan; It is considered as an important defect that the amount of direct property loss is less than or equal to RMB 500,000 yuan; Other defects other than major defects are recognized as general defects. |
| Number of major defects in financial report | | 0 |
| Number of material defects in non-financial report | | 0 |
| Number of important defects in financial report | | 0 |
| Number of important defects in non-financial report | | 0 |

X. Internal Control Audit Report

Applicable Inapplicable

| Review Opinions in the Internal Control Audit Report | |
|--|------------|
| Disclosure of the internal control audit report | Disclosure |

| | |
|--|---|
| Disclosure Date of Internal Control Audit Report | 2020.04.28 |
| Disclosure Index of Internal Control Audit Report | http://www.cninfo.com.cn |
| Type of the opinions in the internal control audit report | control audit report Standard unqualified auditor' s report |
| Are there any material defects in the non-financial report | No |

Has the CPA's issued a qualified auditor's report of internal control.

Yes No

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

Yes No

Chapter XI. Corporate Bonds

Whether the company has corporate bonds publicly issued and listed on the stock exchange that are not due or not fully paid at the date of the approval of the annual report

Applicable Inapplicable

Chapter XII. Financial Report

I. Audit report

| | |
|------------------------------|---|
| Opinion Type of Audit Report | Standard unqualified opinion |
| Date of Audit Report | 2021.04.23 |
| Name of Audit Organization | ShineWing Certified Public Accountants Dalian Branch(special general partnership) |
| No. of Audit Report | XYZH/2021DLAA20133 |
| Name of the auditor | Sui Guojun Zhang Shizhuo |

Auditor's Report

To the shareholders of Wafangdian Bearing Company Limited

1. Opinion

We have audited the financial statements of Wafangdian Bearing Company Limited ("Wafangdian Bearing Company"), which comprise the consolidated as well as the Company's balance sheet as at 31 December 2020, the consolidated as well as the Company's income statement, cash flow statement and statement of changes in shareholders' equity for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements of Wafangdian Bearing Company present fairly, in all material respects, the Company's and the consolidated financial position as at 31 December 2020, the Company's and the consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. Basis for Opinion

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

3. Key Audit Matters

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

| 1. Inventory impairment | |
|---|---|
| Key audit matter | How the matter was addressed in the audit |
| Up to December 31st, 2020, as described in the Note VI, 8 closing balance of inventory is 919.5855Million Yuan, provision for inventory impairment is 303.9286million Yuan, provision for impairment increased by 239.9504million Yuan, which is the key factor to the gross profit and significantly affect the financial statements. Therefore, we identify the provision for inventory impairment as the key audit matter. | <p>The main audit procedures carried out for addressing the key audit matters are as follows:</p> <ol style="list-style-type: none"> 1. Assess the design of internal control over purchase and payment to ensure whether it is performed effectively, identify significant control deficit and test its effectiveness of performance. 2. Together with supervision of stock taking, inspect the inventory's physical condition to understand whether the condition is normal. 3. Review the provision recognition basis and whether is consistent with prior period. 4. In accordance with lower of NRV and cost method, evaluate the documents, assumption and accrual method for provision, and examine whether the NRV is based on the conclusive evidence and ensure its reasonableness. 5. Consider the principle of NRV recognition, review whether the calculation is correct(adequate but not excessive) 6. Examine the change of provision accrued previously during the year, examine the impairment provision reverse calculation and review accounting whether is reconciled to the accounts in the income statement. |
| 2. Revenue recognition | |
| Key audit matter | How the matter was addressed in the audit |

| | |
|--|--|
| <p>As described in the Note VI,32, revenue of Wafangdian Bearing Company in 2020 is 185.91764 million Yuan. Revenue of bearing sales and profit has significant effect on the Company. Revenue recognition depends on whether appropriate evaluation is made to whether the sales risk and rewards transfer conditions are in conformity with the terms regulated in the sales contract. Due to the complexity of the commercial contract, significant judgment needs to be made, therefore, we recognized revenue recognition as key audit matters.</p> | <p>The main audit procedures carried out for addressing the key audit matters are as follows:</p> <ol style="list-style-type: none"> 1. Understand and evaluate effectiveness of design and operation of the management's internal control over revenue 2. Carried out analytical review and evaluate the reasonableness of sales income and gross profit margin of Wafangdian Bearing Company. 3. Sampling test the sales contracts, evaluate the consistency between the contract price and actual settlement price. 4. Sampling select product sales revenue record, reconcile to sales invoice, contracts, dispatch note, acceptance note and evaluate the recognition of revenue whether is in line with the accounting standards applicable to Wafangdian Bearing Company. 5. Select key clients for confirmation letter so to ensure the accuracy and authenticity. 6. Sampling select the transactions before and after the balance sheet date, test the dispatch note and other supporting documents so to ensure whether the transaction is recorded into the appropriate accounting period. |
|--|--|

4. Other Information

The management of Wafangdian Bearing Company(hereinafter referred to as the "Management") is responsible for the other information. The other information comprises the information included in the Wafangdian Bearing Company 2020 annual report, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

6. Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures

made by the Management.

(4) Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Wafangdian Bearing Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements in accordance with the auditing standards or, if such disclosures are inadequate, we shall modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Wafangdian Bearing Company to cease to continue as a going concern.

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

(6) Obtain sufficient and appropriate audit evidence of financial information from Wafangdian Bearing Company and express our opinion. We are responsible for directing, monitoring and implementing the group audit and take full responsibility for audit opinion. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings etc., including any significant deficiencies in internal control that we identify during our audit.

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

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

II. Financial Statement

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

1. Consolidated Balance Sheet.

Preparation unit: wafangdian bearing co., LTD

Unit: RMB Yuan

| item | 2020.12.31 | 2019.12.31 |
|---|----------------|----------------|
| Current assets: | | |
| Monetary fund | 194,152,280.08 | 183,648,867.58 |
| Settlement of provisions | | |
| Lending money, | | |
| Trading financial assets | 228,046.00 | 285,057.50 |
| Derivative financial asset | | |
| Notes receivable | 416,044,578.48 | |
| Accounts receivable | 975,628,091.12 | 995,091,454.06 |
| Receivables financing | 130,600,545.59 | 179,578,623.48 |
| prepayments | 53,772,465.49 | 27,516,943.54 |
| Premiums receivable | | |
| Reinsurance accounts receivable | | |
| Reserves for reinsurance contracts receivable | | |
| Other receivables | 14,204,144.25 | 27,646,966.02 |
| Including: interest receivable | | |
| Dividends receivable | | |
| Buy and sell back financial assets | | |
| inventory | 615,656,946.30 | 704,467,062.61 |
| Contract assets | | |
| Hold assets for sale | | |
| Non-current assets due within one year | | |

| | | |
|--|------------------|------------------|
| Other current assets | 24,610,448.93 | 3,510,607.86 |
| Total current assets | 2,424,897,546.24 | 2,121,745,582.65 |
| Non-current assets: | | |
| Loans and advances are granted | | |
| Creditor's rights investment | | |
| Other debt investments | | |
| Long-term receivables | | |
| Long-term equity investment | | |
| Investment in other equity instruments | 11,926,856.64 | 11,926,856.64 |
| Other non-current financial assets | | |
| Investment property | 117,516,482.39 | 122,930,874.57 |
| Fixed assets | 474,109,923.22 | 587,452,012.49 |
| Projects under construction | 24,254,985.16 | 33,932,882.85 |
| Productive biological assets | | |
| Oil and gas assets | | |
| Right asset | | |
| Intangible assets | 80,725,861.18 | 82,629,398.56 |
| The development of spending goodwill | | |
| Long-term prepaid expenses | 511,188.11 | 859,861.79 |
| Deferred income tax assets | | |
| Other non-current assets | | |
| Total non-current assets | 709,045,296.70 | 839,731,886.90 |
| Total assets | 3,133,942,842.94 | 2,961,477,469.55 |
| Current liabilities: | | |
| Short-term borrowing | 670,000,000.00 | 655,000,000.00 |
| Borrowing money from the central bank | | |
| Funds borrowed from | | |
| Transaction financial liabilities | | |
| Derivative financial liability | | |
| Notes payable | 274,654,535.65 | 250,019,501.69 |
| Accounts payable | 1,044,801,896.85 | 632,352,299.59 |
| Advance payment | 0.00 | 27,488,588.61 |
| Contract liability | 39,456,304.55 | 0.00 |
| Selling and repurchasing financial assets | | |
| Deposit absorption and inter-bank deposit | | |
| Acting for the sale and purchase of securities | | |
| Underwriting securities as an agent | | |
| Salary payable | 52,677,141.09 | 23,693,082.54 |
| Payable taxes | 3,688,168.68 | 4,724,698.30 |
| Other Payable | 129,476,061.47 | 79,351,154.37 |
| Including: Interest payable | 1,041,600.00 | 934,134.38 |
| Dividends payable | 0.00 | 360,000.00 |
| Charges and commissions payable | | |
| Reinsurance accounts payable | | |
| Hold liabilities for sale | | |
| Non-current liabilities due within one year | | |
| Other current liabilities | 5,129,319.58 | 0.00 |
| Total current liabilities | 2,219,883,427.87 | 1,672,629,325.10 |
| Non-current liabilities: | | |
| Insurance contract reserve | | |
| Long-term borrowing | | |
| Bonds payable | | |
| Including: preferred shares | | |
| Sustainable debt | | |

| | | |
|---|------------------|------------------|
| Lease liability | | |
| Long-term payable | 344,974.84 | 344,974.84 |
| To pay employee compensation on a long-term basis | | |
| Estimated debts | 39,032,270.91 | |
| Deferred revenue | 59,942,753.08 | 61,276,110.91 |
| Deferred income tax liabilities | 734,448.35 | 785,660.25 |
| Other non-current liabilities | | |
| Total non-current liabilities | 100,054,447.18 | 62,406,746.00 |
| Total liabilities | 2,319,937,875.05 | 1,735,036,071.10 |
| Owner's equity: | | |
| equity | 402,600,000.00 | 402,600,000.00 |
| Other equity instruments | | |
| Including: preferred shares | | |
| Sustainable debt | | |
| Capital reserves | 485,691,050.47 | 485,691,050.47 |
| Minus: Inventory shares | | |
| Other comprehensive income | | |
| The special reserve | | |
| Surplus reserves | 136,770,391.01 | 136,770,391.01 |
| General risk provision | | |
| Undistributed profit | -211,056,473.59 | 201,379,956.97 |
| Total owner's equity attributable to the parent company | 814,004,967.89 | 1,226,441,398.45 |
| Minority equity | | |
| Total owners' equity | 814,004,967.89 | 1,226,441,398.45 |
| Total liabilities and owners' equity | 3,133,942,842.94 | 2,961,477,469.55 |

Chairman: Liu Jun

General Accountant : Sun Najuan

Accounting charger: Zhang Yajing

2. Balance Sheet Of Parent Company

Unit: RMB Yuan

| item | 2020.12.31 | 2019.12.31 |
|--|------------------|------------------|
| Current assets: | | |
| Monetary fund | 173,606,464.84 | 147,541,012.52 |
| Trading financial assets | 228,046.00 | 285,057.50 |
| Derivative financial asset | | |
| Notes receivable | 325,928,761.07 | 174,925,481.58 |
| Accounts receivable | 1,051,197,353.63 | 1,056,081,183.54 |
| Receivables financing | 125,606,963.37 | |
| prepayments | 52,961,548.88 | 24,128,739.35 |
| Other receivables | 13,357,080.42 | 10,316,683.41 |
| Including: interest receivable | | |
| Dividends receivable | | |
| inventory | 472,723,348.67 | 645,572,153.92 |
| Contract assets | | |
| Hold assets for sale | | |
| Non-current assets due within one year | | |
| Other current assets | 17,971,682.31 | 2,402,110.21 |
| Total current assets | 2,233,581,249.19 | 2,061,252,422.03 |
| Non-current assets: | | |
| Creditor's rights investment | | |
| Other debt investments | | |
| Long-term receivables | | |
| Long-term equity investment | 211,583,897.67 | 211,583,897.67 |
| Investment in other equity instruments | 11,926,856.64 | 11,926,856.64 |
| Other non-current financial assets | | |
| Investment property | 103,505,103.77 | 107,928,780.98 |

| | | |
|---|------------------|------------------|
| Fixed assets | 309,847,783.81 | 405,972,163.82 |
| Projects under construction | 21,933,710.72 | 33,315,133.75 |
| Productive biological assets | | |
| Oil and gas assets | | |
| Right asset | | |
| Intangible assets | 64,192,377.21 | 65,377,956.95 |
| The development of spending goodwill | | |
| Long-term prepaid expenses | 432,059.78 | 724,877.66 |
| Deferred income tax assets | | |
| Other non-current assets | | |
| Total non-current assets | 723,421,789.60 | 836,829,667.47 |
| Total assets | 2,957,003,038.79 | 2,898,082,089.50 |
| Current liabilities: | | |
| Short-term borrowing | 670,000,000.00 | 655,000,000.00 |
| Transaction financial liabilities | | |
| Derivative financial liability | | |
| Notes payable | 274,654,535.65 | 250,019,501.69 |
| Accounts payable | 845,753,616.99 | 562,483,695.40 |
| Advance payment | 0.00 | 27,712,137.64 |
| Contract liability | 40,196,130.87 | 0.00 |
| Salary payable | 43,148,413.71 | 15,853,058.39 |
| Payable taxes | 3,395,991.46 | 2,539,819.22 |
| Other Payable | 109,599,140.08 | 56,658,107.69 |
| Including: Interest payable | 1,041,600.00 | 934,134.38 |
| Dividends payable | 0.00 | 360,000.00 |
| Hold liabilities for sale | | |
| Non-current liabilities due within one year | | |
| Other current liabilities | 5,225,497.00 | 0.00 |
| Total current liabilities | 1,991,973,325.76 | 1,570,266,320.03 |
| Non-current liabilities: | | |
| Long-term borrowing | | |
| Bonds payable | | |
| Including: preferred shares | | |
| Sustainable debt | | |
| Lease liability | | |
| Long-term payable | 244,974.84 | 244,974.84 |
| To pay employee compensation on a long-term basis | | |
| Estimated debts | 39,032,270.91 | 0.00 |
| Deferred revenue | 29,380,833.70 | 29,663,417.94 |
| Deferred income tax liabilities | | |
| Other non-current liabilities | | |
| Total non-current liabilities | 68,658,079.45 | 29,908,392.78 |
| Total liabilities | 2,060,631,405.21 | 1,600,174,712.81 |
| Owner's equity: | | |
| equity | 402,600,000.00 | 402,600,000.00 |
| Other equity instruments | | |
| Including: preferred shares | | |
| Sustainable debt | | |
| Capital reserves | 485,678,443.26 | 485,678,443.26 |
| Minus: Inventory shares | | |
| Other comprehensive income | | |
| The special reserve | | |
| Surplus reserves | 136,770,391.01 | 136,770,391.01 |
| Undistributed profit | -128,677,200.69 | 272,858,542.42 |

| | | |
|--------------------------------------|------------------|------------------|
| Total owners' equity | 896,371,633.58 | 1,297,907,376.69 |
| Total liabilities and owners' equity | 2,957,003,038.79 | 2,898,082,089.50 |

3. Consolidated Income Sheet.

Unit: RMB Yuan

| item | Year 2020 | Year 2019 |
|---|------------------|------------------|
| I. Gross Operating Income | 1,859,176,415.58 | 1,855,489,141.65 |
| Including: operating income | 1,859,176,415.58 | 1,855,489,141.65 |
| Interest income | | |
| The premium has been made | | |
| Fee and commission income | | |
| II.Total operating costs | 1,957,945,739.22 | 1,914,440,151.95 |
| Including: operating costs | 1,367,683,304.88 | 1,510,942,131.27 |
| The interest payments | | |
| Fee and commission expenses | | |
| Surrender gold | | |
| Net compensation expenditure | | |
| Set aside the net reserve amount for the insurance liability contract | | |
| Policy dividend payout | | |
| Reinsurance expenses | | |
| Taxes and Surcharges | 15,109,365.51 | 13,389,736.43 |
| Cost of sales | 210,217,418.49 | 158,933,297.31 |
| Management fees | 93,959,959.13 | 63,221,726.23 |
| Research and development costs | 227,548,185.54 | 132,242,455.59 |
| Finance charges | 43,427,505.67 | 35,710,805.12 |
| Including: interest expense | | |
| Interest income | | |
| Plus: Other benefits | 9,520,190.48 | 9,474,928.76 |
| Return on investment (loss marked with "-") | 1,230,774.07 | |
| Including: income from investment in joint ventures and joint ventures | | |
| The financial assets measured at amortized cost cease to recognize income | | |
| Exchange gains (loss marked with "-") | | |
| Net exposure hedge gain (loss marked with "-") | | |
| Change in fair value earnings (loss marked with "-") | -57,011.50 | -13,867.66 |
| Credit impairment loss (loss marked with "-") | -22,443,182.09 | -12,472,297.12 |
| Impairment loss on assets (loss marked with "-") | -272,535,475.00 | -52,279,936.50 |
| Income from disposal of assets (loss marked with "-") | 939,292.08 | 1,663,381.85 |
| III. Operating profit (loss marked with "-") | -382,114,735.60 | -112,578,800.97 |
| Plus: non-operating income | 3,188,770.05 | 6,393,813.40 |
| Minus: non-operating expenses | 1,353,676.91 | 5,428,954.03 |
| IV. Total profit (total loss marked with "-") | -380,279,642.46 | -111,613,941.60 |
| Minus: income tax expense | -51,211.90 | 11,588,036.13 |
| V. Net profit (net loss marked with "-") | -380,228,430.56 | -123,201,977.73 |
| (1) Classification according to business continuity | | |
| 1. Net profit from continuing operations (net loss marked with "-") | -380,228,430.56 | -123,201,977.73 |
| 2. Net profit of termination (net loss marked with "-") | | |
| (2) Classification according to ownership | | |
| 1. Net profit attributable to the shareholders of the parent company | -380,228,430.56 | -123,201,977.73 |
| 2. Profits and losses of minority shareholders | | |
| VI.Net after tax of other comprehensive income | | |
| Net after-tax of other comprehensive income attributable to the owner of the parent company | | |
| (1)Other comprehensive income that cannot be reclassified into profit or loss | | |
| 1. Remeasure and set the change amount of benefit plan | | |
| 2. Other comprehensive income that cannot be transferred to profits and losses | | |

| | | |
|---|-----------------|-----------------|
| under the equity method | | |
| 3. Changes in the fair value of other equity instrument investments | | |
| 4. Changes in fair value of the enterprise's own credit risk | | |
| 5. Other | | |
| (2) other comprehensive income which is reclassified into profits and losses | | |
| 1. Other comprehensive income transferable to profit and loss under the equity method | | |
| 2. Changes in the fair value of other debt investments | | |
| 3. Amount of financial assets reclassified into other comprehensive income | | |
| (4) Provision for impairment of credit of other creditor's rights investment | | |
| 5. Cash flow hedge reserve | | |
| 6. Difference in translation of foreign currency financial statements | | |
| 7. Other | | |
| Net after tax of other comprehensive income attributable to minority shareholders | | |
| VII. Total comprehensive income | -380,228,430.56 | -123,201,977.73 |
| Total consolidated income attributable to the owner of the parent company | -380,228,430.56 | -123,201,977.73 |
| Total consolidated income attributable to minority shareholders | | |
| VIII. Earnings per Share: | | |
| (1) Basic earnings per share | -0.94 | -0.31 |
| (2) Diluted earnings per share | -0.94 | -0.31 |

Chairman: Liu Jun

General Accountant : Sun Najuan

Accounting charger: Zhang Yajing

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

| project | Year2020 | Year2019 |
|--|------------------|------------------|
| I. Operating revenue | 1,900,653,498.55 | 1,871,125,587.50 |
| Minus: operating costs | 1,441,850,953.92 | 1,527,542,800.41 |
| Taxes and Surcharges | 12,468,613.35 | 10,723,380.23 |
| Cost of sales | 208,157,686.30 | 155,697,913.81 |
| Management fees | 71,063,079.09 | 40,557,089.20 |
| Research and development costs | 221,352,260.63 | 131,051,962.15 |
| Finance charges | 43,762,269.30 | 35,768,901.84 |
| Including: interest expense | | |
| Interest income | | |
| Plus: Other benefits | 7,415,539.36 | 8,088,121.80 |
| Return on investment (loss marked with "-") | 1,125,774.07 | |
| Including: income from investment in joint ventures and joint ventures | | |
| Terminating recognition of income of financial assets measured at amortized cost (loss is marked with "-") | | |
| Net exposure hedge gain (loss marked with "-") | | |
| Change in fair value earnings (loss marked with "-") | -57,011.50 | -13,867.66 |
| Credit impairment loss (loss marked with "-") | -22,599,967.68 | -12,072,650.61 |
| Impairment loss on assets (loss marked with "-") | -257,590,857.20 | -51,590,767.50 |
| Income from disposal of assets (loss marked with "-") | 237,250.11 | 2,711,580.83 |
| II. Operating profit (loss marked with "-") | -369,470,636.88 | -83,094,043.28 |
| Plus: non-operating income | 1,464,353.80 | 5,360,864.22 |
| Minus: non-operating expenses | 1,321,460.03 | 5,316,830.23 |
| III. Total profit (total loss marked with "-") | -369,327,743.11 | -83,050,009.29 |
| Minus: income tax expense | | 10,350,000.00 |
| IV. Net profit (net loss marked with "-") | -369,327,743.11 | -93,400,009.29 |
| (1) Net profit from continuing operations (net loss marked with "-") | -369,327,743.11 | -93,400,009.29 |
| (2) Net profit of operation termination (net loss is marked with "-") | | |
| V. Net after tax of other comprehensive income | | |
| (1) Other comprehensive income that cannot be reclassified into profit or loss | | |
| 1. Remeasure and set the change amount of benefit plan | | |

| | | |
|--|-----------------|----------------|
| 2. Other comprehensive income that cannot be transferred to profits and losses under the equity method | | |
| 3. Changes in the fair value of other equity instrument investments | | |
| 4. Changes in fair value of the enterprise's own credit risk | | |
| 5. Other | | |
| (2) other comprehensive income which is reclassified into profits and losses | | |
| 1. Other comprehensive income transferable to profit and loss under the equity method | | |
| 2. Changes in the fair value of other debt investments | | |
| 3. Amount of financial assets reclassified into other comprehensive income | | |
| (4) Provision for impairment of credit of other creditor's rights investment | | |
| 5. Cash flow hedge reserve | | |
| 6. Difference in translation of foreign currency financial statements | | |
| 7. Other | | |
| VI. Total comprehensive income | -369,327,743.11 | -93,400,009.29 |
| VII. Earnings per Share: | | |
| (1) Basic earnings per share | -0.92 | -0.23 |
| (2) Diluted earnings per share | -0.92 | -0.23 |

5. Consolidated Cash Flow Statement.

| Item | Year2020 | Year2019 |
|--|------------------|----------------|
| I. Cash flow generated by operating activities: | | |
| Cash received from selling goods and providing services | 1,110,910,937.52 | 851,840,403.10 |
| Net increase in customer deposits and inter-bank deposits | | |
| Net increase in borrowing from the central bank | | |
| Net increase in funds borrowed from other financial institutions | | |
| Cash from receipt of premiums of the original insurance contract | | |
| Receipt of net cash for reinsurance operations | | |
| Net increase of depositors and investment funds | | |
| Cash receiving interest, fees and commissions | | |
| Net increase in borrowed funds | | |
| Net increase in funds from repurchase operations | | |
| Net cash received for buying or selling securities | | |
| Tax rebates received | 2,574.30 | |
| Receipt of other cash related to business activities | 54,155,586.46 | 139,194,271.25 |
| Subtotal of cash flows from operating activities | 1,165,069,098.28 | 991,034,674.35 |
| Cash paid for goods and services | 695,692,979.95 | 411,389,864.35 |
| Net increase in customer loans and advances | | |
| Net increase in deposits with central banks and inter-banks | | |
| Cash for payment of claims under the original insurance contract | | |
| Net increase in unwinding funds | | |
| Cash to pay interest, fees and commissions | | |
| Cash for payment of policy dividend | | |
| Cash paid to and for employees | 271,347,438.50 | 245,247,881.62 |
| All kinds of taxes paid | 56,640,317.76 | 39,416,227.70 |
| Pay other cash related to business activities | 80,163,434.34 | 137,066,359.82 |
| Subtotal of cash outflow from operating activities | 1,103,844,170.55 | 833,120,333.49 |
| Net cash flow from operating activities | 61,224,927.73 | 157,914,340.86 |
| II. Cash flow generated by investment activities: | | |
| Recovering the cash received from the investment | | |
| Cash received in return on an investment | | 1,250,000.00 |
| Net cash recovered from the disposal of fixed assets, intangible assets and other long-term assets | | |
| Disposal of net cash received by subsidiaries and other business units | 2,397,893.92 | 4,164,488.75 |
| Receipt of other cash related to investment activities | | |
| Subtotal of cash inflow from investment activities | 2,397,893.92 | 5,414,488.75 |

| | | |
|---|------------------|------------------|
| Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets | 3,579,393.58 | 1,546,302.77 |
| Investment paid in cash | | |
| Net increase in pledged loans | | |
| To obtain the net cash paid by subsidiaries and other business units | | |
| Payment of other cash related to investment activities | | |
| Subtotal of cash outflow from investment activities | 3,579,393.58 | 1,546,302.77 |
| Net cash flow from investment activities | -1,181,499.66 | 3,868,185.98 |
| III. Cash flow generated by financing activities: | | |
| To absorb cash received from investment | | |
| Including: cash received by the subsidiary to absorb investment of minority shareholders | | |
| Receive the cash received on the loan | 829,000,000.00 | 655,000,000.00 |
| Receipt of other cash in connection with financing activities | 170,000,000.00 | 231,627,104.67 |
| Subtotal of cash inflow from financing activities | 999,000,000.00 | 886,627,104.67 |
| A cash payment to repay a debt | 826,110,200.00 | 620,000,000.00 |
| Cash used to distribute dividends, profits or pay interest payments | 68,738,059.00 | 48,701,476.91 |
| Including: dividends and profits paid by the subsidiary to minority shareholders | | |
| Pay other cash in connection with financing activities | 135,000,000.00 | 431,085,283.76 |
| Subtotal of cash outflow from financing activities | 1,029,848,259.00 | 1,099,786,760.67 |
| Net cash flow arising from financing activities | -30,848,259.00 | -213,159,656.00 |
| IV. The impact of exchange rate fluctuations on cash and cash equivalents | -2,790,857.63 | 269,812.46 |
| V. Net increase in cash and cash equivalents | 26,404,311.44 | -51,107,316.70 |
| Plus: Balance of cash and cash equivalents at the beginning | 137,324,488.53 | 188,431,805.23 |
| 6. Closing cash and cash equivalents balance | 163,728,799.97 | 137,324,488.53 |

Unit: RMB yuan

6. Cash Flow Statement Of Parent Company.

Unit: RMB yuan

| Item | Year 2020 | Year 2019 |
|---|------------------|------------------|
| I. Cash flow generated by operating activities: | | |
| Cash received from selling goods and providing services | 1,107,377,634.72 | 848,955,387.46 |
| Tax rebates received | 2,574.30 | |
| Receipt of other cash related to business activities | 36,163,080.03 | 184,060,588.35 |
| Subtotal of cash flows from operating activities | 1,143,543,289.05 | 1,033,015,975.81 |
| Cash paid for goods and services | 727,194,098.55 | 462,478,582.07 |
| Cash paid to and for employees | 220,769,975.76 | 199,593,719.68 |
| All kinds of taxes paid | 46,026,886.71 | 29,568,318.49 |
| Pay other cash related to business activities | 74,436,186.23 | 115,566,153.86 |
| Subtotal of cash outflow from operating activities | 1,068,427,147.25 | 807,206,774.10 |
| Net cash flow from operating activities | 75,116,141.80 | 225,809,201.71 |
| II. Cash flow generated by investment activities: | | |
| Recovering the cash received from the investment | | |
| Cash received in return on an investment | | 1,250,000.00 |
| Net cash recovered from the disposal of fixed assets, intangible assets and other long-term assets | 1,896,293.92 | 3,712,753.18 |
| Disposal of net cash received by subsidiaries and other business units | | |
| Receipt of other cash related to investment activities | | |
| Subtotal of cash inflow from investment activities | 1,896,293.92 | 4,962,753.18 |
| Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets | 1,406,967.83 | 1,462,312.77 |
| Investment paid in cash | | |
| To obtain the net cash paid by subsidiaries and other business units | | |
| Payment of other cash related to investment activities | | |
| Subtotal of cash outflow from investment activities | 1,406,967.83 | 1,462,312.77 |

| | | |
|---|------------------|------------------|
| Net cash flow from investment activities | 489,326.09 | 3,500,440.41 |
| III. Cash flow generated by financing activities: | | |
| To absorb cash received from investment | | |
| Receive the cash received on the loan | 829,000,000.00 | 655,000,000.00 |
| Receipt of other cash in connection with financing activities | 170,000,000.00 | 231,627,104.67 |
| Subtotal of cash inflow from financing activities | 999,000,000.00 | 886,627,104.67 |
| A cash payment to repay a debt | 826,110,200.00 | 620,000,000.00 |
| Cash used to distribute dividends, profits or pay interest payments | 68,738,059.00 | 48,701,476.91 |
| Pay other cash in connection with financing activities | 135,000,000.00 | 433,677,283.76 |
| Subtotal of cash outflow from financing activities | 1,029,848,259.00 | 1,102,378,760.67 |
| Net cash flow arising from financing activities | -30,848,259.00 | -215,751,656.00 |
| IV. The impact of exchange rate fluctuations on cash and cash equivalents | -2,790,857.63 | 269,812.46 |
| V. Net increase in cash and cash equivalents | 41,966,351.26 | 13,827,798.58 |
| Plus: Balance of cash and cash equivalents at the beginning | 101,216,633.47 | 87,388,834.89 |
| VI. Closing cash and cash equivalents balance | 143,182,984.73 | 101,216,633.47 |

7. Consolidated Sheet Of Changes In Shareholder' s Equity

This amount

Unit: RMB yuan

| Item | The year in2020 | | | | | | | | | | | | | | |
|--|---|--------------------------|-------|------|------------------|------------------------|----------------------------|---------------------|------------------|------------------------|----------------------|-------|------------------|-----------------|----------------------|
| | Owner's equity attributable to parent company | | | | | | | | | | | | | Minority equity | Total owners' equity |
| | Capital stock | Other equity instruments | | | Capital reserves | Less: inventory stocks | Other comprehensive income | The special reserve | Surplus reserves | General risk provision | Undistributed profit | other | subtotal | | |
| | Preferred stock | Sustainable debt | other | | | | | | | | | | | | |
| I.Ending balance of last year | 402,600,000.00 | 0.00 | 0.00 | 0.00 | 485,691,050.47 | 0.00 | 0.00 | 0.00 | 136,770,391.01 | 0.00 | 201,379,956.97 | 0.00 | 1,226,441,398.45 | 0.00 | 1,226,441,398.45 |
| Plus: changes in accounting policies | | | | | | | | | | | | | | | |
| Advance error correction | | | | | | | | | | | | | | | |
| Merger of enterprises under the same control | | | | | | | | | | | | | | | |
| other | | | | | | | | | | | | | | | |
| II.Balance at the beginning of the current year | 402,600,000.00 | 0.00 | 0.00 | 0.00 | 485,691,050.47 | 0.00 | 0.00 | 0.00 | 136,770,391.01 | 0.00 | 201,379,956.97 | 0.00 | 1,226,441,398.45 | 0.00 | 1,226,441,398.45 |
| III. Amount of increase or decrease in current period (marked with "-" for decrease) | | | | | | | | | | | | | | | |
| (1) Total comprehensive income | | | | | | | | | | | -412,436,430.56 | 0.00 | -412,436,430.56 | 0.00 | -412,436,430.56 |
| (2) capital input | | | | | | | | | | | -380,228,430.56 | | -380,228,430.56 | | -380,228,430.56 |

Wafangdian Bearing Company Limited 2020 Annual Report

| | | | | | | | | | | | | | | | | | |
|---|--|--|--|--|--|--|--|--|--|--|--|----------------|----------------|----------------|----------------|----------------|----------------|
| or reduction by the owner | | | | | | | | | | | | | | | | | |
| 1. Common stock invested by the owner | | | | | | | | | | | | | | | | | |
| 2. Capital invested by holders of other equity instruments | | | | | | | | | | | | | | | | | |
| 3. Amount of share payments credited to owners' equity | | | | | | | | | | | | | | | | | |
| 4. Other | | | | | | | | | | | | | | | | | |
| (3) Profit distribution | | | | | | | | | | | | -32,208,000.00 | | -32,208,000.00 | | -32,208,000.00 | |
| 1. Withdraw surplus reserve | | | | | | | | | | | | | | | | | |
| 2. Extract general risk provisions | | | | | | | | | | | | | | | | | |
| 3. Distribution to owners (or shareholders) | | | | | | | | | | | | | -32,208,000.00 | | -32,208,000.00 | | -32,208,000.00 |
| 4. Other | | | | | | | | | | | | | | | | | |
| (4) Internal carryover of owners' equity | | | | | | | | | | | | | | | | | |
| 1. Conversion of capital reserves to increased capital (or capital stock) | | | | | | | | | | | | | | | | | |
| 2. Conversion of surplus reserves to | | | | | | | | | | | | | | | | | |

Wafangdian Bearing Company Limited 2020 Annual Report

| | | | | | | | | | | | | | | | |
|---|----------------|------|------|------|----------------|------|------|------|----------------|------|-----------------|------|----------------|------|----------------|
| increased capital (or equity) | | | | | | | | | | | | | | | |
| 3. The surplus reserves make up the losses | | | | | | | | | | | | | | | |
| 4. Set changes in benefit plan to carry forward retained earnings | | | | | | | | | | | | | | | |
| 5. Carry-over of other comprehensive income to retained earnings | | | | | | | | | | | | | | | |
| 6. Other | | | | | | | | | | | | | | | |
| (5) Special reserve | | | | | | | | | | | | | | | |
| 1. Current extraction | | | | | | | | | | | | | | | |
| 2. Current use | | | | | | | | | | | | | | | |
| (6) Others | | | | | | | | | | | | | | | |
| 4. Ending balance of current period | 402,600,000.00 | 0.00 | 0.00 | 0.00 | 485,691,050.47 | 0.00 | 0.00 | 0.00 | 136,770,391.01 | 0.00 | -211,056,473.59 | 0.00 | 814,004,967.89 | 0.00 | 814,004,967.89 |

The amount of the previous

Unit: RMB yuan

| Item | The year in 2019 | | | | | | | | | | | | | | |
|------|---|--------------------------|--------|--|------------------|------------------------|----------------------------|---------------------|------------------|------------------------|----------------------|-------|----------|-----------------|----------------------|
| | Owner's equity attributable to parent company | | | | | | | | | | | | | Minority equity | Total owners' equity |
| | Capital stock | Other equity instruments | | | Capital reserves | Less: inventory stocks | Other comprehensive income | The special reserve | Surplus reserves | General risk provision | Undistributed profit | Other | subtotal | | |
| | Preferr ed stock | Sustaina ble debt | oth er | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | |

Wafangdian Bearing Company Limited 2020 Annual Report

| | | | | | | | | | | | | | | | |
|--|--------------------|------|------|----------|--------------------|------|------|------|--------------------|------|---------------------|------|----------------------|------|------------------|
| I. Ending balance of last year | 402,600,00 0.00 | 0.00 | 0.00 | 0.0 0 | 485,691,05 0.47 | 0.00 | 0.00 | 0.00 | 136,770,39 1.01 | 0.00 | 354,961,60 3.07 | | 1,380,023,0 44.55 | | 1,380,023,044.55 |
| Plus: changes in accounting policies | | | | | | | | | | | -14,275,668 .37 | | -14,275,668 .37 | | -14,275,668.37 |
| Advance error correction | | | | | | | | | | | | | | | |
| Merger of enterprises under the same control | | | | | | | | | | | | | | | |
| other | | | | | | | | | | | | | | | |
| II. Balance at the beginning of the current year | 402,600,00 0.00 | 0.00 | 0.00 | 0.0 0 | 485,691,05 0.47 | 0.00 | 0.00 | 0.00 | 136,770,39 1.01 | 0.00 | 340,685,93 4.70 | 0.00 | 1,365,747,3 76.18 | 0.00 | 1,365,747,376.18 |
| III. Amount of increase or decrease in current period (marked with "-" for decrease) | 0.00 | 0.00 | 0.00 | 0.0 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -139,305,97 7.73 | 0.00 | -139,305,97 7.73 | 0.00 | -139,305,977.73 |
| (1) Total comprehensive income | | | | | | | | | | | -123,201,97 7.73 | | -123,201,97 7.73 | | -123,201,977.73 |
| (2) capital input or reduction by the owner | | | | | | | | | | | | | | | |
| 1. Common stock invested by the owner | | | | | | | | | | | | | | | |
| 2. Capital invested by holders of other equity instruments | | | | | | | | | | | | | | | |
| 3. Amount of share payments credited to owners' equity | | | | | | | | | | | | | | | |
| 4. Other | | | | | | | | | | | | | | | |
| (3) Profit distribution | 0.00 | 0.00 | 0.00 | 0.0 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -16,104,000 | 0.00 | -16,104,000 | 0.00 | -16,104,000.00 |

Wafangdian Bearing Company Limited 2020 Annual Report

| | | | | | | | | | | | | | | | |
|---|--|--|--|---|--|--|--|--|--|--|----------------|--|----------------|--|----------------|
| | | | | 0 | | | | | | | .00 | | .00 | | |
| 1. Withdraw surplus reserve | | | | | | | | | | | | | 0.00 | | 0.00 |
| 2. Extract general risk provisions | | | | | | | | | | | | | 0.00 | | 0.00 |
| 3. Distribution to owners (or shareholders) | | | | | | | | | | | -16,104,000.00 | | -16,104,000.00 | | -16,104,000.00 |
| 4. Other | | | | | | | | | | | | | | | |
| (4)Internal carryover of owners' equity | | | | | | | | | | | | | | | |
| 1. Conversion of capital reserves to increased capital (or capital stock) | | | | | | | | | | | | | | | |
| 2. Conversion of surplus reserves to increased capital (or equity) | | | | | | | | | | | | | | | |
| 3. The surplus reserves make up the losses | | | | | | | | | | | | | | | |
| 4. Set changes in benefit plan to carry forward retained earnings | | | | | | | | | | | | | | | |
| 5. Carry-over of other comprehensive income to retained earnings | | | | | | | | | | | | | | | |
| 6. Other | | | | | | | | | | | | | | | |
| (5) Special reserve | | | | | | | | | | | | | | | |
| 1. Current extraction | | | | | | | | | | | | | | | |
| 2. Current use | | | | | | | | | | | | | | | |

Wafangdian Bearing Company Limited 2020 Annual Report

| | | | | | | | | | | | | | | | |
|-------------------------------------|----------------|------|------|------|----------------|------|------|------|----------------|------|----------------|------|------------------|------|------------------|
| (6) Others | | | | | | | | | | | | | | | |
| 4. Ending balance of current period | 402,600,000.00 | 0.00 | 0.00 | 0.00 | 485,691,050.47 | 0.00 | 0.00 | 0.00 | 136,770,391.01 | 0.00 | 201,379,956.97 | 0.00 | 1,226,441,398.45 | 0.00 | 1,226,441,398.45 |

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

This amount

Unit: RMB yuan

| Item | 2020 | | | | | | | | | | | | Total owners' equity |
|--|----------------|--------------------------|------------------|-------|------------------|------------------------|----------------------------|---------------------|------------------|----------------------|-------|------------------|----------------------|
| | Capital stock | Other equity instruments | | | Capital reserves | Less: inventory stocks | Other comprehensive income | The special reserve | Surplus reserves | Undistributed profit | other | | |
| | | Preferred stock | Sustainable debt | other | | | | | | | | | |
| I. Ending balance of last year | 402,600,000.00 | 0.00 | 0.00 | 0.00 | 485,678,443.26 | 0.00 | 0.00 | 0.00 | 136,770,391.01 | 272,858,542.42 | 0.00 | 1,297,907,376.69 | |
| Plus: changes in accounting policies | | | | | | | | | | | | | |
| Advance error correction | | | | | | | | | | | | | |
| other | | | | | | | | | | | | | |
| II. Balance at the beginning of the current year | 402,600,000.00 | 0.00 | 0.00 | 0.00 | 485,678,443.26 | 0.00 | 0.00 | 0.00 | 136,770,391.01 | 272,858,542.42 | 0.00 | 1,297,907,376.69 | |
| III. Amount of increase or decrease in current period (marked with "-" for decrease) | | | | | | | | | | -401,535,743.11 | | -401,535,743.11 | |
| (1) Total comprehensive income | | | | | | | | | | -369,327,743.11 | | -369,327,743.11 | |
| (2) capital input or reduction by the owner | | | | | | | | | | | | | |
| 1. Common stock invested by the owner | | | | | | | | | | | | | |
| 2. Capital invested by holders of other equity instruments | | | | | | | | | | | | | |
| 3. Amount of share payments credited to owners' equity | | | | | | | | | | | | | |

Wafangdian Bearing Company Limited 2020 Annual Report

| | | | | | | | | | | | | | |
|---|----------------|--|--|--|----------------|--|--|--|--|----------------|-----------------|----------------|----------------|
| 4. Other | | | | | | | | | | | | | |
| (3) Profit distribution | | | | | | | | | | -32,208,000.00 | 0.00 | -32,208,000.00 | |
| 1. Withdraw surplus reserve | | | | | | | | | | | | | |
| 2. Distribution to owners (or shareholders) | | | | | | | | | | -32,208,000.00 | 0.00 | -32,208,000.00 | |
| 3. The other | | | | | | | | | | | | | |
| (4) Internal carryover of owners' equity | | | | | | | | | | | | | |
| 1. Conversion of capital reserves to increased capital (or capital stock) | | | | | | | | | | | | | |
| 2. Conversion of surplus reserves to increased capital (or equity) | | | | | | | | | | | | | |
| 3. Surplus reserves to cover losses | | | | | | | | | | | | | |
| 4. Set changes in benefit plan to carry forward retained earnings | | | | | | | | | | | | | |
| 5. Carry-over of other comprehensive income to retained earnings | | | | | | | | | | | | | |
| 6. Other | | | | | | | | | | | | | |
| (5) Special reserve | | | | | | | | | | | | | |
| 1. Current extraction | | | | | | | | | | | | | |
| 2. Current use | | | | | | | | | | | | | |
| (6) Others | | | | | | | | | | | | | |
| IV. Ending balance of current period | 402,600,000.00 | | | | 485,678,443.26 | | | | | 136,770,391.01 | -128,677,200.69 | 0.00 | 896,371,633.58 |

The amount of the previous

Unit:yuan

| | | | | | | | | | | | | |
|------|----------|--|--|--|--|--|--|--|--|--|--|--|
| Item | Year2019 | | | | | | | | | | | |
|------|----------|--|--|--|--|--|--|--|--|--|--|--|

Wafangdian Bearing Company Limited 2020 Annual Report

| | Capital stock | Other equity instruments | | | Capital reserves | Less: inventory stocks | Other comprehensive income | The special reserve | Surplus reserves | Undistributed profit | other | Total owners' equity |
|--|----------------|--------------------------|------------------|-------|------------------|------------------------|----------------------------|---------------------|------------------|----------------------|-------|----------------------|
| | | Preferred stock | Sustainable debt | other | | | | | | | | |
| I. Ending balance of last year | 402,600,000.00 | 0.00 | 0.00 | 0.00 | 485,678,443.26 | 0.00 | 0.00 | 0.00 | 136,770,391.01 | 396,638,220.08 | 0.00 | 1,421,687,054.35 |
| Plus: changes in accounting policies | | | | | | | | | | -14,275,668.37 | | -14,275,668.37 |
| Advance error correction | | | | | | | | | | | | 0.00 |
| other | | | | | | | | | | | | 0.00 |
| II. Balance at the beginning of the current year | 402,600,000.00 | 0.00 | 0.00 | 0.00 | 485,678,443.26 | 0.00 | 0.00 | 0.00 | 136,770,391.01 | 382,362,551.71 | 0.00 | 1,407,411,385.98 |
| III. Amount of increase or decrease in current period (marked with "-" for decrease) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -109,504,009.29 | 0.00 | -109,504,009.29 |
| (1) Total comprehensive income | | | | | | | | | | -93,400,009.29 | | -93,400,009.29 |
| (2) capital input or reduction by the owner | | | | | | | | | | | | |
| 1. Common stock invested by the owner | | | | | | | | | | | | |
| 2. Capital invested by holders of other equity instruments | | | | | | | | | | | | |
| 3. Amount of share payments credited to owners' equity | | | | | | | | | | | | |
| 4. Other | | | | | | | | | | | | |
| (3) Profit distribution | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -16,104,000.00 | 0.00 | -16,104,000.00 |
| 1. Withdraw surplus reserve | | | | | | | | | | | | 0.00 |
| 2. Distribution to owners (or shareholders) | | | | | | | | | | -16,104,000.00 | | -16,104,000.00 |

Wafangdian Bearing Company Limited 2020 Annual Report

| | | | | | | | | | | | | |
|---|----------------|------|------|------|----------------|------|------|------|----------------|----------------|------|------------------|
| 3. The other | | | | | | | | | | | | |
| (4) Internal carryover of owners' equity | | | | | | | | | | | | |
| 1. Conversion of capital reserves to increased capital (or capital stock) | | | | | | | | | | | | |
| 2. Conversion of surplus reserves to increased capital (or equity) | | | | | | | | | | | | |
| 3. Surplus reserves to cover losses | | | | | | | | | | | | |
| 4. Set changes in benefit plan to carry forward retained earnings | | | | | | | | | | | | |
| 5. Carry-over of other comprehensive income to retained earnings | | | | | | | | | | | | |
| 6. Other | | | | | | | | | | | | |
| (5) Special reserve | | | | | | | | | | | | |
| 1. Current extraction | | | | | | | | | | | | |
| 2. Current use | | | | | | | | | | | | |
| (6) Others | | | | | | | | | | | | |
| IV. Ending balance of current period | 402,600,000.00 | 0.00 | 0.00 | 0.00 | 485,678,443.26 | 0.00 | 0.00 | 0.00 | 136,770,391.01 | 272,858,542.42 | 0.00 | 1,297,907,376.69 |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

I. General Information

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

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

The parent company is Wazhou Group. General shareholders meeting is the company's authority and have the resolution power over company's business policy, financing, investment and profit appropriation etc. significant events in accordance with relevant law. Board of directors is responsible for general meeting and has the power over the company's decision making. Management is in charge of implementation of resolution made by general meeting and board meeting and is responsible for operation management. Wholly owned subsidiaries of the Company include Wazhou Liaoyang Bearing Manufacturing Co., Ltd("Liaoyang Bearing"), Dalian Wazhou Precision Electric Motor Car Bearing ("Dalian Wazhou"),and Wazhou Precision of Spherical Roller Bearings (Wafangdian) Co., Ltd ("Spherical Bearings").

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

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

II. Financial Statement Consolidation Scope

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

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

III. Financial Statements Preparation Basis

(1) Basis of preparation

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

(2) Going concern

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

IV. Significant Accounting Policies and Accounting Estimates

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

1. Declaration for compliance with Accounting Standards for Business Enterprises

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

2. Accounting period

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

3. Operating cycle

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

4. Functional currency

The Group adopts RMB as functional currency.

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

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

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

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

6. Method of preparation of consolidated financial statements

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

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

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

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

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

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

If a business consolidation under non-common control is finally achieved in stages, consolidation accounting method shall be disclosed additionally for the period in which the control is obtained. For example, if a business consolidation not under common control is finally achieved in stages, when preparing the consolidated financial

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

statements, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss as investment income for the current period. Other comprehensive income, under equity method accounting arising from the interest held in acquiree in relation to the period before the acquisition, and changes in the value of its other equity other than net profit or loss, other comprehensive income and profit appropriation shall be transferred to investment gain or loss for the period in which the acquisition incurs, excluding the other comprehensive income from the movement on the remeasurement of net asset or liability of defined benefit plan.

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

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

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

7. Cash and cash equivalent

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

8. Translation of foreign currency

(1) Foreign currency transaction

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

(2) Translation of foreign currency financial statements

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

9. Financial assets and financial liabilities

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

(1) Financial assets

1) Classification, recognition and measurement

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

A financial asset shall be measured at amortized cost if both of the following conditions are met: ① the financial

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

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

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

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

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

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

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

2) Recognition and measurement of transfer of financial assets

A financial asset is derecognized when any one of the following conditions is satisfied: ①the rights to receive cash flows from the asset is terminated, ②the financial asset has been transferred and the Group transfers substantially all risks and rewards relating to the financial assets to the transferee, ③the financial asset has been transferred to the transferee, the Group has given up its control of the financial asset although the Group neither transfers nor retains all risks and rewards of the financial asset.

In the case where the financial asset as a whole qualifies for the derecognition conditions, the difference between the carrying value of transferred financial asset and the sum of the consideration received for transfer and the accumulated amount of changes in fair value in respect of the amount of partial derecognition (the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding) , that was previously recorded under other comprehensive income is transferred into profit or loss for the period.

In the case where only part of the financial asset qualifies for derecognition, the carrying amount of financial asset

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

being transferred is allocated between the portions that to be derecognised and the portion that continued to be recognised according to their relative fair value. The difference between the amount of consideration received for the transfer and the accumulated amount of changes in fair value that was previously recorded in other comprehensive income for the asset partially qualified for derecognition (the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding) and the above-mentioned allocated carrying amount is charged to profit or loss for the period.

(2) Financial liabilities

1) Classification, basis for recognition and measurement

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

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

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

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

2) Financial liability derecognition

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

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

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

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

(4) Financial asset and financial liability offset

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

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

Financial liability and equity instrument shall be distinguished in accordance with the following standards: ① if the Group cannot unconditionally avoid paying cash or financial asset to fulfil a contractual obligation, the contractual obligation is qualified or financial liability. For certain financial instrument, although there are no clear terms and

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

conditions to include obligation of paying cash or other financial liability, contractual obligation may indirectly be formed through other terms and conditions. ② the Group's own equity instrument shall also be considered whether it is the substitute of cash, financial asset or it is the remaining equity, after the issuer deducts liability, enjoyed by the equity holder, if it must or can be used to settle a financial asset. If the former, the instrument is a financial liability of the issuer, otherwise it is an equity instrument of the issuer. In certain circumstances, financial instrument contract is classified as financial liability, if financial instrument contract specifies the Group must or can use its own equity to settle the financial instrument, the contractual amount of right or obligation equals to that of the numbers of own equity instrument available or to be paid multiplied by fair value when settling, nevertheless the amount is fixed, or varied partially or fully based on the its own equity's market price (such as interest rate, certain commodity's or financial instrument's price variance).

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

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

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

(6) Financial asset impairment

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

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

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

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

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

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

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

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

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

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

| | |
|--------------------|-------------------------|
| Othre receivable 1 | Related party portfolio |
| Other receivable 2 | Aging protfolio |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| | |
|--------------------|--|
| Other receivable 3 | Risk free portfolio (according to couterparty's credit, nature of the payment and transactions secure facility) |
|--------------------|--|

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

10. Notes receivable

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

11. Receivable

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

12. Financing receivable

The management model of notes receivable is not only for receiving the contractual cashflow for purpose but also for selling the financial asset, therefore it is classified into financial assets measured at fair value through profit and loss and shall be presented under financing receivable.

13. Other receivable

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

14. Inventories

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

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

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

For the finished goods, working in progress and raw material held for sale etc which shall be sold directly, the net realizable value should be confirmed at the estimated selling price less estimated selling expenses and related tax and expenses. The raw material held for production, its realizable value should be confirmed at the estimated selling price of finished goods less estimated cost of completion, estimated selling expenses and related tax.

15. Contract asset

(1) Recognition and criterion

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

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

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

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

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

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

asset", credit "contract asset". If the amount to be written is greater than the provision, the difference shall be debited to "asset impairment loss".

16. Contract cost

(1) Assets recognition methods in relation to contract cost

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

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

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

(2) Amortization of asset relevant to contract cost

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

(3) Impairment of asset relevant to contract cost

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

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

17. Long-term equity investment

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

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

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

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

If the equity of investee under common control is acquired by stages and business combination incurs in the end, an entity shall disclose the accounting method for long-term equity investment in the parent financial statement as a supplemental. For example, if the equity of investee under common control is acquired by stages and business combination incurs in the end, and it's a bundled transaction, the entity shall regard all transactions as a one for

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

accounting. If it's not a bundled transaction, the carrying amount presented in the consolidated financial statements of the share of net assets at the combination date in the acquired company since acquisition is determined as for the initial cost of long-term equity investment. The difference between the cost initially recognized and carrying amount of long-term equity investment prior to the business combination plus the newly paid consideration for further share acquired, and capital reserve shall be adjusted accordingly. If no enough capital reserve is available for adjustment, retain earnings shall be adjusted.

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

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

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

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

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

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

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

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

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

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

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

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

18. Investment property

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

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

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

19. Fixed assets

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

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

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

| No | Category | Useful life (years) | Estimated net residual value rate (%) | Annual depreciation rate |
|----|-----------------------------|---------------------|---------------------------------------|--------------------------|
| 1 | Housing and Buildings | | | |
| | Including: Buildings | 15 | 3 | 6.47% |
| | Housing for production | 30 | 3 | 3.23% |
| | Housing for non-production | 35 | 3 | 2.77% |
| 2 | Machinery equipment | 10-15 | 3 | 6.47%~9.70% |
| 3 | Transportation equipment | 6 | 3 | 16.17% |
| 4 | Electronic equipment | | | |
| | Including: Computer | 4 | 3 | 24.25% |
| | General testing instruments | 7 | 3 | 13.86% |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| | | | | |
|---|-------------------------------------|----|---|--------|
| | Specialized electronic equipment | 8 | 3 | 12.13% |
| | Automated controlling equipment | 8 | 3 | 12.13% |
| | Automated controlling meters | 8 | 3 | 12.13% |
| 5 | Others equipment | | | |
| | Including: Industrial kiln | 7 | 3 | 13.86% |
| | Tools & other production tools | 9 | 3 | 10.78% |
| | Transmission equipment | 15 | 3 | 6.47% |
| | Non-operational equipment and tools | 18 | 3 | 5.39% |

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

20. Construction in progress

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

21. Borrowing costs

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

The borrowing costs of special borrowings, deducting the interest revenue of unused borrowings kept in the bank or the investment income from transient investment should be capitalized. The capitalized amount of common borrowings should be calculated as follows: average assets expenditure of the accumulated assets expenditure excess the special borrowing, multiplied by the capital rate. The capital rate is the weighted average rate of the common borrowings.

22. Intangible assets

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

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

23. Impairment of long term assets

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

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

any impairment indicators, if any at the end of every year.

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

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

24. Long-term unamortized expenses

Long-term unamortized expenses of the Group refer to expenses which are paid and should be deferred over the future period. The amortization period shall be more than one year (excluding 1 year). The expenses should be amortized evenly over the beneficial period. If the unamortized expense cannot take benefit for the future accounting period, the unamortized balance of the unamortized expenses should be transferred into the current profit or loss.

25. Contract liability

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

26. Employee benefits

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

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

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

27. Provision

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

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

28. Share-based payment

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

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

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

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

or loss for the year.

29. Principle of recognition of revenue

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

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

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

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

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

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

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

- (1) The entity has a present right to payment for the asset
- (2) The legal title to the asset has been transferred to the customer
- (3) The company has transferred physical possession of the asset to the client
- (4) The company has transferred the significant risks and rewards of ownership of an asset to the customer
- (5) The customer has accepted the goods or service

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

30. Government grants

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

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

documents, the company shall judge it according to the principle mentioned above.

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

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

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

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

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

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

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

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

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

31. Deferred tax assets and deferred tax liabilities

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

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

32. Lease

The leases of the Group refer to operating lease.

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

33. Change of Significant Accounting Policy & Accounting Estimate

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

(1) Change in significant accounting policies

| Changes on accounting policy and reasons | Memo |
|---|------|
| On July 5 th , 2017, the Ministry of Finance announced amendment to "Accounting Standards for Business Enterprises No.14-Revenue "(No22 Caikuai [2017]) (hereinafter referred to as "new revenue standard"). When preparing the financial statements for 2020FY, the policy has been adopted and the accounting has been done in accordance with this standard. | Note |

The new revenue standard requests the cumulative effects shall be adjusted in the opening accounts (on January 1, 2020) of retained earnings and other items in the financial statements for the first adoption and no adjustments are requested for the comparative figures. When adopting the new revenue standard, the company only adjusted the cumulative effects for incomplete contract on the first adoption date. Any changes of contract prior to the beginning period of the first adoption year, shall be simplified by the company.

New revenue standard adoption and effect on the comparison figure as follows

1) Consolidated balance sheet (currency unit: Yuan)

| Items | December 31,2019 | Adjustment | January 1,2020 |
|-------------------------|------------------|----------------|----------------|
| Received in advance | 27,488,588.61 | -27,488,588.61 | |
| Contract liability | | 24,326,184.61 | 24,326,184.61 |
| Other current liability | | 3,162,404.00 | 3,162,404.00 |

2) Balance sheet of parent company(currency unit: Yuan)

| Items | December 31,2019 | Adjustment | January 1,2020 |
|-------------------------|------------------|----------------|----------------|
| Received in advance | 27,712,137.64 | -27,712,137.64 | |
| Contract liability | | 24,524,015.61 | 24,524,015.61 |
| Other current liability | | 3,188,122.03 | 3,188,122.03 |

(2) Effect of change on accounting estimate

No.

(3) Adjustment to the opening figure as the new revenue standard first adoption in 2020

1) Consolidated balance sheet(currency unit: Yuan)

| ITEMS | 2019/12/31 | 2020/1/1 | Adjustment |
|--------------------|----------------|----------------|------------|
| Current Assets: | | | |
| Monetary funds | 183,648,867.58 | 183,648,867.58 | |
| Settlement fund | | | |
| Outgoing call loan | | | |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| | | | |
|--|------------------|------------------|--|
| Tradable financial asset | 285,057.50 | 285,057.50 | |
| Derivative financial assets | | | |
| Notes receivable | | | |
| Accounts receivable | 995,091,454.06 | 995,091,454.06 | |
| Financing receivable | 179,578,623.48 | 179,578,623.48 | |
| Prepayments | 27,516,943.54 | 27,516,943.54 | |
| Insurance receivables | | | |
| Reinsurance Receivable | | | |
| Provision of reinsurance contract reserve receivable | | | |
| Other receivables | 27,646,966.02 | 27,646,966.02 | |
| including: interest receivable | | | |
| dividend receivable | | | |
| Financial assets purchased under agreement to resell | | | |
| Inventories | 704,467,062.61 | 704,467,062.61 | |
| Contractual asset | | | |
| Held for sale assets | | | |
| Non-current assets due within 1-year | | | |
| Other current assets | 3,510,607.86 | 3,510,607.86 | |
| Total Current Assets | 2,121,745,582.65 | 2,121,745,582.65 | |
| Non-Current Assets: | | | |
| Loan and payment on other's behalf disbursed | | | |
| Debt investment | | | |
| Other debt investment | | | |
| Long-term receivables | | | |
| Long-term equity investment | | | |
| Other equity instrument investment | 11,926,856.64 | 11,926,856.64 | |
| Other non-current financial assets | | | |
| Investments properties | 122,930,874.57 | 122,930,874.57 | |
| Fixed assets | 587,452,012.49 | 587,452,012.49 | |
| Construction in process | 33,932,882.85 | 33,932,882.85 | |
| Production biological assets | | | |
| Oil-gas assets | | | |
| Use-right assets | | | |
| Intangible assets | 82,629,398.56 | 82,629,398.56 | |

Wafangdian Bearing Co., Ltd**Notes to financial statements for the year ended as at December 31, 2020**

(The currency is in RMB Yuan except otherwise indicated)

| | | | |
|--|------------------|------------------|----------------|
| Development cost | | | |
| Goodwill | | | |
| Long-term unamortized expenses | 859,861.79 | 859,861.79 | |
| Deferred tax asset | | | |
| Other non-current assets | | | |
| Total Non-current Assets | 839,731,886.90 | 839,731,886.90 | |
| Total Assets | 2,961,477,469.55 | 2,961,477,469.55 | |
| Current Liabilities: | | | |
| Short-term borrowings | 655,000,000.00 | 655,000,000.00 | |
| Loans from central bank | | | |
| Loans from other banks | | | |
| Tradable financial liability | | | |
| Derivative financial liabilities | | | |
| Notes payable | 250,019,501.69 | 250,019,501.69 | |
| Accounts payable | 632,352,299.59 | 632,352,299.59 | |
| Received in advance | 27,488,588.61 | | -27,488,588.61 |
| Contractual liability | | 24,326,184.61 | 24,326,184.61 |
| Financial assets sold under agreements to repurchase | | | |
| Deposits received and hold for others | | | |
| Entrusted trading of securities | | | |
| Entrusted underwriting of securities | | | |
| Employee pay payables | 23,693,082.54 | 23,693,082.54 | |
| Taxes and duties payable | 4,724,698.30 | 4,724,698.30 | |
| Other payables | 79,351,154.37 | 79,351,154.37 | |
| including: interest payable | 934,134.38 | 934,134.38 | |
| dividend payable | 360,000.00 | 360,000.00 | |
| Fees and commissions payable | | | |
| Amount due to reinsurance | | | |
| Held for sale liabilities | | | |
| Non-current liabilities due within 1-year | | | |
| Other current liabilities | | 3,162,404.00 | 3,162,404.00 |
| Total Current Liabilities | 1,672,629,325.10 | 1,672,629,325.10 | |
| Non-current Liabilities: | | | |
| Insurance contract provision | | | |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| | | | |
|--|------------------|------------------|--|
| Long-term borrowings | | | |
| Bonds Payable | | | |
| including: preference share | | | |
| perpetual debt | | | |
| Leasing liability | | | |
| Long-term payables | 344,974.84 | 344,974.84 | |
| Long-term employee payables | | | |
| Provision | | | |
| Deferred income | 61,276,110.91 | 61,276,110.91 | |
| Deferred Tax liabilities | 785,660.25 | 785,660.25 | |
| Other non-current liabilities | | | |
| Total Non-current Liabilities | 62,406,746.00 | 62,406,746.00 | |
| Total Liabilities | 1,735,036,071.10 | 1,735,036,071.10 | |
| Owners Equity(or Shareholders Equity): | | | |
| Paid-in capital (Share capital) | 402,600,000.00 | 402,600,000.00 | |
| Other equity instrument | | | |
| Including:preference share | | | |
| perpetual capital securities | | | |
| Capital reserve | 485,691,050.47 | 485,691,050.47 | |
| Less: Treasury stock | | | |
| Other comprehensive income | | | |
| Chartered reserve | | | |
| Surplus reserves | 136,770,391.01 | 136,770,391.01 | |
| △Provision for general risk | | | |
| Undistributed profit | 201,379,956.97 | 201,379,956.97 | |
| Equity attributable to equity holders of the Company | 1,226,441,398.45 | 1,226,441,398.45 | |
| *Minority interest | | | |
| Total Equity | 1,226,441,398.45 | 1,226,441,398.45 | |
| Total Liabilities and Equity | 2,961,477,469.55 | 2,961,477,469.55 | |

2) Balance sheet of parent company(currency unit: Yuan)

| ITEMS | 2019/12/31 | 2020/1/1 | Adjustment |
|-----------------|----------------|----------------|------------|
| Current Assets: | | | |
| Monetary funds | 147,541,012.52 | 147,541,012.52 | |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| | | |
|--|-------------------------|-------------------------|
| Settlement fund | | |
| Outgoing call loan | | |
| Tradable financial asset | 285,057.50 | 285,057.50 |
| Derivative financial assets | | |
| Notes receivable | | |
| Accounts receivable | 1,056,081,183.54 | 1,056,081,183.54 |
| Financing receivable | 174,925,481.58 | 174,925,481.58 |
| Prepayments | 24,128,739.35 | 24,128,739.35 |
| Insurance receivables | | |
| Reinsurance Receivable | | |
| Provision of reinsurance contract reserve receivable | | |
| Other receivables | 10,316,683.41 | 10,316,683.41 |
| including: interest receivable | | |
| dividend receivable | | |
| Financial assets purchased under agreement to resell | | |
| Inventories | 645,572,153.92 | 645,572,153.92 |
| Contractual asset | | |
| Held for sale assets | | |
| Non-current assets due within 1-year | | |
| Other current assets | 2,402,110.21 | 2,402,110.21 |
| Total Current Assets | 2,061,252,422.03 | 2,061,252,422.03 |
| Non-Current Assets: | | |
| Loan and payment on other's behalf disbursed | | |
| Debt investment | | |
| Other debt investment | | |
| Long-term receivables | | |
| Long-term equity investment | 211,583,897.67 | 211,583,897.67 |
| Other equity instrument investment | 11,926,856.64 | 11,926,856.64 |
| Other non-current financial assets | | |
| Investments properties | 107,928,780.98 | 107,928,780.98 |
| Fixed assets | 405,972,163.82 | 405,972,163.82 |
| Construction in process | 33,315,133.75 | 33,315,133.75 |
| Production biological assets | | |
| Oil-gas assets | | |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| | | | |
|--|-------------------------|-------------------------|----------------|
| Use-right assets | | | |
| Intangible assets | 65,377,956.95 | 65,377,956.95 | |
| Development cost | | | |
| Goodwill | | | |
| Long-term unamortized expenses | 724,877.66 | 724,877.66 | |
| Deferred tax asset | | | |
| Other non-current assets | | | |
| Total Non-current Assets | 836,829,667.47 | 836,829,667.47 | |
| Total Assets | 2,898,082,089.50 | 2,898,082,089.50 | |
| Current Liabilities: | | | |
| Short-term borrowings | 655,000,000.00 | 655,000,000.00 | |
| Loans from central bank | | | |
| Loans from other banks | | | |
| Tradable financial liability | | | |
| Derivative financial liabilities | | | |
| Notes payable | 250,019,501.69 | 250,019,501.69 | |
| Accounts payable | 562,483,695.40 | 562,483,695.40 | |
| Received in advance | 27,712,137.64 | | -27,712,137.64 |
| Contractual liability | | 24,524,015.61 | 24,524,015.61 |
| Financial assets sold under agreements to repurchase | | | |
| Deposits received and hold for others | | | |
| Entrusted trading of securities | | | |
| Entrusted underwriting of securities | | | |
| Employee pay payables | 15,853,058.39 | 15,853,058.39 | |
| Taxes and duties payable | 2,539,819.22 | 2,539,819.22 | |
| Other payables | 56,658,107.69 | 56,658,107.69 | |
| including: interest payable | 934,134.38 | 934,134.38 | |
| dividend payable | 360,000.00 | 360,000.00 | |
| Fees and commissions payable | | | |
| Amount due to reinsurance | | | |
| Held for sale liabilities | | | |
| Non-current liabilities due within 1-year | | | |
| Other current liabilities | | 3,188,122.03 | 3,188,122.03 |
| Total Current Liabilities | 1,570,266,320.03 | 1,570,266,320.03 | |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| | | | |
|--|------------------|------------------|--|
| Non-current Liabilities: | | | |
| Insurance contract provision | | | |
| Long-term borrowings | | | |
| Bonds Payable | | | |
| including: preference share | | | |
| perpetual debt | | | |
| Leasing liability | | | |
| Long-term payables | 244,974.84 | 244,974.84 | |
| Long-term employee payables | | | |
| Provision | | | |
| Deferred income | 29,663,417.94 | 29,663,417.94 | |
| Deferred Tax liabilities | | | |
| Other non-current liabilities | | | |
| Total Non-current Liabilities | 29,908,392.78 | 29,908,392.78 | |
| Total Liabilities | 1,600,174,712.81 | 1,600,174,712.81 | |
| Owners Equity(or Shareholders Equity): | | | |
| Paid-in capital (Share capital) | 402,600,000.00 | 402,600,000.00 | |
| Other equity instrument | | | |
| Including:preference share | | | |
| perpetual capital securities | | | |
| Capital reserve | 485,678,443.26 | 485,678,443.26 | |
| Less: Treasury stock | | | |
| Other comprehensive income | | | |
| Chartered reserve | | | |
| Surplus reserves | 136,770,391.01 | 136,770,391.01 | |
| △Provision for general risk | | | |
| Undistributed profit | 272,858,542.42 | 272,858,542.42 | |
| Total Equity | 1,297,907,376.69 | 1,297,907,376.69 | |
| Total Liabilities and Equity | 2,898,082,089.50 | 2,898,082,089.50 | |

V. Taxation

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

| Tax | Tax base | Tax rate |
|-----|----------|----------|
| | | |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

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

Notes: EIT rate for different tax payer

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

2. Tax preference

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

VI. Notes to Consolidated Financial Statements

The following disclosure date on this financial statement without special indication, "opening" refers to January 1, 2020; "closing" refers to December 31, 2020; "current period" refers to the period from January 1, 2020 to December 31, 2020; and "last period" refers to the period from January 1, 2019 to December 31, 2019; with the currency unit RMB.

1. Cash and cash in bank

| Item | Closing Balance | Opening Balance |
|---------------------------------|-----------------------|-----------------------|
| Cash on hand | 33,102.75 | 690,839.38 |
| Cash in bank | 163,695,697.22 | 153,074,565.55 |
| Other cash and cash equivalents | 30,423,480.11 | 29,883,462.65 |
| Total | 194,152,280.08 | 183,648,867.58 |

Notes: At year end, other cash and cash equivalents are all security deposits for bank acceptance notes of 30,423,480.11Yuan.

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

2. Tradable financial asset

| Item | Closing Balance | Opening Balance |
|---|-------------------|-------------------|
| Financial asset measured at fair value through P&L | 228,046.00 | 285,057.50 |
| Debt instrument investment | | |
| Equity instrument investment | 228,046.00 | 285,057.50 |
| Others | | |
| Total | 228,046.00 | 285,057.50 |

3. Notes receivable

(1) Category of notes receivable

| Items | Closing Balance | Opening Balance |
|------------------------|-----------------------|-----------------|
| Bank acceptance notes | 284,965,612.20 | |
| Trade acceptance notes | 131,078,966.28 | |
| Total | 416,044,578.48 | |

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

| Items | Closing pledged amount |
|------------------------|------------------------|
| Bank acceptance notes | 12,010,120.39 |
| Trade acceptance notes | 12,433,839.88 |
| Total | 24,443,960.27 |

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

| Item | Closing amount no more recognized | Closing amount still recognized |
|------------------------|-----------------------------------|---------------------------------|
| Bank acceptance notes | 428,358,023.45 | 272,955,491.81 |
| Trade acceptance notes | | 124,996,706.99 |
| Total | 428,358,023.45 | 397,952,198.80 |

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

At the year end, notes receivable transferred to receivable is 4,224,300.00Yuan in total.

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

| Category | Opening balance | Change during the year | | | Closing Balance |
|--|-----------------|------------------------|--------------------|-------------|---------------------|
| | | Accrued | Collected/reversed | Written-off | |
| Portfolio of trade acceptance notes from non-related party | | 6,351,580.59 | | | 6,351,580.59 |
| Total | | 6,351,580.59 | | | 6,351,580.59 |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

4. Accounts receivable

(1) Category of accounts receivable

| Items | Closing Balance | | | | Booking value |
|--|-------------------------|---------------|-----------------------|----------|-----------------------|
| | Booking balance | | Provision | | |
| | Amount | % | Amount | % | |
| Accounts receivable with individual bad debt provision | 73,132,754.28 | 6.79 | 73,132,754.28 | 100.00 | |
| Accounts receivable with bad debt provision based on the characters of credit risk portfolio | 1,004,373,533.99 | 93.21 | 28,745,442.87 | 2.86 | 975,628,091.12 |
| -Aging portfolio | 723,934,304.67 | 67.19 | 28,745,442.87 | 3.97 | 695,188,861.80 |
| -Related party portfolio | 280,439,229.32 | 26.03 | | | 280,439,229.32 |
| Total | 1,077,506,288.27 | 100.00 | 101,878,197.15 | - | 975,628,091.12 |

(Continued)

| Items | Opening Balance | | | | Booking value |
|--|-------------------------|---------------|----------------------|----------|-----------------------|
| | Booking balance | | Provision | | |
| | Amount | % | Amount | % | |
| Accounts receivable with individual bad debt provision | 37,439,900.35 | 3.45 | 37,439,900.35 | 100.00 | |
| Accounts receivable with bad debt provision based on the characters of credit risk portfolio | 1,048,292,420.75 | 96.55 | 53,200,966.69 | 5.08 | 995,091,454.06 |
| -Aging portfolio | 802,468,687.31 | 73.91 | 53,200,966.69 | 6.63 | 749,267,720.62 |
| -Related party portfolio | 245,823,733.44 | 22.64 | | | 245,823,733.44 |
| Total | 1,085,732,321.10 | 100.00 | 90,640,867.04 | - | 995,091,454.06 |

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

| Debtors name | Closing Balance | | Proportion (%) | Reasons for provision |
|--------------|---------------------|-------------------------|----------------|-----------------------|
| | Accounts receivable | Provision for bad debts | | |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Debtors name | Closing Balance | | Proportion (%) | Reasons for provision |
|--|---------------------|-------------------------|----------------|-----------------------|
| | Accounts receivable | Provision for bad debts | | |
| Wazhou Group Special Steel Co., Ltd | 5,092,669.00 | 5,092,669.00 | 100.00 | uncollectable |
| Liaoning Yinheng Galvanized Colored Coated Steel Sheet Co. Ltd | 3,213,308.67 | 3,213,308.67 | 100.00 | uncollectable |
| Shandong Hengji New Materials Co., Ltd | 2,284,666.96 | 2,284,666.96 | 100.00 | uncollectable |
| Shandong Yuanda Board Technology Co., Ltd | 1,804,722.77 | 1,804,722.77 | 100.00 | uncollectable |
| HBIS Company Limited Handan Branch | 1,608,611.42 | 1,608,611.42 | 100.00 | uncollectable |
| An Gang steel Co.,Ltd | 1,595,050.69 | 1,595,050.69 | 100.00 | uncollectable |
| Liaoning Wazhou Bearing Sales Company | 1,500,000.00 | 1,500,000.00 | 100.00 | uncollectable |
| Bazhou Tianli Tube Co., Ltd | 1,325,600.76 | 1,325,600.76 | 100.00 | uncollectable |
| Zhejiang Yesheng New Material Co. Ltd | 1,301,760.00 | 1,301,760.00 | 100.00 | uncollectable |
| Yingkou Iron & Steel Co. Ltd | 1,256,973.91 | 1,256,973.91 | 100.00 | uncollectable |
| Sichuan Southwest Stainless Steel Co. Ltd | 1,241,333.17 | 1,241,333.17 | 100.00 | uncollectable |
| Zhongxin Heavy Industry Machinery Co. Ltd | 1,137,600.00 | 1,137,600.00 | 100.00 | uncollectable |
| HenanTaihang Vibration Machinery Co., Ltd | 989,207.41 | 989,207.41 | 100.00 | uncollectable |
| Donghai New Material Co. Ltd | 942,558.20 | 942,558.20 | 100.00 | uncollectable |
| Shanghai Jieru Heavy Industry Mechanical Equipment Co., Ltd | 923,603.80 | 923,603.80 | 100.00 | uncollectable |
| Tangshan Guofeng Iron and Steel Co. LTD | 883,297.41 | 883,297.41 | 100.00 | uncollectable |
| China Second Heavy Machinery Group (Deyang) Wanxin Engineering Equipment Co. Ltd | 795,887.92 | 795,887.92 | 100.00 | uncollectable |
| Benxi Beiyang Steel (Group) Co. Ltd | 775,804.98 | 775,804.98 | 100.00 | uncollectable |
| Bengang Steel Plates Co., Ltd | 770,000.00 | 770,000.00 | 100.00 | uncollectable |
| Materials Branch of NHI | 739,585.80 | 739,585.80 | 100.00 | uncollectable |
| Shandong Yuntong New Material Technology Co. Ltd | 711,438.94 | 711,438.94 | 100.00 | uncollectable |
| Dongfeng Transmission Co.,Ltd | 704,098.23 | 704,098.23 | 100.00 | uncollectable |
| Heilongjiang Longmei Logistics Co. Ltd | 692,070.49 | 692,070.49 | 100.00 | uncollectable |
| Shanghai Weiqiang Heavy Industry Mechanic Co.,Ltd | 673,595.42 | 673,595.42 | 100.00 | uncollectable |
| Dalian Tianyuan Motor Co.,Ltd | 666,383.31 | 666,383.31 | 100.00 | uncollectable |
| Wolong Electric Huai 'an Qingjiang Motor Co. Ltd | 598,873.78 | 598,873.78 | 100.00 | uncollectable |
| Qiqihar No. 2 Machine Tool (Group) Co. Ltd | 551,450.03 | 551,450.03 | 100.00 | uncollectable |
| Xi 'an Zhuoshibo Hydraulic Engineering Co., Ltd | 514,938.87 | 514,938.87 | 100.00 | uncollectable |
| Gaotang Lvyin Environmental Protection Technology Co. Ltd | 477,691.81 | 477,691.81 | 100.00 | uncollectable |
| Mudanjiang Reduction Gears Factory | 467,905.65 | 467,905.65 | 100.00 | uncollectable |
| Hunan Chaoyang Mechanic & Electric Co.,Ltd | 446,627.60 | 446,627.60 | 100.00 | uncollectable |
| Liaoyang Sudong Trade Co.,Ltd | 444,946.96 | 444,946.96 | 100.00 | uncollectable |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Debtors name | Closing Balance | | Proportion (%) | Reasons for provision |
|---|---------------------|-------------------------|----------------|-----------------------|
| | Accounts receivable | Provision for bad debts | | |
| XEMC | 416,549.65 | 416,549.65 | 100.00 | uncollectable |
| Baoji Zhongyi Industry and Trade Co. Ltd | 374,594.68 | 374,594.68 | 100.00 | uncollectable |
| Boshan Motor Group Co.,Ltd | 373,700.65 | 373,700.65 | 100.00 | uncollectable |
| Xuzhou Construction Materials Supply Co.,Ltd | 373,237.55 | 373,237.55 | 100.00 | uncollectable |
| Qingdao Shuangxing Tire Industry Co. Ltd | 371,251.58 | 371,251.58 | 100.00 | uncollectable |
| Shandong Quanlin Group Co. Ltd | 370,734.92 | 370,734.92 | 100.00 | uncollectable |
| Minmetals Yingkou Medium plate Co. Ltd | 365,064.61 | 365,064.61 | 100.00 | uncollectable |
| Tai 'an Tianhua Economic and Trade Co. Ltd | 364,189.79 | 364,189.79 | 100.00 | uncollectable |
| Tangshan Huahang Electromechanical Chuangxian Equipment Co., Ltd | 362,498.40 | 362,498.40 | 100.00 | uncollectable |
| Liaohu Mechanic Co.,Ltd | 362,280.30 | 362,280.30 | 100.00 | uncollectable |
| Shandong Kerui Steel Plate Co. Ltd | 357,290.00 | 357,290.00 | 100.00 | uncollectable |
| Guangzhou Material Supply Section of China Railway Guangzhou Bureau Group Co. Ltd | 340,000.00 | 340,000.00 | 100.00 | uncollectable |
| Yichang Guocheng Coating Plate Co., Ltd | 339,600.00 | 339,600.00 | 100.00 | uncollectable |
| Shantui Construction Machinery Co., Ltd. | 325,867.86 | 325,867.86 | 100.00 | uncollectable |
| Shandong Tancheng Xinya Light Industry Machinery Co. Ltd | 318,488.87 | 318,488.87 | 100.00 | uncollectable |
| Northeast Special Steel Group Beiman Special Steel Co. Ltd | 315,004.72 | 315,004.72 | 100.00 | uncollectable |
| Taicang Hu Tai Chang'e Paper Equipment Co. Ltd | 310,361.32 | 310,361.32 | 100.00 | uncollectable |
| Shandong Quanlin Straw Utilization Co. Ltd | 307,409.46 | 307,409.46 | 100.00 | uncollectable |
| Chengdu Iron & Steel Co. Ltd of Panzhihua Group | 303,305.45 | 303,305.45 | 100.00 | uncollectable |
| Harbin Hakuo Electric Power Technology Co. Ltd | 303,005.32 | 303,005.32 | 100.00 | uncollectable |
| Hebei Jinxi Iron & Steel Group Co. Ltd | 298,307.04 | 298,307.04 | 100.00 | uncollectable |
| Liaoyang Bearing Sales Branch | 294,203.05 | 294,203.05 | 100.00 | uncollectable |
| Zhongcai Zibo Heavy Machinery Co. Ltd | 293,817.58 | 293,817.58 | 100.00 | uncollectable |
| Jiangsu Xinrui Gear System Co. Ltd | 286,949.88 | 286,949.88 | 100.00 | uncollectable |
| Erzhong Group (Deyang) Jingheng Transmission Equipment Co., Ltd | 286,935.03 | 286,935.03 | 100.00 | uncollectable |
| Xingtai Iron & Steel Co. Ltd | 285,834.67 | 285,834.67 | 100.00 | uncollectable |
| Hegang Sida Electromechanical Equipment Manufacturing Co., Ltd | 285,313.50 | 285,313.50 | 100.00 | uncollectable |
| Shanxi TaiGang Stainless Steel Co.,Ltd | 283,936.85 | 283,936.85 | 100.00 | uncollectable |
| Shandong Guanpeng Latten Co.,Ltd | 273,748.84 | 273,748.84 | 100.00 | uncollectable |
| Baotou Tianlihanfa Mechanic & Electric Co.,Ltd | 273,597.67 | 273,597.67 | 100.00 | uncollectable |
| Baoji Zhongshi Machine Tool Co., Ltd | 269,908.74 | 269,908.74 | 100.00 | uncollectable |
| Jiangsu Dazhong Electric Machinery Co. Ltd | 257,662.90 | 257,662.90 | 100.00 | uncollectable |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Debtors name | Closing Balance | | Proportion (%) | Reasons for provision |
|---|---------------------|-------------------------|----------------|-----------------------|
| | Accounts receivable | Provision for bad debts | | |
| Korla railway material supply section | 256,044.10 | 256,044.10 | 100.00 | uncollectable |
| Zhuzhou Gear Co. Ltd | 254,604.07 | 254,604.07 | 100.00 | uncollectable |
| Jiamusi Electric Co., Ltd | 245,000.00 | 245,000.00 | 100.00 | uncollectable |
| Zhibo Boshanqianjin Reduction Gears Co.,Ltd o. Ltd | 244,579.32 | 244,579.32 | 100.00 | uncollectable |
| Indonesia CV.SIDO | 243,676.52 | 243,676.52 | 100.00 | uncollectable |
| Tonghua Iron & Steel Co. Ltd | 240,568.39 | 240,568.39 | 100.00 | uncollectable |
| Shijiazhuang Qiangda Slurry Pump Co.,Ltd | 238,749.98 | 238,749.98 | 100.00 | uncollectable |
| Ningbo Fan Co., Ltd | 238,487.84 | 238,487.84 | 100.00 | uncollectable |
| Shenyang Jingxin Remanufacturing Co. Ltd | 236,705.64 | 236,705.64 | 100.00 | uncollectable |
| Siemens Electric (China) Co., Ltd | 228,831.20 | 228,831.20 | 100.00 | uncollectable |
| Yichang jiandao trade co., Ltd | 226,995.16 | 226,995.16 | 100.00 | uncollectable |
| Anshan Heavy Duty Mining Machinery Co., Ltd. | 216,819.90 | 216,819.90 | 100.00 | uncollectable |
| Taizhong Coal Machine Co.,Ltd | 215,142.12 | 215,142.12 | 100.00 | uncollectable |
| Qinhuangdao Shouqin Metal Material Co. Ltd | 213,911.48 | 213,911.48 | 100.00 | uncollectable |
| Liaoning Renda Equipment Technology Co., Ltd | 211,464.69 | 211,464.69 | 100.00 | uncollectable |
| CRRCGC Shenyang Co.,Ltd | 205,145.45 | 205,145.45 | 100.00 | uncollectable |
| PGVT | 203,004.70 | 203,004.70 | 100.00 | uncollectable |
| Taizhou Luqiaomei Motor Car Co.,Ltd | 200,562.00 | 200,562.00 | 100.00 | uncollectable |
| Tianjin Rongtai Advanced Composite Material Co.,Ltd | 200,000.00 | 200,000.00 | 100.00 | uncollectable |
| Hangzhou Qianjin Gear Box Group Co. Ltd | 199,832.70 | 199,832.70 | 100.00 | uncollectable |
| Hebei Wenfeng Iron & Steel Co. Ltd | 197,979.65 | 197,979.65 | 100.00 | uncollectable |
| Suzhou Zhanwang Mechanic & Electric Co.,Ltd | 192,173.26 | 192,173.26 | 100.00 | uncollectable |
| Guangzhou Motor Co.,Ltd | 189,128.68 | 189,128.68 | 100.00 | uncollectable |
| Hubei Wazhou Xincheng Technology Co., Ltd | 188,136.00 | 188,136.00 | 100.00 | uncollectable |
| Handan Sida Electric Co., Ltd | 186,191.80 | 186,191.80 | 100.00 | uncollectable |
| Nanjing Light Industry Machinery Factory | 185,079.54 | 185,079.54 | 100.00 | uncollectable |
| Jiangsu Suye Heavy Machinery Manufacturing Co. LTD | 184,530.46 | 184,530.46 | 100.00 | uncollectable |
| Shanxi Sente Coal Coking Engineering Group Co., Ltd. Wenxi Branch | 182,700.00 | 182,700.00 | 100.00 | uncollectable |
| Huichang Hongshi Cement Co. Ltd | 181,644.58 | 181,644.58 | 100.00 | uncollectable |
| Gulf World Trading Company of India | 179,376.85 | 179,376.85 | 100.00 | uncollectable |
| Huaibei Mining (Group) Coal Industry Co., Ltd. Material Branch | 178,580.44 | 178,580.44 | 100.00 | uncollectable |
| Shanghai Sule Textile Machinery Co., LTD | 176,984.10 | 176,984.10 | 100.00 | uncollectable |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Debtors name | Closing Balance | | Proportion (%) | Reasons for provision |
|---|---------------------|-------------------------|----------------|-----------------------|
| | Accounts receivable | Provision for bad debts | | |
| Shijiazhuang Electric Machinery Co., Ltd | 172,543.31 | 172,543.31 | 100.00 | uncollectable |
| Jiamusi Coal Mine Machinery Co. Ltd | 171,288.78 | 171,288.78 | 100.00 | uncollectable |
| Xuzhou Zhongcai Equipment Heavy Machinery Co. Ltd | 170,930.05 | 170,930.05 | 100.00 | uncollectable |
| Changsha Electric Machinery Factory Co. Ltd | 170,295.76 | 170,295.76 | 100.00 | uncollectable |
| Austria Andritz Technology Co., Ltd. (Foshan) | 166,787.14 | 166,787.14 | 100.00 | uncollectable |
| Xuzhou Meichi Vehicle and Bridge Co., Ltd | 163,037.45 | 163,037.45 | 100.00 | uncollectable |
| Shanghai Zhongli Machinery Manufacturing Co., Ltd | 161,388.95 | 161,388.95 | 100.00 | uncollectable |
| Foshan Ketai Electromechanical Co., Ltd | 160,772.79 | 160,772.79 | 100.00 | uncollectable |
| Siping Blower Co., Ltd | 160,053.21 | 160,053.21 | 100.00 | uncollectable |
| Anyang Coal Mine Electrical Machinery Factory | 159,537.60 | 159,537.60 | 100.00 | uncollectable |
| Dalian Hongyun Transmission Technology Development Co., Ltd | 158,972.00 | 158,972.00 | 100.00 | uncollectable |
| Shanxi Electric Machinery Factory | 158,021.97 | 158,021.97 | 100.00 | uncollectable |
| Shenhua Materials Group Co. Ltd | 155,115.29 | 155,115.29 | 100.00 | uncollectable |
| Hubei Quanli Machinery Group Co. Ltd | 152,489.82 | 152,489.82 | 100.00 | uncollectable |
| Guangdong Zhaoqing Jialong Packaging Machinery Group Co. Ltd | 150,313.94 | 150,313.94 | 100.00 | uncollectable |
| Wuxi Yutong Bearing Co., Ltd | 149,427.42 | 149,427.42 | 100.00 | uncollectable |
| Yixing Chaoqun Machinery Equipment Co., Ltd | 138,484.00 | 138,484.00 | 100.00 | uncollectable |
| Zhejiang Tongli Heavy Machinery Manufacturing Co. Ltd | 133,670.00 | 133,670.00 | 100.00 | uncollectable |
| China First Heavy Group Co. Ltd | 132,135.01 | 132,135.01 | 100.00 | uncollectable |
| Kunming Electric Machinery Factory Co. Ltd | 131,455.02 | 131,455.02 | 100.00 | uncollectable |
| Jiangsu Gangyi Heavy Industry Co. Ltd | 129,036.10 | 129,036.10 | 100.00 | uncollectable |
| Guilin Hongcheng Mining Equipment Manufacturing Co. Ltd | 127,032.49 | 127,032.49 | 100.00 | uncollectable |
| Shanghai Sule Textile Machinery Co., Ltd | 126,752.70 | 126,752.70 | 100.00 | uncollectable |
| Guangxi Beibu Gulf New Material Co. Ltd | 126,353.69 | 126,353.69 | 100.00 | uncollectable |
| Shenyang Qunding Machinery Equipment Co., Ltd | 126,286.35 | 126,286.35 | 100.00 | uncollectable |
| Tangshan Dunshi Machinery Manufacturing Co. Ltd | 124,474.60 | 124,474.60 | 100.00 | uncollectable |
| Shenyang Machine Tool (Group) Co., Ltd. Precision CNC Machine Tool Branch | 124,002.02 | 124,002.02 | 100.00 | uncollectable |
| Nantong Hengrong Machine Pump Factory Co. Ltd | 123,407.18 | 123,407.18 | 100.00 | uncollectable |
| Guangxi Tianyang Huamei Paper Co. Ltd | 122,629.00 | 122,629.00 | 100.00 | uncollectable |
| Taiyuan Heavy Industry Co. Ltd | 121,560.19 | 121,560.19 | 100.00 | uncollectable |
| Zhejiang Rifa Precision Machinery Co.,Ltd | 120,214.46 | 120,214.46 | 100.00 | uncollectable |
| China Railway Materials Shenyang Corporation | 115,750.43 | 115,750.43 | 100.00 | uncollectable |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Debtors name | Closing Balance | | Proportion (%) | Reasons for provision |
|--|----------------------|-------------------------|----------------|-----------------------|
| | Accounts receivable | Provision for bad debts | | |
| Wuhan Otep Motor Co., Ltd | 115,009.60 | 115,009.60 | 100.00 | uncollectable |
| Wuxi Shangji Numerical Control Co., Ltd | 114,412.20 | 114,412.20 | 100.00 | uncollectable |
| John Deere Jia Lian Harvester Co., Ltd | 114,127.98 | 114,127.98 | 100.00 | uncollectable |
| Nantong Electric Machinery Factory | 113,634.74 | 113,634.74 | 100.00 | uncollectable |
| Qinhuangdao Huaye Motor Co., Ltd | 111,564.44 | 111,564.44 | 100.00 | uncollectable |
| Shandong Baoding Coal Coking Co. Ltd | 110,528.29 | 110,528.29 | 100.00 | uncollectable |
| Shenyang SAIC Jinbei Automobile Transmission Co. Ltd | 109,908.15 | 109,908.15 | 100.00 | uncollectable |
| Dalian Dalma Motor Co., Ltd | 109,553.86 | 109,553.86 | 100.00 | uncollectable |
| TISCO Oriental Iron & Steel Co. Ltd | 108,997.44 | 108,997.44 | 100.00 | uncollectable |
| Yingkou Jiachen Combustion Co., Ltd | 108,451.55 | 108,451.55 | 100.00 | uncollectable |
| Tongchuan Explosion-Proof Electric Machine Factory | 105,476.07 | 105,476.07 | 100.00 | uncollectable |
| China Pingmei Shenma Energy Chemical Group Co., Ltd | 104,296.17 | 104,296.17 | 100.00 | uncollectable |
| Jilin Jiaohu Coal Machine Manufacturing Co. Ltd | 102,965.96 | 102,965.96 | 100.00 | uncollectable |
| DBI Corporation of America | 102,568.64 | 102,568.64 | 100.00 | uncollectable |
| Changchun Power Generation Equipment Co. Ltd | 100,536.11 | 100,536.11 | 100.00 | uncollectable |
| Others | 12,676,958.90 | 12,676,958.90 | 100.00 | uncollectable |
| Total | 73,132,754.28 | 73,132,754.28 | 100.00 | |

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

| Aging | Closing Balance | | |
|---------------|-----------------------|-------------------------|----------------|
| | Accounts receivable | Provision for bad debts | Proportion (%) |
| Within 1 year | 616,998,156.24 | 6,169,981.58 | 1.00 |
| 1-2 years | 56,171,200.74 | 2,808,560.04 | 5.00 |
| 2-3 years | 22,035,487.01 | 4,407,097.39 | 20.00 |
| 3-4 years | 17,354,489.97 | 6,941,795.98 | 40.00 |
| 4-5 years | 7,392,407.05 | 4,435,444.22 | 60.00 |
| Over 5 years | 3,982,563.66 | 3,982,563.66 | 100.00 |
| Total | 723,934,304.67 | 28,745,442.87 | |

(2) Category of accounts receivable listed by age

| Aging | Closing Balance |
|-------|-----------------|
|-------|-----------------|

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Aging | Closing Balance |
|---------------|-------------------------|
| Within 1 year | 869,832,225.39 |
| 1-2 years | 95,992,547.21 |
| 2-3 years | 33,861,419.38 |
| 3-4 years | 28,318,831.41 |
| 4-5 years | 13,367,527.28 |
| Over 5 years | 36,133,737.60 |
| Total | 1,077,506,288.27 |

(3) Bad debt provision of current period

| Category | Opening balance | Change during the year | | | | Closing Balance |
|---------------------------|----------------------|------------------------|------------------------|-----------------------|----------------------|-----------------------|
| | | Accrued | Collected/ reversed | Collect/carry over | Written-off | |
| Provision for bad debt | 90,640,867.04 | 20,144,314.05 | 26,619.70 | 910,427.86 | 8,023,175.78 | 101,878,197.15 |
| Total | 87,719,587.79 | 12,357,362.92 | | 9,436,083.67 | 90,640,867.04 | 101,878,197.15 |

(4) Accounts receivable written off in current period

| Item | Written-off Amount |
|---------------------------------|--------------------|
| Accounts receivable written off | 15,374,843.48 |

Significant amount written off

| Company name | Nature of receivable | amount | reason | Procedure to be performed | Caused by related party |
|--|----------------------|------------|-------------------|---------------------------|-------------------------|
| Xiangtan Iron&Steel Co.,Ltd of Hunan Valin | Trade payment | 952,157.61 | Unable to recover | Internal approval | N |
| Anshan Steel Group New Steel Co., Ltd | Trade payment | 906,605.65 | Unable to recover | Internal approval | N |
| Wafangdian Watong Bearing Trading Co.,Ltd | Trade payment | 460,597.24 | Unable to recover | Internal approval | N |
| Jinzhou Pump Factory | Trade payment | 418,600.52 | Unable to recover | Internal approval | N |
| Shenyang Yongshishun Motor Co., Ltd | Trade payment | 393,758.50 | Unable to recover | Internal approval | N |
| Neimenggu Baotou Steel Union | Trade payment | 371,806.71 | Unable to recover | Internal approval | N |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Company name | Nature of receivable | amount | reason | Procedure to be performed | Caused by related party |
|--|----------------------|------------|-------------------|---------------------------|-------------------------|
| Co., Ltd. Equipment Materials Department Equipment Purchase and Supply Station | | | | | |
| Chongqing Yongjin Transmission Device Sales Company | Trade payment | 366,049.00 | Unable to recover | Internal approval | N |
| Shijiazhuang Power Machinery Factory | Trade payment | 348,135.90 | Unable to recover | Internal approval | N |
| Total | | | | | |

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

| Debtors name | Closing Balance | Age | Proportion of receivable (%) | Provision closing balance |
|---|-----------------------|---|------------------------------|---------------------------|
| Wazhou Group Wind Power Bearing Co. Ltd | 57,817,522.14 | Within 1 year | 5.37 | |
| Wazhou Group Precision Roller Co.,Ltd | 58,389,070.16 | Within 1 year | 5.42 | |
| Wazhou Group High-End Auto Bearing Co.,Ltd | 68,678,602.65 | Within 1 year 1-2years 2-3years 3-4years | 6.37 | |
| Wazhou Group | 45,948,737.23 | Within 1 year 1-2years | 4.26 | |
| Daqin Railway Co.,Ltd Taiyuan Materials Supply Centre | 28,942,131.53 | Within 1 year | 2.69 | 289,421.32 |
| Total | 259,776,063.71 | | 24.11 | 289,421.32 |

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

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

5. Financing receivable

| Items | Closing Balance | Opening Balance |
|------------------------|-----------------------|-----------------------|
| Bank acceptance notes | 72,593,534.75 | 77,350,250.31 |
| Trade acceptance notes | 58,007,010.84 | 102,228,373.17 |
| Total | 130,600,545.59 | 179,578,623.48 |

(1) Bad debt provision of current period

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Category | Opening balance | Change during the year | | | | Closing Balance |
|---|---------------------|------------------------|---------------------|-------------|--------------------|-----------------|
| | | Accrued | Collected /reversed | Written-off | Other transfer out | |
| Trade acceptance notes from non-related party | 2,929,780.77 | | 2,929,780.77 | | | |
| Total | 2,929,780.77 | | 2,929,780.77 | | | |

6. Prepayment

(1) Aging of advances to suppliers

| Items | Closing Balance | | Opening Balance | |
|---------------|----------------------|----------------|----------------------|----------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Within 1 year | 52,189,932.41 | 97.06 | 23,987,454.67 | 87.17 |
| 1 to 2 years | 1,297,764.53 | 2.41 | 1,997,019.56 | 7.26 |
| 2 to 3 years | 284,768.55 | 0.53 | 801,708.11 | 2.91 |
| 3 to 4 years | | | 730,761.20 | 2.66 |
| Total | 53,772,465.49 | 100.00 | 27,516,943.54 | 100.00 |

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

| Items | Closing Balance | Age | Proportion of receivable (%) |
|--|----------------------|---------------|------------------------------|
| Daye Special Steel co.,Ltd | 13,748,779.39 | Within 1 year | 26.98 |
| Xining Special Steel Co.,Ltd | 8,618,415.90 | Within 1 year | 16.91 |
| Wazhou Group High-End Auto Bearing Co.,Ltd | 8,019,600.29 | Within 1 year | 15.74 |
| Liaoning North Metal Supply Chain Co.,Ltd | 5,000,000.00 | Within 1 year | 9.81 |
| Wazhou Group Precision Roller Co.,Ltd | 3,157,266.38 | Within 1 year | 6.19 |
| Total | 38,544,061.96 | | 75.63 |

7. Other receivables

| Items | Closing Balance | Opening Balance |
|---------------------|-----------------|-----------------|
| Interest receivable | | |
| Dividend receivable | | |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Items | Closing Balance | Opening Balance |
|------------------|----------------------|----------------------|
| Other receivable | 14,204,144.25 | 27,646,966.02 |
| Total | 14,204,144.25 | 27,646,966.02 |

7.12 Other receivable

(1) The categories of other receivable by nature

| Nature | Closing Balance | Opening Balance |
|---------------------|----------------------|----------------------|
| Security deposit | 7,068,534.40 | 5,336,731.56 |
| Deposit | 394,780.42 | 301,240.88 |
| Personal petty cash | 130,312.99 | 449,584.50 |
| Others | 13,780,212.00 | 28,964,408.56 |
| Total | 21,373,839.81 | 35,051,965.50 |

(2) Categories of other receivable

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

(Continued)

| Items | Opening Balance | | | | |
|-------|-----------------|---|-----------|---|-----------------|
| | Booking balance | | Provision | | Booking balance |
| | Amount | % | Amount | % | |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| | | | | | |
|--|----------------------|---------------|---------------------|----------|----------------------|
| Other receivables with individual bad debt provision | 4,176,942.24 | 11.92 | 4,176,942.24 | 100.00 | |
| Other receivables identified bad debt provision based on the characters of credit risk portfolio | 30,875,023.26 | 88.08 | 3,228,057.24 | 10.46 | 27,646,966.02 |
| Account receivable aging portfolio | 9,136,170.55 | 26.06 | 2,449,106.59 | 26.81 | 6,687,063.96 |
| Risk-free portfolio | 20,954,252.06 | 59.78 | | | 20,954,252.06 |
| Related party portfolio | 784,600.65 | 2.24 | 778,950.65 | 99.28 | 5,650.00 |
| Total | 35,051,965.50 | 100.00 | 7,404,999.48 | - | 27,646,966.02 |

(3) Categories of other receivable

| Provision for bad debt | 1 st stage | 2 nd stage | 3 rd stage | Total |
|--|---|---|---|--------------|
| | Expected credit loss within following 12 months | Expected credit loss within life time(unimpaired) | Expected credit loss within life time(impaired) | |
| Balance on January 1, 2020 | | 7,404,999.48 | | 7,404,999.48 |
| On January 1, 2020 | | | | |
| Other receivable carrying amount on the book | — | — | — | — |
| --transfer to 2 nd stage | | | | |
| -- transfer to 3 rd stage | | | | |
| --reverse to 2 nd stage | | | | |
| -reverse to 1 st stage | | | | |
| Accrued | | 244,254.37 | | 244,254.37 |
| Reversed | | 456,758.29 | | 456,758.29 |
| Recollected | | | | |
| Written off | | 22,800.00 | | 22,800.00 |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Provision for bad debt | 1 st stage | 2 nd stage | 3 rd stage | Total |
|------------------------------|---|---|---|--------------|
| | Expected credit loss within following 12 months | Expected credit loss within life time(unimpaired) | Expected credit loss within life time(impaired) | |
| Others | | | | |
| Balance on December 31, 2019 | | 7,169,695.56 | | 7,169,695.56 |

(4) Other receivables listed by aging

| Aging | Closing Balance |
|--------------------------------|----------------------|
| Within 1 year(including 1year) | 13,356,181.34 |
| 1-2 years | 567,628.17 |
| 2-3 years | 238,830.15 |
| 3-4years | 352,420.05 |
| 4-5years | 1,382,203.62 |
| Over 5 years | 5,476,576.48 |
| Total | 21,373,839.81 |

(5) Bad debt provision accrued or reversed

| .Category | Opening balance | Change during the year | | | Closing Balance |
|------------------------|-----------------|------------------------|--------------------|-------------|-----------------|
| | | Accrued | Collected/reversed | Written-off | |
| Provision for bad debt | 7,404,999.48 | 244,254.37 | 456,758.29 | 22,800.00 | 7,169,695.56 |
| Total | 7,404,999.48 | 244,254.37 | 456,758.29 | 22,800.00 | 7,169,695.56 |

(6) Other receivables from the top 5 debtors

| Name | Category | Closing Balance | Aging | % of the total OR | Closing Balance of Provision |
|--|--------------------------|-----------------|---------------|-------------------|------------------------------|
| Liaoning Electric Power Supply Co.,Ltd | Prepay bill | 4,895,063.88 | Within 1 year | 22.90 | |
| Luoyang Zhongzhu Casting Plant | Prepayments of Materials | 723,598.86 | Over 5 years | 3.39 | 723,598.86 |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Name | Category | Closing Balance | Aging | % of the total OR | Closing Balance of Provision |
|---|-------------------|---------------------|---------------|----------------------|------------------------------|
| Wafangdian Bearing Group Co.,Ltd Lanzhou Sales Branch | Unsettled payment | 768,264.15 | 4-5ys | 3.59 | 768,264.15 |
| Dalian Heating Group Co., Ltd | Heating fees | 628,570.45 | Within 1 year | 2.94 | |
| Yingkou General Bearing Manufacturing Co. Ltd | Materials | 490,288.89 | Over 5 years | 2.29 | 490,288.89 |
| Total | — | 7,505,786.23 | — | 35.12 | 1,982,151.90 |

(7) Government grant involved receivable: no.

(8) Other receivable derecognized due to financial asset: no.

(9) Transferred other receivable but continuously involved financial asset or liability: no.

8. Inventories

(1) Categories of inventories

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

(Continue)

| Item | Opening Balance | | |
|----------------------|-----------------------|-----------------------|-----------------------|
| | Book value | Provision for decline | Net book value |
| Raw materials | 71,731,180.88 | 2,439,341.44 | 69,291,839.44 |
| WIP | | | |
| Finished goods | 540,420,549.42 | 61,538,812.80 | 478,881,736.62 |
| Goods on transit | | | |
| Semi-finished goods | 150,806,354.58 | | 150,806,354.58 |
| Low-value consumable | 5,487,131.97 | | 5,487,131.97 |
| Total | 768,445,216.85 | 63,978,154.24 | 704,467,062.61 |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

(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 | 2,439,341.44 | 6,650,216.47 | | | | 9,089,557.91 |
| WIP | | 421,834.87 | | | | 421,834.87 |
| Semi-finished goods | | 30,455,364.33 | | | | 30,455,364.33 |
| Finished goods | 61,538,812.80 | 203,243,297.35 | | | 820,267.22 | 263,961,842.93 |
| Total | 63,978,154.24 | 240,770,713.02 | | | 820,267.22 | 303,928,600.04 |

9. Other current assets

| Item | Closing Balance | Opening Balance |
|--------------------|----------------------|---------------------|
| VAT to be deducted | 24,517,849.43 | 3,510,607.86 |
| VAT to be varified | 92,599.50 | |
| Total | 24,610,448.93 | 3,510,607.86 |

10. Other equity instrument investment

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

11. Investment property

(1) Investment property measured as cost method

| Item | Property | Land use right | Total |
|------|----------|----------------|-------|
|------|----------|----------------|-------|

Wafangdian Bearing Co., Ltd**Notes to financial statements for the year ended as at December 31, 2020**

(The currency is in RMB Yuan except otherwise indicated)

| Item | Property | Land use right | Total |
|--|----------------|----------------|----------------|
| I. Initial Cost | | | |
| 1. Opening Balance | 173,336,509.34 | 51,969,186.22 | 225,305,695.56 |
| 2. Increase | 6,486,533.80 | 449,620.58 | 6,936,154.38 |
| (1) Purchase | | | |
| (2) Transferred from FA | 6,486,533.80 | 449,620.58 | 6,936,154.38 |
| (3) Increase from business combination | | | |
| 3. Decrease | 8,667,007.43 | 2,464,506.16 | 11,131,513.59 |
| (1) Disposal | | | |
| (2) Transfer to others | 8,667,007.43 | 2,464,506.16 | 11,131,513.59 |
| 4. Closing Balance | 171,156,035.71 | 49,954,300.64 | 221,110,336.35 |
| II. Accumulated Depreciation | | | |
| 1. Opening Balance | 85,388,090.56 | 16,986,730.43 | 102,374,820.99 |
| 2. Increase | 6,599,803.83 | 1,395,806.00 | 7,995,609.83 |
| (1) Accrued | 4,802,994.57 | 1,248,842.30 | 6,051,836.87 |
| (2) Transfer from others | 1,796,809.26 | 146,963.70 | 1,943,772.96 |
| 3. Decrease | 5,971,024.48 | 805,552.38 | 6,776,576.86 |
| (1) Disposal | | | |
| (2) Transfer to others | 5,971,024.48 | 805,552.38 | 6,776,576.86 |
| 4. Closing Balance | 86,016,869.91 | 17,576,984.05 | 103,593,853.96 |
| III. Impairment Reserve | | | |
| 1. Opening Balance | | | |
| 2. Increase | | | |
| (1) Accrued | | | |
| 3. Decrease | | | |
| (1) Disposal | | | |
| (2) Transfer to others | | | |
| 4. Closing Balance | | | |
| IV. Book Value | | | |
| 1. Closing book value | 85,139,165.80 | 32,377,316.59 | 117,516,482.39 |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Item | Property | Land use right | Total |
|------------------------------|----------------------|----------------------|-----------------------|
| 2. Opening book value | 87,948,418.78 | 34,982,455.79 | 122,930,874.57 |

(2) Investment property without owner's certificates

| Items | Book value | Reasons |
|--|---------------|-----------------------------------|
| Auto Bearing Western Industrial Zone workshop (column) | 33,436,639.54 | Land certificate is incomplete |
| Auto Bearing Western Industrial Zone workshop (cone) | 19,194,880.70 | Land certificate is incomplete |
| Liaoyang Bearing's main workshop | 5,831,425.13 | In the process of fire protection |
| Liaoyang Bearing's office building | 851,206.04 | In the process of fire protection |

12. Fixed assets

| Item | Closing Balance | Opening Balance |
|-----------------------|-----------------------|-----------------------|
| Fixed assets | 474,109,923.22 | 587,452,012.49 |
| Fixed assets disposal | | |
| Total | 474,109,923.22 | 587,452,012.49 |

12.1 Fixed assets

(1) Fixed assets detail

| Item | Property | Machinery Equipment | Transportation Equipment | Electronic Device | Other Equipment | Total |
|---|----------------|---------------------|--------------------------|-------------------|-----------------|------------------|
| I. Initial Cost | — | — | — | — | — | — |
| 1. Opening Balance | 258,316,002.43 | 1,179,368,536.71 | 163,084,662.24 | 72,275,194.08 | 216,573,367.29 | 1,742,841,566.75 |
| 2. Increase | 92,765,094.44 | 444,886,827 | 167,598.52 | 2,958,043.73 | 1,763,601.62 | 1,861,462,158 |
| (1) Purchase | 87,378.64 | 1,475,471.42 | 7,609.40 | 152,805.93 | 923,601.62 | 2,646,867.01 |
| (2) Transferred from construction-in-progress | 522,123.37 | 2,250,892.76 | 66,371.68 | 1,787,355.38 | 840,000.00 | 5,466,743.19 |
| (3) Acquired from business combination | 8,667,007.43 | 722,504.09 | 93,617.44 | 1,017,882.42 | | 10,501,011.38 |
| 3. Decrease | 3,255,906.16 | 134,009,620.86 | 1,966,887.67 | 12,941,794.48 | 7,154,196.24 | 159,328,405.41 |
| (1) Disposal | 54,735.46 | 116,799,293.74 | 1,966,887.67 | 12,870,655.39 | 6,502,831.24 | 138,194,403.50 |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Item | Property | Machinery Equipment | Transportation Equipment | Electronic Device | Other Equipment | Total |
|---|----------------------|------------------------|-----------------------------|----------------------|----------------------|-----------------------|
| (2) Others | 3,201,170.70 | 172,103,271.12 | | 71,139.09 | 651,365.00 | 21,134,001.91 |
| 4. Closing Balance | 264,336,605.71 | 1,049,807,784.12 | 14,509,177.09 | 62,291,443.33 | 211,182,772.67 | 1,602,127,782.92 |
| II. Accumulated Depreciation | — | — | — | — | — | — |
| 1. Opening Balance | 166,026,085.48 | 751,324,038.04 | 13,797,502.38 | 59,886,530.82 | 163,980,357.55 | 1,155,014,514.27 |
| 2. Increase | 14,551,609.91 | 60,388,627.21 | 831,932.18 | 3,444,931.50 | 11,020,937.70 | 90,238,038.50 |
| (1) Accrued | 8,580,585.43 | 59,913,004.91 | 741,123.26 | 3,403,792.08 | 11,020,937.70 | 83,659,443.38 |
| (2) Other transfer | 5,971,024.48 | 475,622.30 | 90,808.92 | 41,139.42 | | 6,578,595.12 |
| 3. Decrease | 1,508,667.83 | 122,996,755.06 | 1,862,184.77 | 12,444,888.14 | 6,754,363.32 | 145,566,859.12 |
| (1) Disposal | 53,093.40 | 111,615,152.30 | 1,862,184.77 | 12,375,883.22 | 6,347,744.46 | 132,254,058.15 |
| (2) Other transfer | 1,455,574.43 | 11,381,602.76 | | 69,004.92 | 406,618.86 | 13,312,800.97 |
| 4. Closing Balance | 179,069,027.56 | 688,715,910.19 | 12,767,249.79 | 50,886,574.18 | 168,246,931.93 | 1,099,685,693.65 |
| III. Impairment Reserve | — | — | — | — | — | — |
| 1. Opening Balance | | 375,039.99 | | | | 375,039.99 |
| 2. Increase | | 19,866,429.81 | 1,648.28 | 621,345.40 | 7,829,625.76 | 28,319,049.25 |
| (1) Accrued | | 19,866,429.81 | 1,648.28 | 621,345.40 | 7,829,625.76 | 28,319,049.25 |
| 3. Decrease | | 361,923.19 | | | | 361,923.19 |
| (1) Disposal | | 361,923.19 | | | | 361,923.19 |
| 4. Closing Balance | | 19,879,546.61 | 1,648.28 | 621,345.40 | 7,829,625.76 | 28,332,166.05 |
| IV. Book Value | — | — | — | — | — | — |
| 1. Closing book value | 85,267,578.15 | 341,212,327.32 | 1,740,279.02 | 10,783,523.75 | 35,106,214.98 | 474,109,923.22 |
| 2. Opening book value | 92,289,916.95 | 427,609,458.68 | 25,109,638.6 | 12,388,663.26 | 52,593,009.74 | 587,452,012.49 |

(2) Temporary idle fixed assets

| Item | Initial Cost | Accumulated Depreciation | Provision | Book Value | Memo |
|--------------------------|---------------|--------------------------|---------------|---------------|------|
| Plant and machinery | 85,187,451.05 | 51,217,559.44 | 19,636,139.31 | 14,333,752.30 | |
| Transportation equipment | 500,039.47 | 485,038.23 | 1,648.28 | 13,352.96 | |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Item | Initial Cost | Accumulated Deprecation | Provision | Book Value | Memo |
|-------------------|-----------------------|-------------------------|----------------------|----------------------|------|
| Electronic device | 3,274,570.98 | 2,927,726.24 | 258,738.83 | 88,105.91 | |
| Others | 30,672,623.12 | 22,168,477.72 | 7,829,625.76 | 674,519.64 | |
| Total | 119,634,684.62 | 76,798,801.63 | 27,726,152.18 | 15,109,730.81 | |

(3) Fixed assets leases out under operating lease

| Item | Book Value |
|--------------------------|-----------------------|
| Building and property | 71,127,787.18 |
| Plant and machinery | 96,625,916.85 |
| Transportation equipment | 167,614.46 |
| Electronic device | 2,609,841.30 |
| Others | 678,411.91 |
| Total | 171,209,571.70 |

(4) Fixed assets as pending certificate of ownership

| Item | Book value | Reason for Pending |
|--|---------------|------------------------------------|
| Dalian Wazhou Precision Electric Motor Car Bearing factory | 32,237,075.69 | Land certificate is in the process |
| Liaoyang Bearing's main workshop | 6,446,920.14 | In the process of fire protection |
| Liaoyang Bearing's office building | 2,620,732.34 | In the process of fire protection |
| Liaoyang Bearing's processing workshop | 1,166,835.07 | In the process of fire protection |
| Liaoyang Bearing's staff canteen | 805,672.21 | In the process of fire protection |

13. Construction-in-progress

| Item | Closing Balance | Opening Balance |
|--------------------------|----------------------|----------------------|
| Construction in progress | 24,254,985.16 | 33,932,882.85 |
| Construction materials | | |
| Total | 24,254,985.16 | 33,932,882.85 |

13.1 Construction-in-progress

(1) Construction in progress details

| Item | Closing Balance | Opening Balance |
|------|-----------------|-----------------|
|------|-----------------|-----------------|

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| | Book Balance | Provision | Book Value | Book Balance | Provision | Book Value |
|--|----------------------|---------------------|----------------------|----------------------|------------------|----------------------|
| Improvement of 7 th finished products | 5,294,384.87 | 3,468,712.79 | 1,825,672.08 | 6,281,423.15 | | 6,281,423.15 |
| Improvement of precision bearing plant | 4,221,142.02 | | 4,221,142.02 | 4,024,027.53 | | 4,024,027.53 |
| Improvement of plant | 1,659,638.56 | | 1,659,638.56 | 2,553,930.59 | | 2,553,930.59 |
| Improvement of railway | 1,758,204.72 | | 1,758,204.72 | 2,297,653.14 | | 2,297,653.14 |
| Improvement of precision roller branch | 1,189,745.29 | | 1,189,745.29 | 2,334,381.89 | | 2,334,381.89 |
| Dalian industry park project | 1,822,184.00 | | 1,822,184.00 | 1,842,211.42 | | 1,842,211.42 |
| Grinding product line | 1,774,704.65 | | 1,774,704.65 | 1,807,569.95 | | 1,807,569.95 |
| Epson multi-purpose furnace innovation | | | | 832,500.00 | | 832,500.00 |
| Installation of Super finishing Machine | 540,528.68 | | 540,528.68 | 802,912.80 | | 802,912.80 |
| Improvement of special large branch | 1,635,330.51 | | 1,635,330.51 | 765,919.92 | | 765,919.92 |
| Improvement of grinding machine | 376,403.13 | | 376,403.13 | 376,403.13 | | 376,403.13 |
| Crane Project | 255,382.52 | | 255,382.52 | 331,423.18 | | 331,423.18 |
| Computer Project | 184,075.24 | | 184,075.24 | 321,293.28 | | 321,293.28 |
| Improvement of 2nd finished products | | | | 249,448.60 | | 249,448.60 |
| Overhaul factory reconstruction | 176,772.70 | | 176,772.70 | 176,772.70 | | 176,772.70 |
| Channel II construction project | 259,161.89 | | 259,161.89 | 157,281.55 | | 157,281.55 |
| Others | 6,576,039.17 | | 6,576,039.17 | 8,777,730.02 | | 8,777,730.02 |
| Total | 27,723,097.95 | 3,468,712.79 | 24,254,385.16 | 33,932,882.85 | | 33,932,882.85 |

(2) Change in the significant construction in progress

| Name | Opening Balance | Increase | Decrease | | Closing Balance |
|--|-----------------|------------|--------------------------|----------------|-----------------|
| | | | Transfer to fixed assets | Other decrease | |
| Improvement of railway | 2,297,653.14 | | 360,952.69 | 178,495.73 | 1,758,204.72 |
| Improvement of seven-finished products | 6,281,423.15 | | 680,218.14 | 306,820.14 | 5,294,384.87 |
| Improvement of precision roller branch | 2,334,381.89 | | 1,052,679.35 | 91,957.25 | 1,189,745.29 |
| Improvement of | 4,024,027.53 | 603,508.84 | 39,779.35 | 366,615.00 | 4,221,142.02 |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Name | Opening Balance | Increase | Decrease | | Closing Balance |
|-----------------------------------|----------------------|---------------------|--------------------------|---------------------|----------------------|
| | | | Transfer to fixed assets | Other decrease | |
| precision bearing plant | | | | | |
| Dalian industry park project | 1,842,211.42 | | | 200,274.2 | 1,822,184.00 |
| Improvement of Auto | 8,000.00 | | | 8,000.00 | |
| Overhaul factory reconstruction | 176,772.70 | | | | 176,772.70 |
| Special large project improvement | 765,919.92 | 982,054.64 | | 112,644.05 | 1,635,330.51 |
| ChannelIII construction project | 157,281.55 | | | 157,281.55 | |
| Total | 17,887,671.30 | 1,585,563.48 | 2,133,629.53 | 1,241,841.14 | 16,097,764.11 |

(Continued)

| Name | Budget | Percent of investment against budget(%) | progress | Accumulated capitalized interest | Including: Accumulated capitalized interest | Interest capitalization rate (%) | Source of funds |
|--|-----------------------|---|----------|----------------------------------|---|----------------------------------|-----------------|
| Improvement of railway | 14,472,691.67 | 97.74 | 97.74 | 90,837.36 | | | Self financing |
| Improvement of seven-finished products | 107,106,101.50 | 53.92 | 53.92 | 656,478.24 | | | Self financing |
| Improvement of precision roller branch | 27,209,771.00 | 51.21 | 51.21 | 1,203,099.87 | | | Self financing |
| Improvement of precision bearing plant | 5,500,815.00 | 91.40 | 91.40 | | | | Self financing |
| Dalian industry park project | 39,164,803.61 | 21.04 | 21.04 | 35,839.06 | | | Self financing |
| Improvement of Auto | 2,302,350.00 | 77.91 | 77.91 | 435.23 | | | Self financing |
| Overhaul factory reconstruction | 2,513,380.00 | 18.80 | 18.80 | 204.04 | | | Self financing |
| Special large project improvement | 8,349,300.00 | 45.89 | 45.89 | 33,084.11 | | | Self financing |
| ChannelIII construction project | 162,000.00 | 100.00 | 100.00 | | - | - | Self financing |
| Total | 206,322,188.15 | — | — | 201,927.91 | | | |

(3) Provision for impairment of construction in progress: 3,468,712.79Yuan.

14. Intangible assets

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

(1) Intangible assets list

| Item | Land use right | ERP software | Total |
|--------------------------------------|-----------------------|---------------------|----------------------|
| I. Initial cost | | | |
| 1). Opening balance | 124,220,541.52 | 6,369,773.27 | 130,590,314.79 |
| 2). Increase | 2,464,506.16 | | 2,464,506.16 |
| (1) Purchase | | | |
| (2) Others | 2,464,506.16 | | 2,464,506.16 |
| 3). Decrease | 449,620.58 | | 449,620.58 |
| (1) Disposal | 449,620.58 | | 449,620.58 |
| 4). Closing balance | 126,235,427.10 | 6,553,383.89 | 132,788,810.99 |
| II. Amortization | | | |
| 1). Opening balance | 41,800,386.51 | 6,344,140.34 | 48,144,526.85 |
| 2). Increase | 3,994,183.16 | 71,203.50 | 4,065,386.66 |
| (1) Accrual | 3,188,630.78 | 71,203.50 | 3,259,834.28 |
| (2) Others | 805,552.38 | | 805,552.38 |
| 3). Decrease | 146,963.70 | | 146,963.70 |
| (1) Disposal | | | |
| (2) Others | 146,963.70 | | 146,963.70 |
| 4). Closing balance | 45,647,605.97 | 6,415,343.84 | 52,062,949.81 |
| III. Provision for impairment | | | |
| 1). Opening balance | | | |
| 2). Increase | | | |
| (1) Accrual | | | |
| 3). Decrease | | | |
| (1) Disposal | | | |
| 4). Closing balance | | | |
| IV. Book value | | | |
| 1. Closing Book value | 80,587,821.13 | 138,040.05 | 80,725,861.18 |
| 2. Opening Book value | 82,420,155.01 | 209,243.55 | 82,629,398.56 |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

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

15. Long-term unamortized expense

| Item | Opening Balance | Increase | Amortization | Other Decrease | Closing Balance |
|---|-------------------|----------|-------------------|----------------|-------------------|
| Decoration fees for estate used as office | 724,877.66 | | 292,817.88 | | 432,059.78 |
| Heating overhaul cost | 134,984.13 | | 55,855.80 | | 79,128.33 |
| Total | 859,861.79 | | 348,673.68 | | 511,188.11 |

16. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets before offsetting: none

(2) Deferred tax liabilities before offsetting

| Item | Closing Balance | | Opening Balance | |
|---|------------------------------|--------------------------|------------------------------|--------------------------|
| | Taxable temporary difference | Deferred tax liabilities | Taxable temporary difference | Deferred tax liabilities |
| Asset evaluation increment in business combination without the same control | 4,896,322.33 | 734,448.35 | 5,237,735.01 | 785,660.25 |
| Total | 4,896,322.33 | 734,448.35 | 5,237,735.01 | 785,660.25 |

(3) Unrecognized deferred tax assets details

| Item | Closing Balance | Opening Balance |
|---------------------------------|-----------------------|-----------------------|
| Deductible temporary difference | 54,337,700.26 | 200,707,326.07 |
| Deductible loss | 567,068,741.45 | 321,320,514.56 |
| Total | 621,406,441.71 | 522,027,840.63 |

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

| Year | Closing Balance | Opening Balance | Memo |
|------|-----------------|-----------------|------|
| 2020 | | 1,086,152.62 | |
| 2021 | 36,394,255.27 | 36,394,255.27 | |
| 2022 | 77,265,795.85 | 77,265,795.85 | |

Wafangdian Bearing Co., Ltd**Notes to financial statements for the year ended as at December 31, 2020**

(The currency is in RMB Yuan except otherwise indicated)

| Year | Closing Balance | Opening Balance | Memo |
|--------------|-----------------------|-----------------------|------|
| 2023 | 106,335,303.14 | 106,335,303.14 | |
| 2024 | 100,239,007.68 | 100,239,007.68 | |
| 2025 | 246,834,379.51 | | |
| Total | 567,068,741.45 | 321,320,514.56 | |

17. Short-term borrowing

(1) Categories

| Loan category | Closing Balance | Opening Balance |
|---------------|-----------------------|-----------------------|
| Credit loan | 670,000,000.00 | 655,000,000.00 |
| Total | 670,000,000.00 | 655,000,000.00 |

(2) Overdue short term borrowing: no.

18. Notes payable

| Notes category | Closing Balance | Opening Balance |
|------------------------|-----------------------|-----------------------|
| Bank acceptance notes | 123,567,800.00 | 148,570,000.00 |
| Trade acceptance notes | 151,086,735.65 | 101,449,501.69 |
| Total | 274,654,535.65 | 250,019,501.69 |

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

19. Accounts payable

(1) Accounts payable

| Item | Closing Balance | Opening Balance |
|------------------|-------------------------|-----------------------|
| Goods payments | 982,917,948.65 | 583,836,513.12 |
| Project payments | 24,620,842.88 | 37,878,792.30 |
| Others | 37,263,105.32 | 10,636,994.17 |
| Total | 1,044,801,896.85 | 632,352,299.59 |

(2) Accounts payable with age over 1 year

| Company name | Closing Balance | Unsettle reason |
|---------------------------------------|-----------------|-----------------|
| Wazhou Group Precision Roller Co.,Ltd | 1,662,962.17 | undue |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Company name | Closing Balance | Unsettle reason |
|--|----------------------|-----------------|
| Liaocheng Dongchangfu Yuanrun Bearing Accessories Co., Ltd | 3,858,854.81 | undue |
| Wafangdian Bearing Packing Products Co. Ltd | 1,841,971.15 | undue |
| Liaocheng Hengfeng Rolling Bearing Co.,Ltd | 1,297,031.68 | undue |
| Wazhou Group National Bearing Engineering Technology Research Centre Co.,Ltd | 1,875,744.97 | undue |
| Wazhou Exact Forge Co.,Ltd., | 1,052,788.21 | undue |
| Liaocheng Dongheng Bearing Accessories Co., Ltd | 1,193,342.60 | undue |
| Taiwan You Ji Machine IND.Co.,Ltd | 1,188,227.37 | undue |
| Total | 13,970,922.96 | — |

20. Contract liability

(1) Details

| Item | Closing Balance | Opening Balance |
|-------------------------------------|----------------------|----------------------|
| Contract obligation to be fulfilled | 39,456,304.55 | 24,326,184.61 |
| Total | 39,456,304.55 | 24,326,184.61 |

(2) Significant change during the year: None

21. Employee's payable

(1) Category of employee's payables

| Item | Opening Balance | Increase | Decrease | Closing Balance |
|---|----------------------|-----------------------|-----------------------|----------------------|
| Short-term employee's payable | 17,753,368.65 | 305,162,012.56 | 277,569,127.30 | 45,346,253.91 |
| Post-employment benefit defined contribution plan | 5,939,713.89 | 27,815,775.27 | 27,782,055.98 | 5,973,433.18 |
| Redundancy pay | | 7,951,421.00 | 6,593,967.00 | 1,357,454.00 |
| Total | 23,693,082.54 | 339,485,325.75 | 310,501,267.20 | 52,677,141.09 |

(2) Short-term employee's payables

| Item | Opening Balance | Increase | Decrease | Closing Balance |
|------|-----------------|----------|----------|-----------------|
|------|-----------------|----------|----------|-----------------|

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Item | Opening Balance | Increase | Decrease | Closing Balance |
|---|------------------------|-----------------------|-----------------------|------------------------|
| Salaries, bonus, allowance, and subsidy | 12,225,757.73 | 229,952,333.05 | 200,975,489.51 | 41,202,601.27 |
| Welfare | | 21,020,126.84 | 20,964,973.84 | 55,153.00 |
| Social insurance | 19,817.37 | 18,360,412.58 | 18,337,583.30 | 42,646.65 |
| Include: Medical insurance | 22,586.35 | 14,633,493.44 | 14,610,191.67 | 45,888.12 |
| On-duty injury insurance | -834.40 | 1,738,483.66 | 1,738,758.57 | -1,109.31 |
| Maternity insurance | -1,934.58 | 1,988,435.48 | 1,988,633.06 | -2,132.16 |
| Housing funds | 2,570,941.02 | 33,476,660.63 | 33,560,113.16 | 2,487,488.49 |
| Labour union and training expense | 2,936,852.53 | 2,352,479.46 | 3,730,967.49 | 1,558,364.50 |
| Total | 17,753,368.65 | 305,162,012.56 | 277,569,127.30 | 45,346,253.91 |

(3) Defined contribution plan

| Item | Opening Balance | Increase | Decrease | Closing Balance |
|------------------------|------------------------|----------------------|----------------------|------------------------|
| Pension | 5,870,744.89 | 26,795,106.49 | 26,773,047.62 | 5,892,803.76 |
| Unemployment insurance | 68,969.00 | 1,020,668.78 | 1,009,008.36 | 80,629.42 |
| Total | 5,939,713.89 | 27,815,775.27 | 27,782,055.98 | 5,973,433.18 |

22. Tax payable

| Item | Closing Balance | Opening Balance |
|---------------------------------------|------------------------|------------------------|
| Value-added tax | 1,576,813.19 | 2,553,700.48 |
| Individual income tax | 148,082.29 | 85,297.96 |
| City maintenance and construction tax | 208,938.78 | 127,120.92 |
| Real estate tax | 911,163.89 | 900,187.61 |
| Land use tax | 536,377.57 | 536,377.57 |
| Stamp duty | 160,352.41 | 65,660.52 |
| Education surcharge | 145,800.58 | 85,703.23 |
| Others | 639.97 | 370,650.01 |
| Total | 3,688,168.68 | 4,724,698.30 |

Wafangdian Bearing Co., Ltd**Notes to financial statements for the year ended as at December 31, 2020**

(The currency is in RMB Yuan except otherwise indicated)

23. Other payables

| Items | Closing Balance | Opening Balance |
|------------------|-----------------------|----------------------|
| Interest payable | 1,041,600.00 | 934,134.38 |
| Dividend payable | | 360,000.00 |
| Other payable | 128,434,461.47 | 78,057,019.99 |
| Total | 129,476,061.47 | 79,351,154.37 |

23.1 Interest payable

(1) Category of interest payable

| Item | Closing Balance | Opening Balance |
|------------------------------|---------------------|-------------------|
| Interest for short-term loan | 1,041,600.00 | 934,134.38 |
| Total | 1,041,600.00 | 934,134.38 |

23.2 Dividend payable

| Item | Closing Balance | Opening Balance |
|-------------------------|-----------------|-------------------|
| Ordinary share dividend | | 360,000.00 |
| Total | | 360,000.00 |

23.3 Other accounts payable

(1) Other payables categorized by payments nature

| Payments nature | Closing Balance | Opening Balance |
|---|-----------------------|----------------------|
| Bid security deposits | 1,165,890.00 | 2,212,759.65 |
| Trademark fees and lease premium to Group | 41,606,986.87 | 27,132,745.82 |
| Authorization deposit of seller | 25,526,424.69 | 10,949,116.41 |
| Others | 60,135,159.91 | 37,762,398.11 |
| Total | 128,434,461.47 | 78,057,019.99 |

(2) Significant other payables with age over 1 year

| Name of company | Closing Balance | Reason of unpaid or not carried forward |
|---------------------------------|-----------------|---|
| Authorization deposit of seller | 9,019,765.41 | undue |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Name of company | Closing Balance | Reason of unpaid or not carried forward |
|-----------------|----------------------|---|
| Bid deposit | 1,018,490.00 | undue |
| Wazhou Group | 17,611,667.74 | undue |
| Total | 27,649,923.15 | |

24. Other current liabilities

(1) Category of other current liabilities

| Item | Closing Balance | Opening Balance |
|------------------------------|---------------------|---------------------|
| Output VAT to be transferred | 5,129,319.58 | 3,162,404.00 |
| Total | 5,129,319.58 | 3,162,404.00 |

25. Long-term payables

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

25.1 Long-term payables

| Payments nature | Closing Balance | Opening Balance |
|--------------------|-------------------|-------------------|
| Equipment payments | 100,000.00 | 100,000.00 |
| Total | 100,000.00 | 100,000.00 |

25.2 Special payables

| Items | Opening Balance | Increase | Decrease | Closing Balance | Formation Basis |
|------------------------------|-----------------|----------|----------|-----------------|--|
| Special pollution treatment | 169,974.84 | - | | 169,974.84 | Granted by Wafangdian Bureau of Finance and Wafangdian Bureau of Environment Protection with approval with "WaCaiZhiQi No.[2004]217" |
| Informatization construction | 75,000.00 | - | | 75,000.00 | Dalian Financial Bureau and Municipal Office of Economic and Information |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| | | | | |
|--------------|-----------------|----------|-----------------|--|
| | | | | Technology Committee with approval with "Da CaiZhiQi No. [2012]917" and "DaJing XinFa No. [2012]199" |
| Total | 24497484 | - | 24497484 | |

26. Provision

| Item | Closing Balance | Opening Balance | Reason |
|----------------------------------|----------------------|-----------------|---|
| Accrued warranty | 4,771,845.00 | | Accrual for wind power product quality claim |
| Wind power product quality claim | 34,260,425.91 | | Customer claimed compensation for quality problem |
| Total | 39,032,270.91 | | |

27. Deferred income

(1) Category of deferred income

| Item | Opening Balance | Increase | Decrease | Closing Balance | Formation Basis |
|-------------------------------|----------------------|---------------------|---------------------|----------------------|---|
| Government subsidy | 33,760,433.94 | 4,031,334.78 | 4,411,467.02 | 33,380,301.70 | Grant from government |
| Compensation for land removal | 27,515,676.97 | | 953,225.59 | 26,562,451.38 | Old factory removal and new factory and land compensation for Liaoyang Bearing Construction Co.,Ltd |
| Total | 61,276,110.91 | 4,031,334.78 | 5,364,692.61 | 59,942,753.08 | — |

(2) Government subsidy project

| Government subsidy item | Opening Balance | Increase | Recorded into non-operation income | Other Change | Closing Balance | Related with asset/equity | Note |
|--------------------------------|-----------------|----------|------------------------------------|--------------|-----------------|---------------------------|------|
| Compensation for plants moving | 24,338,122.30 | | 2,704,235.88 | | 21,633,886.42 | asset | A |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| | | | | | | | |
|--|----------------------|---------------------|---------------------|-------------------|----------------------|-------|---|
| Development of intelligent manufacturing equipment subsidies | 2,000,000.00 | 4,000,000.00 | 844,444.44 | | 5,155,555.56 | asset | B |
| Improvement of high-end bearing production subsidies | 1,416,960.00 | | 472,320.00 | | 944,640.00 | asset | C |
| Overhaul bearing project discounting interest subsidy | 1,420,000.00 | | 240,000.00 | | 1,180,000.00 | asset | D |
| Technical master studio development subsidy | 476,268.35 | | 52,918.70 | | 423,349.65 | asset | E |
| Liuchangfu Master subsidy | 12,067.29 | | | -31,334.78 | 43,402.07 | asset | E |
| Liaoyang Bearing Industry subsidy | 4,097,016.00 | | 97,548.00 | | 3,999,468.00 | asset | F |
| Total | 33,760,433.94 | 4,000,000.00 | 4,411,467.02 | -31,334.78 | 33,380,301.70 | - | |

- (1) A: Deferred income: the compensation for plants moving is RMB 59,820,000.00 granted from Dalian government-owned assets investment and operating Co., Ltd in 2011. And the amount of making up for the removal loss of the current period is RMB 11,143,755.05; The rest of RMB 48,676,244.95 are recognized as the removal compensation related with assets, which is amortized 18 years, according to the new fixed assets formed after the Dalian branch removal.
- (2) B: Deferred income: the RMB 4,000,000.00 of development of intelligent manufacturing equipment subsidy is distributed by Dalian City Finance Bureau in 2012. The subsidies are used in the project "Grinding vehicle integration and processing digitalization". Currently, the equipment has been used for production manufacturing and grant is amortized over 10 years. This year the second stage subsidy of RMB 4,000,000.00 has been received and amortized within the remaining life.
- (3) C: Deferred income: the RMB 4,723,200.00 interest subsidy of "Improvement of bearing base in high-end equipment sector" is distributed by Wafangdian Finance Bureau in 2013 for the year of 2011. The subsidy is specially used to improve the project of improvement of bearing base in high-end equipment sector. The item is amortized within 10 years.
- (4) D: Deferred income: the RMB 2,400,000.00 interest subsidy of "Axle box and bearing technology improvement of grand axle load railway carriages" is granted by Wafangdian Finance Bureau in 2014. The subsidy is now in processing the project "Axle box and bearing technology improvement of grand axle load railway carriages". Now the equipment has been put into production, the government subsidy is amortized according to the depreciation years of 10 years.
- (5) E: Deferred income: the 700,000.00 RMB of the construction of workshop for technology masters subsidy is granted by Dalian Finance Bureau in 2014 according to "Da Cai She (Zhuan) No. [2013]26", "Da Cai She (Zhuan) No. [2013]37", "Da Cai She (Zhuan) No. [2013]45", "Da Cai She (Zhuan) No. [2014]27", and "Da

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

Cai She (Zhuan) No. [2014]32 ” . The workshop equipment has been transferred into fixed asset in December 2016 and being amortised for 12 years, expense related parts are being put into non-operating income directly.

- (6) F: 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.

28. Share capital

| Shareholders' name/category | Opening Balance | | Change for current period | | | | | Closing Balance | |
|--|-----------------------|---------------|---------------------------|---------------------|--|--------|----------|-----------------------|---------------|
| | Amounts | % | Issuing new shares | Distributing shares | Transferring capital reserves to share capital | Others | Subtotal | Amounts | % |
| Shares under restriction for sale | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Domestically legal person shares | 244,000,000.00 | 60.61 | | | | | | 244,000,000.00 | 60.61 |
| Total shares under restriction for sale | 244,000,000.00 | 60.61 | | | | | | 244,000,000.00 | 60.61 |
| Shares without restriction for sale | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Domestically listed foreign shares | 158,600,000.00 | 39.39 | | | | | | 158,600,000.00 | 39.39 |
| Total shares without restriction for sale | 158,600,000.00 | 39.39 | | | | | | 158,600,000.00 | 39.39 |
| Total shares | 402,600,000.00 | 100.00 | - | - | - | - | - | 402,600,000.00 | 100.00 |

29. Capital reserves

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

30. Surplus reserves

| Item | Opening Balance | Increase | Decrease | Closing Balance |
|------|-----------------|----------|----------|-----------------|
|------|-----------------|----------|----------|-----------------|

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| | | | |
|-------------------------------|-----------------------|--|-----------------------|
| Statutory surplus reserve | 116,179,772.10 | | 116,179,772.10 |
| Discretionary surplus reserve | 20,590,618.91 | | 20,590,618.91 |
| Total | 136,770,391.01 | | 136,770,391.01 |

31. Undistributed profits

| Item | Current year | Prior year |
|---|------------------------|-----------------------|
| Closing balance of prior year | 201,379,956.97 | 354,961,603.07 |
| Add: Adjustments to the opening balance of undistributed profits | | -14,275,668.37 |
| Including: additional retrospective adjustments according to the new accounting standards | | |
| Change on accounting policy | | -14,275,668.37 |
| Correction of prior period significant errors | | |
| Change on combination scope under same control | | |
| Other factors | | |
| Opening balance of current year | 201,379,956.97 | 340,685,934.70 |
| Add: net profit attributable to shareholders of parent company in the year | -380,228,430.56 | -123,201,977.73 |
| Less: Provision for statutory surplus reserves | | |
| Provision for any surplus reserves | | |
| Provision of general risk | | |
| Dividends payable for common shares | 32,208,000.00 | 16,104,000.00 |
| Share dividends | | |
| Closing balance of current year | -211,056,473.59 | 201,379,956.97 |

32. Operating revenue and cost

(1) Operating revenue and cost

| Items | Current year | | Prior year | |
|----------------------------------|------------------|------------------|------------------|------------------|
| | Sales revenue | Cost of sales | Sales revenue | Cost of sales |
| Revenue from principle operation | 1,593,697,068.57 | 1,135,672,657.83 | 1,631,030,756.17 | 1,308,064,490.17 |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Items | Current year | | Prior year | |
|------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Sales revenue | Cost of sales | Sales revenue | Cost of sales |
| Revenue from other operation | 265,479,347.01 | 232,010,647.05 | 224,458,385.48 | 202,877,641.10 |
| Total | 1,859,176,415.58 | 1,367,683,304.88 | 1,855,489,141.65 | 1,510,942,131.27 |

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

| Items | Current year | | Prior year | |
|---------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Sales revenue | Cost of sales | Sales revenue | Cost of sales |
| Export | 149,255,608.09 | 142,551,544.89 | 172,405,718.50 | 145,059,709.58 |
| Domestic | 1,378,624,745.01 | 908,955,678.48 | 1,396,819,805.36 | 1,070,584,040.81 |
| Including: | | | | |
| Transportation vehicle bearings | 226,218,965.88 | 180,037,488.31 | 345,269,959.22 | 357,684,606.92 |
| Special use bearings | 543,592,815.95 | 360,120,984.53 | 445,785,193.31 | 269,810,409.00 |
| General use bearings | 608,812,963.18 | 368,797,205.64 | 605,764,652.83 | 443,089,024.89 |
| Industrial Operations | 65,816,715.47 | 84,165,434.46 | 61,805,232.31 | 92,420,739.78 |
| Total | 1,593,697,068.57 | 1,135,672,657.83 | 1,631,030,756.17 | 1,308,064,490.17 |

33. Taxes and surcharges

| Items | Current year | Prior year |
|-----------------------|----------------------|----------------------|
| City construction tax | 4,365,003.73 | 3,528,436.01 |
| Education surcharge | 3,106,968.80 | 2,519,596.80 |
| Stamp duty | 1,355,089.45 | 881,106.16 |
| Property tax | 3,876,652.88 | 3,977,520.17 |
| Tax on land use | 2,399,179.32 | 2,471,385.96 |
| Others | 6,471.33 | 11,691.33 |
| Total | 15,109,365.51 | 13,389,736.43 |

34. Selling expenses

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Items | Current year | Prior year |
|----------------------------------|-----------------------|-----------------------|
| Employee benefit | 81,182,393.57 | 55,844,133.38 |
| Compensation for quality default | 39,032,270.91 | |
| Transportation expense | 35,602,492.93 | 26,197,326.54 |
| Travel expense | 21,396,895.72 | 25,313,638.91 |
| Trademark use fee | 11,322,716.81 | 12,680,737.23 |
| Business activity | 6,028,813.38 | 11,325,188.58 |
| Leasing | 5,301,335.19 | 6,103,930.15 |
| International freight | 1,549,200.13 | 4,091,779.82 |
| Conference expense | 436,265.73 | 3,055,492.77 |
| Others | 8,365,034.12 | 14,321,069.93 |
| Total | 210,217,418.49 | 158,933,297.31 |

35. Administrative expenses

| Items | Current year | Prior year |
|---------------------------------|----------------------|----------------------|
| Employee benefit | 70,461,407.37 | 41,835,613.42 |
| Intangible assets amortization | 4,491,507.60 | 4,520,511.75 |
| Guide and fire fighting expense | 2,618,935.31 | 2,564,150.90 |
| Depreciation expense | 1,540,891.53 | 2,094,679.90 |
| Travel expense | 1,414,462.66 | 1,174,817.14 |
| Business entertaining expense | 279,958.60 | 925,532.32 |
| Other expense | 13,152,796.06 | 10,106,420.80 |
| Total | 93,959,959.13 | 63,221,726.23 |

36. R&D

| Items | Current year | Prior year |
|-------------------------------------|---------------------|-------------------|
| Materials input | 162,881,600.38 | 94,726,684.15 |
| Design, new process development fee | 18,807,864.25 | 10,998,147.64 |
| Labor cost | 12,366,142.09 | 7,735,150.90 |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| | | |
|--|-----------------------|-----------------------|
| Depreciation and amortization of long term expense | 8,437,400.42 | 8,432,313.37 |
| Fuel power | 7,118,669.77 | 7,389,499.94 |
| R&D equipment repair and leasing fee | 4,177,671.01 | 957,372.89 |
| Processing fee | 3,338,940.98 | 648,145.22 |
| Testing fee | 1,877,182.02 | 270,964.02 |
| Others fee | 8,542,714.62 | 1,084,177.46 |
| Total | 227,548,185.54 | 132,242,455.59 |

37. Financial expenses

| Items | Current year | Prior year |
|-------------------------|----------------------|----------------------|
| Interest expenses | 36,840,257.54 | 35,831,805.64 |
| Less: Interest income | 1,106,147.24 | 1,417,703.85 |
| Add: Exchange loss | 4,798,480.72 | 91,372.64 |
| Add: Others expenditure | 2,894,914.65 | 1,205,330.69 |
| Total | 43,427,505.67 | 35,710,805.12 |

38. Other income

| Items | Current year | Prior year |
|---|--------------|--------------|
| Dalian sub-factory relocation subsidy | 2,704,235.88 | 2,704,235.88 |
| Special fund for processing and trade entity | 500,000.00 | 1,000,000.00 |
| Liaoyang Bearing old factory relocation compensation | 953,225.59 | 953,225.59 |
| The pre-assembly automatic detection line project of railway freight wagon bearing ring | | 798,000.00 |
| Job stabilization subsidy | 3,080,208.52 | 793,179.30 |
| First sets subsidy | | 740,000.00 |
| Subsidy from Dalian Bureau of Commerce | | 622,485.50 |
| Improvement of high-end bearing production subsidies | 472,320.00 | 472,320.00 |
| Development of intelligent manufacturing equipment subsidies | 844,444.44 | 400,000.00 |
| Overhaul bearing project discounting interest subsidy | 240,000.00 | 240,000.00 |
| High-tech enterprise subsidies | | 200,000.00 |
| Export show subsidy (Dalian Commercial Bureau) | | 152,090.00 |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| | | |
|--|---------------------|---------------------|
| Shanghai bearing show subsidy from Wafangdian Technology and Industry Information Bureau | | 148,700.00 |
| Bearing Industry Development fund | | 97,548.00 |
| Special fund for processing and trading from Dalian Wafangdian Bureau of Commerce | | 90,000.00 |
| Technical master studio development subsidy | 21,583.92 | 61,458.48 |
| Tax handling charge refund | 46,428.74 | 1,686.01 |
| 1st subsidy for key R&D in 2020 | 343,800.00 | |
| Nafu Workshop Subsidy | 100,000.00 | |
| Zhongxiaokai Subsidy in 2018 | 60,000.00 | |
| COVID subsidy of Hangzhou | 5,765.29 | |
| Labor Insurance subsidy | 630.10 | |
| Industry Development Fund | 97,548.00 | |
| Technology Research of "Shuangbai Plan" | 50,000.00 | |
| Total | 9,520,190.48 | 9,474,928.76 |

39. Investment income

| Items | Current year | Prior year |
|---|---------------------|------------|
| Gain on holding tradable financial assets | 3,962.74 | |
| Debt restructuring | 1,226,811.33 | |
| Total | 1,230,774.07 | |

40. Gain on FV movement

| Source of Gain on FV change | Current year | Prior year |
|-----------------------------|-------------------|-------------------|
| Tradable financial asset | -57,011.50 | -13,867.66 |
| Total | -57,011.50 | -13,867.66 |

41. Loss on credit impairment (loss listed as "-")

| Item | Current year | Prior year |
|-----------------------------------|----------------|----------------|
| Bad debt loss of notes receivable | -3,421,799.82 | -1,280,538.90 |
| Bad debt loss of receivable | -19,233,886.19 | -12,357,362.92 |
| Bad debt loss of other receivable | 212,503.92 | 1,165,604.70 |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| | | |
|--------------|-----------------------|-----------------------|
| Total | -22,443,182.09 | -12,472,297.12 |
|--------------|-----------------------|-----------------------|

42. Loss on asset impairment (loss listed as "-")

| Item | Current year | Prior year |
|-------------------------------|------------------------|-----------------------|
| Inventory impairment loss | -240,770,713.02 | -52,134,567.51 |
| Fixed asset impairment loss | -28,296,049.19 | -145,368.99 |
| Construction in progress loss | -3,468,712.79 | |
| Total | -272,535,475.00 | -52,279,936.50 |

43. Gain on assets disposal (loss listed as "-")

| Item | Current year | Prior year | Amounts recognized into current non-recurring profit or loss |
|---|---------------------|---------------------|---|
| Gain on disposal group classified as held for sale | | | |
| Gain on non-current assets disposal | 939,292.08 | 1,663,381.85 | |
| Gain on non-current assets disposal classified as held for sale | | | |
| Gain on non-current assets disposal not classified as held for sale | 939,292.08 | 1,663,381.85 | |
| Gain on fixed assets disposal | 939,292.08 | 1,663,381.85 | |
| Total | 939,292.08 | 1,663,381.85 | |

44. Non-operating income

(1) Non-operating income list

| Item | Current year | Prior year | Amounts recognized into current non-recurring profit or loss |
|-------------------------------|---------------------|---------------------|---|
| Gain from debt restructuring | | 2,345,812.05 | |
| Penalty income | 1,108,836.93 | 1,196,873.06 | 1,108,836.93 |
| Written off unsettled payable | 1,346,615.67 | | 1,346,615.67 |
| Others | 733,317.45 | 2,851,128.29 | 733,317.45 |
| Total | 3,188,770.05 | 6,393,813.40 | 3,188,770.05 |

45. Non-operating expenses

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Item | Current year | Prior year | Amounts recognized into non-recurring profit or loss for the year |
|--|---------------------|---------------------|---|
| Debt restructuring | | 5,099,772.87 | |
| Public beneficial donation | 80,000.00 | 200,000.00 | 80,000.00 |
| Loss on disposal of non-current asset scrapped | 1,221,382.96 | 1,339.32 | 1,221,382.96 |
| Penalty loss | 34,391.16 | 65,680.67 | 34,391.16 |
| Others | 17,902.79 | 62,161.17 | 17,902.79 |
| Total | 1,353,676.91 | 5,428,954.03 | 1,353,676.91 |

46. Income tax expenses

(1) Income tax expenses

| Items | Current year | Prior year |
|------------------------------|-------------------|----------------------|
| Current income tax expenses | | |
| Deferred income tax expenses | -51,211.90 | 11,588,036.13 |
| Total | -51,211.90 | 11,588,036.13 |

(2) Accounting profit to income tax expense adjustment

| Items | Current year |
|---|-----------------|
| Consolidated total profit this year | -380,279,642.46 |
| Income tax expenses at applicable tax rate | -57,041,946.37 |
| Effect on subsidiary applied to different tax rate | 750,910.70 |
| Effect on prior period income tax | |
| Effect on non-taxable income | |
| Effect on non-deductible cost ,expense and loss | 409,841.73 |
| Effect on use of deductible loss from unrecognized deferred tax assets in the prior period | |
| Effect on temporary difference or deductible loss from unrecognised deferred tax assets this year | 80,732,111.36 |
| Reverse of deferred tax asset recognized in the prior period | |
| Accelerated R&D expense and disables salary | -24,902,129.32 |
| Income tax expense | -51,211.90 |

47. Notes to cash flow statement

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

1) Other cash received relating to operating activities

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Items | Current year | Prior year |
|--------------------------------------|----------------------|-----------------------|
| Interest income | 1,106,147.24 | 791,737.68 |
| Government subsidy | 9,598,383.69 | 11,457,481.40 |
| AR or AP | 26,404,551.47 | 117,315,082.12 |
| Return of reserve fund, deposit etc. | 612,794.06 | 307,380.55 |
| Others | 16,433,710.00 | 9,322,589.50 |
| Total | 54,155,586.46 | 139,194,271.25 |

2) Other cash paid relating to operating activities

| Items | Current year | Prior year |
|-------------------|----------------------|-----------------------|
| Selling expenses | 58,248,998.04 | 69,983,426.62 |
| GAM expense | 8,347,834.67 | 8,893,117.42 |
| Financial expense | 2,894,914.65 | 1,205,330.69 |
| Others | 10,671,686.98 | 56,984,485.09 |
| Total | 80,163,434.34 | 137,066,359.82 |

3) Others cash received relating to financing activities

| Items | Current year | Prior year |
|----------------|-----------------------|-----------------------|
| Notes discount | 170,000,000.00 | 231,627,104.67 |
| Total | 170,000,000.00 | 231,627,104.67 |

4) Others cash paid relating to financing activities

| Items | Current year | Prior year |
|-------------------------|-----------------------|-----------------------|
| Notes is due and cashed | 135,000,000.00 | 431,085,283.76 |
| Total | 135,000,000.00 | 431,085,283.76 |

(2) Supplementary information of consolidated cash flow statement

| Items | Current year | Prior year |
|---|---------------------|-------------------|
| 1. Adjusting net profit into cash flows of operating activities: | — | — |
| Net profit | -380,228,430.56 | -123,201,977.73 |
| Add: Provision for impairment of assets | 272,535,475.00 | 52,279,936.50 |
| Loss on impairment of credit | 22,443,182.09 | 12,472,297.12 |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| | | |
|--|-----------------|-----------------|
| Depreciation of fixed assets, Amortization of mineral resources, and biological assets | 83,161,037.39 | 97,685,196.33 |
| Amortization of intangible assets | 3,259,834.28 | 3,221,297.92 |
| Amortization of long-term deferred expenses | 348,673.68 | 348,674.67 |
| Losses on disposal of fixed assets, intangible assets, and long-term assets (income listed with " -") | 939,292.08 | -1,663,381.85 |
| Losses on write-off of fixed assets (income listed with " -") | 1,221,382.96 | 1,339.32 |
| Change of fair value profit or loss | -57,011.50 | 13,867.66 |
| Financial expense (income listed with " -") | 36,840,257.54 | 35,546,467.18 |
| Investment loss (income listed with " -") | | |
| Decrease of deferred tax assets (increase listed with " -") | | 11,639,248.03 |
| Increase of deferred tax liabilities (decrease listed with " -") | -51,211.90 | -51,211.90 |
| Decrease of inventories (increase listed with " -") | -151,140,329.49 | -9,090,575.37 |
| Decrease of operating receivables (increase listed with " -") | -388,517,789.53 | -524,215,003.63 |
| Increase of operating payables (decrease listed with " -") | 560,470,565.69 | 602,928,166.61 |
| Others | | |
| Net cash flows arising from operating activities | 61,224,927.73 | 157,914,340.86 |
| 2. Significant investment and financing activities unrelated to cash income and expenses | | |
| Liabilities transferred to capital | | |
| Convertible bonds within 1 year | | |
| Financing leased fixed assets | | |
| 3. Net increase (decrease) of cash and cash equivalent | | |
| Closing balance of cash | 163,728,799.97 | 137,324,488.53 |
| Less: Opening balance of cash | 137,324,488.53 | 188,431,805.23 |
| Add: Closing balance of cash equivalent | | |
| Less: Opening balance of cash equivalent | | |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| | | |
|--|---------------|----------------|
| Net increase of cash and cash equivalent | 26,404,311.44 | -51,107,316.70 |
|--|---------------|----------------|

(3) Cash and cash equivalents

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

48. Assets with restricted ownership and use right

| Items | current year | reasons for restriction |
|------------------|----------------------|--|
| Monetary fund | 30,423,480.11 | Bank acceptance notes secured fund and locked fund due to litigation |
| Notes receivable | 24,001,639.88 | Pledged bank acceptance notes and commercial acceptance notes |
| Total | 54,425,119.99 | |

49. Monetary category of foreign currency

(1) Monetary category of foreign currency

| Item | Closing Balance (foreign currency) | Exchange Rate | Closing Balance (RMB) |
|---------------------|------------------------------------|---------------|-----------------------|
| Cash | — | — | 68,138,803.95 |
| Including: USD | 8,555,591.05 | 6.5249 | 55,824,376.04 |
| EURO | 1,534,508.15 | 8.0250 | 12,314,427.90 |
| Accounts receivable | — | — | 25,729,418.77 |
| Including: USD | 3,171,004.51 | 6.5249 | 20,690,487.33 |
| EURO | 627,904.23 | 8.0250 | 5,038,931.45 |
| Other receivable | — | — | 1,738,366.99 |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Item | Closing Balance (foreign currency) | Exchange Rate | Closing Balance (RMB) |
|------------------|------------------------------------|---------------|-----------------------|
| Including: EURO | 216,618.94 | 8.0250 | 1,738,366.99 |
| Accounts payable | — | — | 25,488.93 |
| Including: USD | 3,906.41 | 6.5249 | 25,488.93 |
| Other payable | — | — | 4,264,335.83 |
| Including: USD | 70,343.63 | 6.5249 | 458,985.15 |
| EURO | 474,187.00 | 8.0250 | 3,805,350.68 |

50. Government grant

(1) Details

| Item | amount | Presented as | Recorded into income statement |
|--|---------------|---------------------------------|--------------------------------|
| Tax handling charge refund of | 46,428.74 | Other income | 46,428.74 |
| Job stabilization subsidy | 3,080,208.52 | Other income | 3,080,208.52 |
| Dalian sub-factory relocation subsidy | 48,676,244.95 | Other income Deferred income | 2,704,235.88 |
| Development of intelligent manufacturing equipment subsidies | 8,000,000.00 | Other income Deferred income | 844,444.44 |
| Special fund for processing and trading in 2020 | 500,000.00 | Other income | 500,000.00 |
| Improvement of high-end bearing production subsidies | 4,723,200.00 | Other income Deferred income | 472,320.00 |
| First sets subsidy in 2020 | 343,800.00 | Other income | 343,800.00 |
| Overhaul bearing project subsidy on interest payment | 2,400,000.00 | Other income Deferred income | 240,000.00 |
| Nafu Workshop Subsidy | 100,000.00 | Other income | 100,000.00 |
| Zhongxiaokai Subsidy in 2018 | 60,000.00 | Other income | 60,000.00 |
| Skill master studio subsidy | 700,000.00 | Other income Deferred income | 21,583.92 |
| COVID subsidy of Hangzhou | 5,765.29 | Other income | 5,765.29 |
| Labour insurance compensation | 630.1 | Other income | 630.10 |
| Compensation for plants moving | 953,225.59 | Other income | 953,225.59 |
| Industry Development Fund | 4,877,400.00 | Other income Deferred income | 97,548.00 |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Item | amount | Presented as | Recorded into income statement |
|---|----------------------|--------------|-----------------------------------|
| Technology Research of "Shuangbai Plan" | 50,000.00 | Other income | 50,000.00 |
| Total | 74,516,903.19 | Other income | 9,520,190.48 |

(2) Government grant refund: no

VII. Change of Consolidation Scope

No change

VIII. Interest in other entity

1. Equity of subsidiaries

(1) Organization structure of group company

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

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

IX. Risk Related to Financial Instruments

The main financial instruments held by the group company include borrowing, accounts receivable, and accounts payable, tradable financial assets, tradable financial liability etc. The details introduction about each financial instrument is referred to this 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

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

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. 48, all assets and liabilities of company are presented in RMB. On December 31, 2020, the balance in foreign currency of assets and liabilities may cause currency risk with influence to operating performance.

2) Interest risk

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

3) Price risk

Up to December 31, 2020, financial asset measured at FV may be affected by the market price.

(2) Credit risk

On 31 December, 2020, the Group's most probable credit risk exposure is from the financial loss primarily due to the failure of fulfilling the obligation by one party of the contract. The impairment losses of company's financial assets are including:

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

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

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

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

Total amount of top 5 debtors is 232 million Yuan.

(3) Liquidity risk

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

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

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, 2020, the unencumbered bank loan credit is 803.8 million Yuan.

X. Disclosure of Fair Value

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

| Items | FV at the year end | | | Total |
|--|--------------------------------------|--------------------------------------|--------------------------------------|------------|
| | 1 st Level FV Measurement | 2 nd Level FV Measurement | 3 rd Level FV Measurement | |
| I, Continuously measured at FV | | | | |
| (I) Tradable financial asset | 228,046.00 | | | 228,046.00 |
| 1. Financial asset measured at FVTPL | | | | |
| Debt instrument investment | | | | |
| Equity instrument investment | 228,046.00 | | | 228,046.00 |
| Derivative financial asset | | | | |
| Others | | | | |
| 2. Designated as financial asset measured at FVTP | | | | |

2. Market value determination for 1st Level FV Measurement item

The group measured the part of equity instrument investment included in the tradable financial asset at unadjusted closing price in the open market on December 31st ,2020.

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

No.

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

No.

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

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

No.

6. Continuously measured at FV, swap between any level

No.

7. Valuation techniques change and reason for change

No.

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

No.

XI. Related Parties Relationship and Transactions

1. Related parties relationship

(1) Parent company and ultimate controller

1) Parent company and ultimate controller

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

2) Registered capital and its movement of parent company

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

3) Share held and its movement of parent company

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

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

(2). Subsidiaries

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

(3). Other related parties

| Name of related party | Related party relationship |
|--|---|
| Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd | Other entity controlled by the same parent company and ultimate controlling party |
| Wazhou Precision Steel Ball Co., Ltd | Other entity controlled by the same parent company and ultimate controlling party |
| Wazhou Exact Forge Co., Ltd., | Other entity controlled by the same parent company and ultimate controlling party |
| Wazhou Group Precision Turnplate Bearing Co., Ltd | Other entity controlled by the same parent company and ultimate controlling party |
| Wazhou Group Exact Transmission Bearing Co., Ltd | Other entity controlled by the same parent company and ultimate controlling party |
| Wazhou Group Equipment Technology Project Co., Ltd. | Other entity controlled by the same parent company and ultimate controlling party |
| Wazhou Group Special Precision Bearing Co., Ltd. | Other entity controlled by the same parent company and ultimate controlling party |
| Liaoning North Metal Materials Supply Chain Co., Ltd | Other entity controlled by the same parent company and ultimate controlling party |
| Wazhou Group (USA) Bearing Co., Ltd. | Other entity controlled by the same parent company and ultimate controlling party |
| Wazhou Group High-End Auto Bearing Co.,Ltd | Other entity controlled by the same parent company and ultimate controlling party |
| Wazhou Group Precision Roller Co.,Ltd | Other entity controlled by the same parent company and ultimate controlling party |
| Wazhou Group Precision Retainer Co.,Ltd | Other entity controlled by the same parent company and ultimate controlling party |
| Kugel- und Rollenlagerwerk Leipzig GmbH | Other entity controlled by the same parent company and ultimate controlling party |
| Wafangdian Bearing Power Co.,Ltd | Other entity controlled by the same parent company and ultimate controlling party |
| Wazhou Group National Bearing Engineering Technology Research Centre Co.,Ltd | Other entity controlled by the same parent company and ultimate controlling party |
| Wafangdian Hongda Constant Speed Universal Joint 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 |
| Wafangdian Tongda Bearing Manufacturing Co., Ltd | Other related party |
| Dalian WazhouFengyuan Machinery Co., Ltd | Other related party |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Name of related party | Related party relationship |
|-------------------------|----------------------------|
| ZWZ Bearing Europe GmbH | Other related party |

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

2. Related party transactions

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

1) Purchase of goods/receive labour services

| Related party | Content | current year | Authorized limit(Shenzhen Security Exchange) | Whether over the authorized limit? | prior year |
|--|---------------------------------|----------------|--|------------------------------------|----------------|
| Wazhou Group | Purchase of goods | 554,464,980.10 | 326,000,000.00 | Y | 287,348,223.92 |
| Wazhou Exact Forge Co.,Ltd. | Purchase of goods | 232,565,350.89 | 250,000,000.00 | N | 203,593,691.15 |
| Wazhou Group Precision Roller Co.,Ltd | Purchase of goods | 31,236,970.36 | 30,000,000.00 | Y | 119,150,297.58 |
| Wazhou Group High-end Auto Bearing Co.,Ltd | Purchase of goods | 88,569,951.11 | 110,000,000.00 | N | 81,594,403.90 |
| Wazhou Group Precision Retainer Co.,Ltd | Purchase of goods | 88,542,013.87 | 70,000,000.00 | Y | 44,530,710.82 |
| Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd | Purchase of goods and equipment | 28,337,581.46 | 65,000,000.00 | N | 25,406,183.07 |
| Wafangdian Tongda Bearing Manufacturing Co., Ltd. | Purchase of goods | 3,007,076.00 | 3,000,000.00 | Y | 16,162,852.67 |
| Wafangdian Bearing Power Co.,Ltd | Purchase of goods | 33,728,270.09 | 20,400,000.00 | Y | 18,267,822.01 |
| Dalian Wazhou Jinzhou Machinery Co., Ltd | Purchase of goods | 9,127,704.56 | 20,000,000.00 | N | 11,533,511.31 |
| Wazhou Group Exact Transmission Bearing Co., Ltd | Purchase of goods | 64,787.94 | 5,000,000.00 | N | 4,164,920.05 |
| Wazhou Precision Steel Ball Co.,Ltd | Purchase of goods | | | N | 3,952,708.01 |
| Dalian Wazhou Fengyuan Machinery Co., Ltd | Purchase of goods | 3,285,916.69 | 3,000,000.00 | Y | 2,560,291.16 |
| Wazhou Group Equipment Technology Project Co., Ltd. | Purchase of goods and equipment | | | N | 854,794.87 |
| Wazhou Group Precision Turnplate Bearing Co., Ltd | Purchase of goods | 4,832,696.42 | 1,000,000.00 | Y | 818,965.52 |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| | | | | | |
|--|------------------------|-------------------------|---------------|---|-----------------------|
| Wazhou Group Special Precision Bearing Co., Ltd. | Purchase of goods | 984,386.00 | 5,000,000.00 | N | 465,738.60 |
| Wafangdian Bearing Power Co.,Ltd | Purchase of equipments | | | N | 80,000.00 |
| Wazhou Group National Bearing Engineering Technology Research Centre Co.,Ltd | Service accepted | 12,474,544.99 | 17,000,000.00 | N | 9,884,398.28 |
| Total | | 1,091,222,230.48 | | | 830,369,512.92 |

2) Sales of goods/provide labour services

| Related party | Content | current year | prior year |
|--|----------------|----------------|---------------|
| Wazhou Exact Forge Co.,Ltd | Sales of goods | 72,941,185.86 | 84,840,869.62 |
| Wazhou Group (USA) Bearing Co., Ltd. | Sales of goods | 58,684,286.70 | 59,988,579.93 |
| Wazhou Group Precision Roller Co.,Ltd | Sales of goods | 12,162,919.43 | 54,611,783.63 |
| Wazhou Group Precision Turnplate Bearing Co.,Ltd | Sales of goods | 134,557,371.56 | 42,000,958.36 |
| Wazhou Group | Sales of goods | 94,974,978.10 | 37,748,068.42 |
| Wazhou Group High-end Auto Bearing Co.,Ltd | Sales of goods | 11,717,289.78 | 18,021,295.31 |
| Kugel- und Rollenlagerwerk Leipzig GmbH | Sales of goods | 6,306,612.47 | 5,541,896.95 |
| Wazhou Group Exact Transmission Bearing Co., Ltd | Sales of goods | 1,770,715.97 | 3,955,817.69 |
| ZWZ Bearing Europe GmbH | Sales of goods | 569,344.89 | 957,700.35 |
| Wazhou Group Special Precision Bearing Co., Ltd. | Sales of goods | 683,130.35 | 881,096.55 |
| Wafangdian Tongda Bearing Manufacturing Co., Ltd. | Sales of goods | 706,587.62 | 863,189.83 |
| Dalian Wazhou Manufacturing Equipment Co., Ltd | Sales of goods | 115,999.53 | 172,419.57 |
| Wazhou Group Precision Retainer Co.,Ltd | Sales of goods | 353,839.82 | 120,380.64 |
| Wazhou Group National Bearing Engineering Technology Research Centre Co.,Ltd | Sales of goods | 82,761.40 | 53,921.43 |
| Wazhou Precision Steel Ball Co.,Ltd | Sales of goods | | 42,504.77 |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| | | | |
|--|-------------------------|-----------------------|-----------------------|
| Dalian Wazhou Jinzhou Machinery Co., Ltd | Sales of goods | 1,836.00 | 5,390.10 |
| Wazhou Group Precision Roller Co.,Ltd | provide labour services | 4,689,329.91 | 12,929,777.05 |
| Wazhou Group High-end Auto Bearing Co.,Ltd | provide labour services | 1,325,868.82 | 1,988,651.55 |
| Wazhou Precision Steel Ball Co.,Ltd | provide labour services | | 1,763,372.12 |
| Wazhou Group Exact Transmission Bearing Co., Ltd | provide labour services | 20,422,468.73 | 999,986.19 |
| Wazhou Group Special Precision Bearing Co., Ltd. | provide labour services | 474,852.11 | 795,468.84 |
| Dalian Wazhou Jinzhou Machinery Co., Ltd | provide labour services | 493,153.65 | 395,891.47 |
| Wazhou Exact Forge Co.,Ltd | provide labour services | 435,147.16 | 117,885.50 |
| Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd | provide labour services | 361,345.09 | 116,584.68 |
| Wafangdian Tongda Bearing Manufacturing Co., Ltd. | provide labour services | 6,493,958.68 | 27,087.88 |
| Wazhou Group Precision Retainer Co.,Ltd | provide labour services | 257.88 | 4,414.28 |
| Wazhou Group | provide labour services | 17,761,241.32 | |
| Wazhou Group Precision Turnplate Bearing Co., Ltd | provide labour services | 416,821.00 | |
| Wazhou Group | Sales of equipment | 767,943.02 | |
| Wazhou Group Precision Roller Co.,Ltd | Sales of equipment | 446,548.73 | |
| Wazhou Group Precision Retainer Co.,Ltd | Sales of equipment | 506,194.72 | |
| Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd | Sales of equipment | 20,884.96 | |
| Wazhou Group High-end Auto Bearing Co.,Ltd | Sales of equipment | 132,743.37 | |
| Dalian Wazhou Jinzhou Machinery Co., Ltd | Sales of equipment | 535,188.62 | |
| Total | | 450,912,807.25 | 328,944,992.71 |

(2) Assets rent

1) Assets rent out

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Lessor | Lessee | Category of assets rent out | current year profits | prior year profits |
|---------------|---|---|-----------------------------|---------------------------|
| The Company | Wazhou Exact Forge Ltd. | Land (located in No.1, Phrase1, North Gongji Street, with area of 48,220.82 m ²). | 433,987.00 | 433,987.38 |
| The Company | Wazhou Precision Group Co.,Ltd Retainer | Land (located in No.1, Phrase1, North Gongji Street, with area of 17,543.33m ²) | 263,148.00 | 263,148.30 |
| The Company | Wazhou Exact Forge Ltd. | Land located in No.1, Phrase1, North Gongji Street, steel warehouse | 206,670.00 | 206,670.00 |
| The Company | Wazhou Precision Roller Co.,Ltd | Land (located in No.1, Phrase1, North Gongji Street, with area of 13,712.49m ²) | | 205,687.35 |
| The Company | Wazhou Precision Steel Ball Company | Land (located in No.1, Phrase1, North Gongji Street, with area of 13,171 m ²). | | 197,565.00 |
| The Company | Wazhou Exact Forge Ltd. | Land (located in No.1, Phrase1, North Gongji Street, with area of 7,881 m ²). | 118,215.00 | 118,215.00 |
| The Company | Wazhou Precision Group Special Bearing Co., Ltd | Land (located in No.1, Phrase1, North Gongji Street, with area of 5,864.40m ²). | | 80,636.00 |
| The Company | Wazhou Group | Land (located in No.1, Phrase1, North Gongji Street, with area of 30,680.77m ²). | 435,911.55 | |
| The Company | Wazhou High-end Auto Bearing Co.,Ltd | Buildings | 6,125,769.60 | 6,179,851.20 |
| The Company | Wazhou Exact Forge Ltd. | Buildings | 1,035,620.00 | 1,035,620.00 |
| The Company | Dalian Wazhou Jinzhou Machinery Co., Ltd | Buildings | 803,160.00 | 803,160.00 |
| The Company | Wazhou Precision Group Retainer | Buildings | 764,023.00 | 764,023.20 |
| The Company | Wazhou Precision Roller Co.,Ltd | Buildings | | 489,312.65 |
| The Company | Wazhou Precision Group Special Bearing Co., Ltd | Buildings | | 471,473.00 |
| The Company | Wazhou Group | Buildings | 487,970.40 | |
| The Company | Dalian Fengyuan Wazhou Machinery Co., Ltd | Buildings | 107,460.00 | 107,460.00 |
| The Company | Wazhou High-end Auto Bearing Co.,Ltd | Equipments | 10,652,629.13 | 11,766,228.64 |
| The Company | Wazhou Precision Roller Co.,Ltd | Equipments | 970,276.18 | 11,387,741.94 |
| The Company | Wazhou Precision Group Retainer | Equipments | 1,579,396.30 | 2,461,843.92 |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Lessor | Lessee | Category of assets rent out | current year profits | prior year profits |
|---------------|--|------------------------------------|-----------------------------|---------------------------|
| The Company | Wazhou Group Special Precision Bearing Co., Ltd. | Equipments | - | 25,009.97 |
| The Company | Wazhou Group | Equipments | 8,075,302.90 | |

2) Assets under lease

| Lessor | Lessee | Category of assets rent in | current year lease premium | prior year lease premium |
|---------------|--|---|-----------------------------------|---------------------------------|
| Wazhou Group | The railway bearing company of the Company | Plant (located in No.3 west industrial park with area of 18,185.00 m ² , land 29460m ²). | 2,624,100.00 | 2,182,200.00 |
| Wazhou Group | Locomotives of the Company | Land (Wazhou Group Park with area of 15190m ²) | 227,850.00 | 227,850.00 |
| Wazhou Group | Precision Bearing plant of the Company | Land (Wazhou Group Park with area of 15190m ²) | 227,850.00 | 227,850.00 |
| Wazhou Group | The Precision Rolling (Wafangdian) of the Company | Land (No.2, West Industry Park with area of 29,930m ²) | 2,708,310.00 | 2,708,310.02 |
| Wazhou Group | Dalian Wazhou Precision Motor Bering Co.,Ltd | Land (Shishanli, Jinzhou with area of 28,210m ²) | 380,835.00 | 380,835.00 |
| Wazhou Group | The Railway Bearing company of the Company | Land (located in No.5 west industrial park with area of 3,245.59 m ²). | 473,621.00 | 389,471.00 |
| Wazhou Group | Special large branch of the Company | Land (located in Wazhou Group industrial park, with area of 19,401.24 m ²). | 291,019.00 | 291,019.00 |
| Wazhou Group | Two finished branch of the Company | Land (located in Wazhou Group industrial park, with area of 14,112.57 m ²). | 211,689.00 | 211,689.00 |
| Wazhou Group | Special large branch of the Company | Property | 1,653,788.00 | 1,653,788.00 |
| Wazhou Group | Wafangdian Bearing Co., Ltd(logistic department) | Land (Wazhou Group Industry Park with area of 11,637m ²) | 107,405.70 | 174,555.00 |
| Wazhou Group | Wafangdian Bearing Co.,Ltd spare part manufacturing branch | Land (No.2 Plant West Industry Park with area of 11290m ²) | 169,350.00 | 169,350.00 |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Lessor | Lessee | Category of assets rent in | current year lease premium | prior year lease premium |
|---------------|---|---|---------------------------------------|-------------------------------------|
| Wazhou Group | Wafangdian Bearing Co., Ltd(logistic department) | Land (Wazhou Group Industry Park Iron Field with area of 836.1m ²) | 31,637.00 | 12,542.00 |
| Wazhou Group | Wafangdian Bearing Co., Ltd(logistic department) | Land (Wazhou Group Industry Park Waste field with area of 400m ²) | 26,270.00 | 6,000.00 |
| Wazhou Group | Locomotives of the Company | Property | 1,169,652.00 | 1,169,652.00 |
| Wazhou Group | Precision Bearing plant of the Company | Property | 1,169,652.00 | 1,169,652.00 |
| Wazhou Group | Special large branch of the Company | Land (silian) | 184,295.00 | 184,300.00 |
| Wazhou Group | Two finished branch of the Company | Buildings | 1,118,022.00 | 1,118,022.00 |
| Wazhou Group | Special large branch of the Company | Buildings(silian with area of 8390.08m ²) | 1,006,810.00 | 1,006,810.00 |
| Wazhou Group | Bearing Part Manufacturing Branch of the Company | Buildings | 783,720.00 | 783,720.00 |
| Wazhou Group | Wafangdian Bearing Co., Ltd(logistic department) | Building | 649,082.00 | 474,527.00 |
| Wazhou Group | Wafangdian Bearing Co., Ltd(logistic department) | Building | 32,811.00 | 69,365.00 |
| Wazhou Group | Wafangdian Bearing Co., Ltd(supply chain management department) | Building | 35,198.00 | 40,246.00 |
| Wazhou Group | The railway bearing company of the Company | Equipment | 967,891.13 | 959,792.54 |
| Wazhou Group | The Precision Rolling (Wafangdian) of the Company | Equipment | 947,552.00 | 957,959.53 |
| Wazhou Group | Special large branch of the Company | Equipment | 337,390.62 | 338,049.36 |
| Wazhou Group | Two finished branch of the Company | Equipment | 250,862.27 | 249,773.90 |
| Wazhou Group | Wafangdian Bearing Co.,Ltd spare part manufacturing branch | Equipment | 132,252.97 | 133,742.99 |
| Wazhou Group | Precision bearing branch of the Company | Equipment | 24,493.68 | 23,261.52 |
| Wazhou Group | Wafangdian Bearing Co., Ltd(QCdepartment) | Buildings | 8,000.00 | 16,000.00 |
| Wazhou Group | Wafangdian Bearing Co., Ltd(QCdepartment) | Buildings | 35,203.00 | 41,603.98 |
| Wazhou Group | Special Large Branch of the Company | Land (located in west industrial park, with area of 29,460.00 m ²). | | 441,900.00 |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Lessor | Lessee | Category of assets rent in | current year lease premium | prior year lease premium |
|--------------|---|--|-------------------------------|-----------------------------|
| Wazhou Group | Special large branch of the Company | Land (located in No.5 west industrial park with area of 5,610.00 m ²). | | 84,150.00 |
| Wazhou Group | Wafangdian Bearing Co., Ltd | Land(No1-1 previous Anji Office building with area of 331.85m ²) | | 4,978.00 |
| Wazhou Group | Wafangdian Bearing Co., Ltd(supply chain management department) | Land (Wazhou Group Industry Park with area of 250.87m ²) | | 3,763.00 |
| Wazhou Group | Wafangdian Bearing Co., Ltd(logistic department) | Land (Wazhou Group Industry Park with area of 187.04m ²) | | 2,806.00 |
| Wazhou Group | Wafangdian Bearing Co., Ltd | Buildings (office located in No.1, Phrase1, North Gongji Street, with area of 995.52 m ²). | | 126,262.00 |

(3) Related party assets transfer and debt structure reconstruction

| Related party | Type of transaction | current year | prior year |
|---|----------------------------|--------------|------------|
| Wazhou Exact Forge Co.,Ltd., | Gain on debt restructuring | 810,000.00 | |
| Wazhou Group Precision Roller Co.,Ltd | Gain on debt restructuring | | 13,000.00 |
| Wazhou Group Precision Retainer Co.,Ltd | Gain on debt restructuring | 548,000.00 | |
| Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd | Gain on debt restructuring | 58,829.93 | |
| Wazhou Group Equipment Technology Project Co., Ltd. | Gain on debt restructuring | 223,289.45 | 11,100.00 |
| National Bearing Engineering Technology Research Centre of Wazhou Group | Gain on debt restructuring | | 20,000.00 |

(4) Management remuneration

| Item | current year | prior year |
|--------------|--------------|--------------|
| Total | 1,747,360.30 | 1,031,340.20 |

(5) Use of trademark

According to the 'Trade Mark License contract' signed between the Company and the Group on January 1, 2019, within the valid period up to December 31, 2020, the Company shall pay license fees to the Group at 1% of net

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

sales by using the trade mark of Wazhou Group for self-manufactured stock. In 2020, the Company shall pay license fees of 1,322,716.81 Yuan (excl VAT).

(6) Acceptance of comprehensive service

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

| Item | current year | prior year |
|------------------------|---------------------|---------------------|
| Firelight and security | 2,618,935.31 | 2,564,150.90 |
| Technology service | 817,869.88 | 1,299,745.71 |
| Total | 3,436,805.19 | 3,863,896.61 |

Technology service paid to Kugel- und Rollenlagerwerk Leipzig GmbH is 817,869.88Yuan.

3. Balances with related parties

(1) Accounts receivable due from related parties

| Item | Related party | Closing Balance | | Opening Balance | |
|---------------------|--|-----------------|-----------|-----------------|-----------|
| | | Book Balance | Provision | Book Balance | Provision |
| Accounts receivable | Wazhou Group High-end Auto Bearing Co.,Ltd | 68,678,602.65 | | 69,272,793.49 | |
| Accounts receivable | Wazhou Exact Forge Co.,Ltd., | 16,662,178.60 | | 49,766,239.75 | |
| Accounts receivable | Wazhou Group Precision Turnplate Bearing Co.,Ltd | 57,817,522.14 | | 43,499,413.27 | |
| Accounts receivable | Wazhou Group Precision Roller Co.,Ltd | 58,389,070.16 | | 37,326,888.97 | |
| Accounts receivable | Wazhou Group (USA) Bearing CO., Ltd. | 12,724,312.13 | | 16,203,046.64 | |
| Accounts receivable | Wazhou Group Precision Retainer Co.,Ltd | 4,695,277.43 | | 11,160,686.65 | |
| Accounts receivable | Wazhou Group Co.,Ltd | 45,948,737.23 | | 9,217,520.48 | |
| Accounts receivable | Wazhou Group Exact Transmission Bearing Co., Ltd | 13,380,098.00 | | 3,606,485.63 | |
| Accounts receivable | Wazhou Group Special Precision Bearing Co., Ltd. | 96,675.89 | | 3,151,810.43 | |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Item | Related party | Closing Balance | | Opening Balance | |
|---------------------|---|-----------------|-----------|-----------------|-----------|
| | | Book Balance | Provision | Book Balance | Provision |
| Accounts receivable | Wazhou Special Steel Ball Company | | | 1,606,154.79 | |
| Accounts receivable | Kugel- und Rollenlagerwerk Leipzig GmbH | 951,712.17 | | 597,473.95 | |
| Accounts receivable | Wafangdian Tongda Bearing Manufacturing Co., Ltd. | 246,225.41 | | 248,523.71 | |
| Accounts receivable | ZWZ Bearing Europe GmbH | 165,782.22 | | 131,483.47 | |
| Accounts receivable | Dalian Wazhou Jinzhou Machinery Co., Ltd | 534,568.97 | | 29,208.24 | |
| Accounts receivable | National Bearing Engineering Technology Research Centre of Wazhou Group | | | 6,003.97 | |
| Prepayment | Wafangdian Hongda Constant Speed Universal Joint Manufacturing Co., Ltd | 148,466.32 | | | |
| Prepayment | Wazhou Bearing Power Co.,Ltd | 1,071,190.57 | | 1,811,883.58 | |
| Prepayment | Wazhou Group Precision Turnplate Bearing Co.,Ltd | | | 1,003,530.96 | |
| Prepayment | Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd | 12,670.00 | | 850,000.00 | |
| Prepayment | Wazhou Group Precision Roller Co.,Ltd | 3,157,266.38 | | | |
| Prepayment | Wafangdian Bearing Co., Ltd | 674,220.86 | | | |
| Prepayment | Wazhou Group High-end Auto Bearing Co.,Ltd | 8,019,600.29 | | | |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Item | Related party | Closing Balance | | Opening Balance | |
|------------------|--|-----------------|------------|-----------------|------------|
| | | Book Balance | Provision | Book Balance | Provision |
| Other receivable | Wazhou Group Lanzhou sales office | 778,950.65 | 778,950.65 | 778,950.65 | 778,950.65 |
| Other receivable | Wazhou Group Precision Turnplate Bearing Co.,Ltd | | | 5,650.00 | |
| Other receivable | Wazhou Group | 20,254.45 | | | |

(2) Accounts payable due from related parties

| Item | Related party | Closing Balance | Opening Balance |
|------------------|---|-----------------|-----------------|
| Accounts payable | Wazhou Exact Forge Co.,Ltd., | 11,011,062.39 | 83,555,226.44 |
| Accounts payable | Wazhou Group Co.,Ltd | 115,348,014.25 | 68,176,775.33 |
| Accounts payable | Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd | 2,664,211.48 | 17,772,665.12 |
| Accounts payable | Wazhou Group High-end Auto Bearing Co.,Ltd | 9,956,743.70 | 13,672,499.98 |
| Accounts payable | Wafangdian Tongda Bearing Manufacturing Co., Ltd. | 846,928.89 | 11,935,240.22 |
| Accounts payable | Wazhou Group Equipment Technology Project Co., Ltd. | 29,700.00 | 8,713,696.76 |
| Accounts payable | Dalian Wazhou Jinzhou Machinery Co., Ltd | 2,388,530.75 | 7,061,427.29 |
| Accounts payable | Dalian Wazhou Fengyuan Machinery Co., Ltd | 1,247,725.38 | 3,873,899.88 |
| Accounts payable | National Bearing Engineering Technology Research Centre of Wazhou Group | 4,453,686.53 | 3,317,060.51 |
| Accounts payable | Wazhou Precision Steel Ball Co.,Ltd | 1,125,369.23 | 2,367,482.15 |
| Accounts payable | Wazhou Group Precision Roller Co.,Ltd | 2,391,436.65 | 2,102,861.25 |
| Accounts payable | Wazhou Group Precision Retainer Co.,Ltd | 6,147,681.16 | 1,673,425.09 |
| Accounts payable | Wazhou Bearing Power Co.,Ltd | 1,012,371.15 | 1,139,072.14 |
| Accounts payable | Wazhou Group Special Precision Bearing Co., Ltd. | | 791,372.92 |
| Accounts payable | Kugel- und Rollenlagerwerk Leipzig GmbH | | 79,296.51 |
| Accounts payable | Wazhou Group Precision Turnplate Bearing Co., Ltd | | 4,268.00 |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Item | Related party | Closing Balance | Opening Balance |
|------------------|--|-----------------|-----------------|
| Accounts payable | Wazhou Group Exact Transmission Bearing Co., Ltd | 682,054.80 | |
| Accounts payable | Wafangdian The Precision Rolling Manufacturing Branch | 14,372,680.58 | |
| Accounts payable | The Railway Rolling Bearing Manufacturing Branch of Wazhou Group | 6,889,299.47 | |
| Accounts payable | The Railway Bearing Repair Company of the Company | 31,637.60 | |
| Accounts payable | Spare Part Manufacturing Company of the Company | 3,839,194.56 | |
| Accounts payable | Wazhou Group High-end Auto Bearing Co.,Ltd | 7,818,010.31 | |
| Other payables | Wazhou Group Co.,Ltd | 38,476,586.58 | 27,132,745.82 |
| Other payables | Wazhou Group Equipment Technology Project Co., Ltd. | 952,000.00 | 952,000.00 |
| Other payables | Dalian Wazhou Bearing Manufacturing Equipment Co., Ltd | 211,088.45 | 311,088.45 |
| Other payables | Wazhou Bearing Power Co.,Ltd | | 149,139.42 |

4. Others

No.

XII. Share based payment

No.

XIII. Contingency

No.

.XIV. Commitment

Until 31 December, 2020, the Group does not have any other significant commitments.

XV. Events after the Balance Sheet Date

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

XVI. Other Significant Events

1. Prior period errors correction and effect

No.

2. Debt restructuring

In 2020, the Company has signed the 'Debt Restructuring Agreement' with the creditors, through cash or bank

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

notes settlement below the debt carrying value, and implemented the restructuring, which results in the gain on debt restructuring RMB 2,920,592.55 Yuan and were recognized as investment income.

In 2020, the Company gave up some of receivables and has signed the 'Debt Restructuring Agreement' with the debtors, through cash or bank notes settlement below the debt carrying value, and implemented the restructuring, which results in the debt restructuring income RMB 1,693,781.22 Yuan and were recognized as investment income.

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

1. Account receivable

(1) Category of accounts receivable

| Items | Closing balance | | | | Booking balance |
|--|-------------------------|---------------|----------------------|-------------|-------------------------|
| | Booking balance | | Provision | | |
| | Amount | % | Amount | % | |
| Accounts receivable with individual bad debt provision | 63,437,865.85 | 5.55 | 63,437,865.85 | 100.00 | |
| Accounts receivable with bad debt provision based on the characters of credit risk portfolio | 1,079,592,293.76 | 94.45 | 28,394,940.13 | 2.63 | 1,051,197,353.63 |
| -Aging portfolio | 722,785,069.56 | 63.23 | 28,394,940.13 | 3.93 | 694,390,129.43 |
| -Related party portfolio | 356,807,224.20 | 31.22 | | | 356,807,224.20 |
| Total | 1,143,030,159.61 | 100.00 | 91,832,805.98 | 8.03 | 1,051,197,353.63 |

(Continued)

| Items | Opening Balance | | | | Booking balance |
|--|------------------|-------|---------------|--------|------------------|
| | Booking balance | | Provision | | |
| | Amount | % | Amount | % | |
| Accounts receivable with individual bad debt provision | 23,718,445.68 | 2.09 | 23,718,445.68 | 100.00 | |
| Accounts receivable with bad debt provision based on the characters of | 1,108,939,767.72 | 97.91 | 52,858,584.18 | 4.77 | 1,056,081,183.54 |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| | | | | | |
|--------------------------|-------------------------|---------------|----------------------|----------|-------------------------|
| credit risk portfolio | | | | | |
| -Aging portfolio | 800,627,313.45 | 70.69 | 52,858,584.18 | 6.60 | 747,768,729.27 |
| -Related party portfolio | 308,312,454.27 | 27.22 | | | 308,312,454.27 |
| Total | 1,132,658,213.40 | 100.00 | 76,577,029.86 | - | 1,056,081,183.54 |

1) Accounts receivable with individual bad debt provision

| Debtors name | Closing Balance | | Proportion (%) | Reasons for provision |
|--|---------------------|-------------------------|----------------|-----------------------|
| | Accounts receivable | Provision for bad debts | | |
| Liaoning Yinheng Galvanized Colored Coated Steel Sheet Co. Ltd | 3,213,308.67 | 3,213,308.67 | 100.00 | uncollectable |
| Shandong Hengji New Material Co. Ltd | 2,284,666.96 | 2,284,666.96 | 100.00 | uncollectable |
| Shandong Yuanda Board Technology Co., Ltd | 1,804,722.77 | 1,804,722.77 | 100.00 | uncollectable |
| HBIS Company Limited Handan Branch | 1,608,611.42 | 1,608,611.42 | 100.00 | uncollectable |
| An Gang steel Co.,Ltd | 1,595,050.69 | 1,595,050.69 | 100.00 | uncollectable |
| Liaoning Wazhou Bearing Sales Company | 1,500,000.00 | 1,500,000.00 | 100.00 | uncollectable |
| Bazhou Tianli Tube Co., Ltd | 1,325,600.76 | 1,325,600.76 | 100.00 | uncollectable |
| Yingkou Iron & Steel Co. Ltd | 1,256,973.91 | 1,256,973.91 | 100.00 | uncollectable |
| Sichuan Southwest Stainless Steel Co. Ltd | 1,241,333.17 | 1,241,333.17 | 100.00 | uncollectable |
| Zhongxin Heavy Industry Machinery Co. Ltd | 1,137,600.00 | 1,137,600.00 | 100.00 | uncollectable |
| Henan Taihang Vibration Machinery Co. Ltd | 989,207.41 | 989,207.41 | 100.00 | uncollectable |
| China Second Heavy Machinery Group (Deyang) Wanxin Engineering Equipment Co. Ltd | 795,887.92 | 795,887.92 | 100.00 | uncollectable |
| Benxi Beiyang Steel (Group) Co. Ltd | 775,804.98 | 775,804.98 | 100.00 | uncollectable |
| Bengang Steel Plates Co., Ltd | 770,000.00 | 770,000.00 | 100.00 | uncollectable |
| Materials Branch of NHI | 739,585.80 | 739,585.80 | 100.00 | uncollectable |
| Shandong Yuntong New Material Technology Co. Ltd | 711,438.94 | 711,438.94 | 100.00 | uncollectable |
| Dongfeng Motor Transmission Co. Ltd | 704,098.23 | 704,098.23 | 100.00 | uncollectable |
| Dalian Tianyuan Motor Co., Ltd | 666,383.31 | 666,383.31 | 100.00 | uncollectable |
| Wolong Electric Huai 'an Qingjiang Motor Co. Ltd | 598,873.78 | 598,873.78 | 100.00 | uncollectable |
| Qiqihar No. 2 Machine Tool (Group) Co. Ltd | 551,450.03 | 551,450.03 | 100.00 | uncollectable |
| Xi 'an Zhuoshibo Hydraulic Engineering Co., Ltd | 514,938.87 | 514,938.87 | 100.00 | uncollectable |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Debtors name | Closing Balance | | Proportion (%) | Reasons for provision |
|---|---------------------|-------------------------|----------------|-----------------------|
| | Accounts receivable | Provision for bad debts | | |
| Mudanjiang City reducer factory | 467,905.65 | 467,905.65 | 100.00 | uncollectable |
| Hunan Chaoyang Electromechanical Co. Ltd | 446,627.60 | 446,627.60 | 100.00 | uncollectable |
| XEMC | 416,549.65 | 416,549.65 | 100.00 | uncollectable |
| Xuzhou Construction Materials Supply Co.,Ltd | 373,237.55 | 373,237.55 | 100.00 | uncollectable |
| Qingdao Shuangxing Tire Industry Co. Ltd | 371,251.58 | 371,251.58 | 100.00 | uncollectable |
| Minmetals Yingkou Medium plate Co. Ltd | 365,064.61 | 365,064.61 | 100.00 | uncollectable |
| Shandong Kerui Steel Plate Co. Ltd | 357,290.00 | 357,290.00 | 100.00 | uncollectable |
| Guangzhou Material Supply Section of China Railway Guangzhou Bureau Group Co. Ltd | 340,000.00 | 340,000.00 | 100.00 | uncollectable |
| Shantui Construction Machinery Co.,Ltd | 325,867.86 | 325,867.86 | 100.00 | uncollectable |
| Shandong Tancheng Xinya Light Industry Machinery Co. Ltd | 318,488.87 | 318,488.87 | 100.00 | uncollectable |
| Northeast Special Steel Group Beiman Special Steel Co. Ltd | 315,004.72 | 315,004.72 | 100.00 | uncollectable |
| Taicang Hu Tai Chang'e Paper Equipment Co. Ltd | 310,361.32 | 310,361.32 | 100.00 | uncollectable |
| Chengdu Iron & Steel Co. Ltd of Panzhihua Group | 303,305.45 | 303,305.45 | 100.00 | uncollectable |
| Harbin Hakuo Electric Power Technology Co. Ltd | 303,005.32 | 303,005.32 | 100.00 | uncollectable |
| Jiangsu Xinrui Gear System Co. Ltd | 286,949.88 | 286,949.88 | 100.00 | uncollectable |
| Erzhong Group (Deyang) Jingheng Transmission Equipment Co., Ltd | 286,935.03 | 286,935.03 | 100.00 | uncollectable |
| Xingtai Iron & Steel Co. Ltd | 285,834.67 | 285,834.67 | 100.00 | uncollectable |
| Shandong Guanpeng Metal Sheet Co. Ltd | 273,748.84 | 273,748.84 | 100.00 | uncollectable |
| Baoji Zhongshi Machine Tool Co., Ltd | 269,908.74 | 269,908.74 | 100.00 | uncollectable |
| Jiangsu Dazhong Electric Machinery Co. Ltd | 257,662.90 | 257,662.90 | 100.00 | uncollectable |
| Korla railway material supply section | 256,044.10 | 256,044.10 | 100.00 | uncollectable |
| Zhuzhou Gear Co. Ltd | 254,604.07 | 254,604.07 | 100.00 | uncollectable |
| Jiamusi Electric Co., Ltd | 245,000.00 | 245,000.00 | 100.00 | uncollectable |
| Zibo Boshan Qianjin Reducer Factory Co. Ltd | 244,579.32 | 244,579.32 | 100.00 | uncollectable |
| Indonesia CV.SIDO | 243,676.52 | 243,676.52 | 100.00 | uncollectable |
| Tonghua Iron & Steel Co. Ltd | 240,568.39 | 240,568.39 | 100.00 | uncollectable |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Debtors name | Closing Balance | | Proportion (%) | Reasons for provision |
|--|---------------------|-------------------------|----------------|-----------------------|
| | Accounts receivable | Provision for bad debts | | |
| Shijiazhuang strong slurry pump co. LTD | 238,749.98 | 238,749.98 | 100.00 | uncollectable |
| Ningbo Fan Co., Ltd | 238,487.84 | 238,487.84 | 100.00 | uncollectable |
| Shenyang Jingxin Remanufacturing Co. Ltd | 236,705.64 | 236,705.64 | 100.00 | uncollectable |
| Siemens Electric (China) Co., Ltd | 228,831.20 | 228,831.20 | 100.00 | uncollectable |
| Anshan Heavy Duty Mining Machinery Co., Ltd. | 216,819.90 | 216,819.90 | 100.00 | uncollectable |
| Taizhong Coal Machine Co.,Ltd | 215,142.12 | 215,142.12 | 100.00 | uncollectable |
| Qinhuangdao Shouqin Metal Material Co. Ltd | 213,911.48 | 213,911.48 | 100.00 | uncollectable |
| Liaoning Renda Equipment Technology Co., Ltd | 211,464.69 | 211,464.69 | 100.00 | uncollectable |
| CRRCGC Shenyang Co.,Ltd | 205,145.45 | 205,145.45 | 100.00 | uncollectable |
| PGVT(Chengdu Sales center) | 203,004.70 | 203,004.70 | 100.00 | uncollectable |
| Tianjin Rongtai New Composites Co. Ltd | 200,000.00 | 200,000.00 | 100.00 | uncollectable |
| Hangzhou Qianjin Gear Box Group Co. Ltd | 199,832.70 | 199,832.70 | 100.00 | uncollectable |
| Hebei Wenfeng Iron & Steel Co. Ltd | 197,979.65 | 197,979.65 | 100.00 | uncollectable |
| Hubei Wazhou Xinsheng Technology Co., Ltd | 188,136.00 | 188,136.00 | 100.00 | uncollectable |
| Nanjing light industry machinery factory | 185,079.54 | 185,079.54 | 100.00 | uncollectable |
| Gulf World Trading Company of India | 179,376.85 | 179,376.85 | 100.00 | uncollectable |
| Huaibei Mining (Group) Coal Industry Co., Ltd. Material Branch | 178,580.44 | 178,580.44 | 100.00 | uncollectable |
| Jiamusi Coal Mine Machinery Co. Ltd | 171,288.78 | 171,288.78 | 100.00 | uncollectable |
| Xuzhou Zhongcai Equipment Heavy Machinery Co. Ltd | 170,930.05 | 170,930.05 | 100.00 | uncollectable |
| Changsha Electric Machinery Factory Co. Ltd | 170,295.76 | 170,295.76 | 100.00 | uncollectable |
| Austria Andritz Technology Co., Ltd. (Foshan) | 166,787.14 | 166,787.14 | 100.00 | uncollectable |
| Xuzhou Meichi Vehicle and Bridge Co., Ltd | 163,037.45 | 163,037.45 | 100.00 | uncollectable |
| Foshan Ketai Electromechanical Co., Ltd | 160,772.79 | 160,772.79 | 100.00 | uncollectable |
| Siping Blower Co., Ltd | 160,053.21 | 160,053.21 | 100.00 | uncollectable |
| Shenhua Materials Group Co. Ltd | 155,115.29 | 155,115.29 | 100.00 | uncollectable |
| Hubei Quanli Machinery Group Co. Ltd | 152,489.82 | 152,489.82 | 100.00 | uncollectable |
| Guangdong zhaoping jialong packaging | 150,313.94 | 150,313.94 | 100.00 | uncollectable |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Debtors name | Closing Balance | | Proportion (%) | Reasons for provision |
|---|----------------------|-------------------------|----------------|-----------------------|
| | Accounts receivable | Provision for bad debts | | |
| machinery group co. LTD | | | | |
| Wuxi Yutong Bearing Co., Ltd | 149,427.42 | 149,427.42 | 100.00 | uncollectable |
| Zhejiang Tongli Heavy Machinery Manufacturing Co. Ltd | 133,670.00 | 133,670.00 | 100.00 | uncollectable |
| China First Heavy Group Co. Ltd | 132,135.01 | 132,135.01 | 100.00 | uncollectable |
| Kunming Electric Machinery Factory Co. Ltd | 131,455.02 | 131,455.02 | 100.00 | uncollectable |
| Guilin Hongcheng Mining Equipment Manufacturing Co. Ltd | 127,032.49 | 127,032.49 | 100.00 | uncollectable |
| Guangxi Beibu Gulf New Material Co. Ltd | 126,353.69 | 126,353.69 | 100.00 | uncollectable |
| Shenyang qunding machinery equipment co., LTD | 126,286.35 | 126,286.35 | 100.00 | uncollectable |
| Shenyang Machine Tool (Group) Co., Ltd. Precision CNC Machine Tool Branch | 124,002.02 | 124,002.02 | 100.00 | uncollectable |
| Taiyuan Heavy Industry Co. Ltd | 121,560.19 | 121,560.19 | 100.00 | uncollectable |
| Zhejiang Rifa Precision Machinery Co.,Ltd | 120,214.46 | 120,214.46 | 100.00 | uncollectable |
| China Railway Materials Shenyang Corporation | 115,750.43 | 115,750.43 | 100.00 | uncollectable |
| Wuxi shangji numerical control co., LTD | 114,412.20 | 114,412.20 | 100.00 | uncollectable |
| John Deere Jia Lian Harvester Co., Ltd | 114,127.98 | 114,127.98 | 100.00 | uncollectable |
| TISCO Oriental Iron & Steel Co. Ltd | 108,997.44 | 108,997.44 | 100.00 | uncollectable |
| Yingkou Jiachen Combustion Co., Ltd | 108,451.55 | 108,451.55 | 100.00 | uncollectable |
| China Pingmei what energy chemical group co., LTD | 104,296.17 | 104,296.17 | 100.00 | uncollectable |
| DBI Corporation of America | 102,568.64 | 102,568.64 | 100.00 | uncollectable |
| Changchun Power Generation Equipment Co. Ltd | 100,536.11 | 100,536.11 | 100.00 | uncollectable |
| Others | 23,173,246.01 | 23,173,246.01 | 100.00 | uncollectable |
| Total | 63,437,865.85 | 63,437,865.85 | — | |

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

| Aging | Closing Balance | | |
|---------------|---------------------|-------------------------|----------------|
| | Accounts receivable | Provision for bad debts | Proportion (%) |
| Within 1 year | 616,594,298.14 | 6,165,943.00 | 1.00 |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Aging | Closing Balance | | |
|--------------|-----------------------|-------------------------|----------------|
| | Accounts receivable | Provision for bad debts | Proportion (%) |
| 1-2 years | 56,136,470.34 | 2,806,823.52 | 5.00 |
| 2-3 years | 21,868,109.14 | 4,373,621.82 | 20.00 |
| 3-4years | 17,044,171.50 | 6,817,668.59 | 40.00 |
| 4-5years | 7,277,843.08 | 4,366,705.84 | 60.00 |
| Over 5 years | 3,864,177.36 | 3,864,177.36 | 100.00 |
| Total | 722,785,069.56 | 28,394,940.13 | — |

(2) Category of accounts receivable listed by age

| Aging | Closing Balance |
|--------------|-------------------------|
| Within1 year | 877,011,348.32 |
| 1-2 years | 139,900,895.17 |
| 2-3 years | 44,388,739.58 |
| 3-4years | 28,008,035.46 |
| 4-5years | 13,151,445.43 |
| Over 5 years | 40,569,695.65 |
| Total | 1,143,030,159.61 |

(3) Bad debt provision

| Category | Opening balance | Change during the year | | | | Closing Balance |
|--------------------|----------------------|------------------------|------------------|--------------------|---------------------|----------------------|
| | | Accrued | Other increase | Collected/reversed | Written-off | |
| Bad debt provision | 76,577,029.86 | 20,143,051.84 | 26,619.70 | 821,139.98 | 4,092,755.44 | 91,832,805.98 |
| Total | 76,577,029.86 | 20,143,051.84 | 26,619.70 | 821,139.98 | 4,092,755.44 | 91,832,805.98 |

(4) Accounts receivable written off in current period

| Item | Written-off Amount |
|---------------------------------|--------------------|
| Accounts receivable written off | 11,442,823.14 |

Important Account receivables accrued written down situations:

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Company name | Nature of receivable | amount | reason | Procedure to be performed | Caused by related party |
|---|-----------------------------|---------------|-------------------|----------------------------------|--------------------------------|
| Xiangtan Iron&Steel Co.,Ltd of Hunan Valin | Trade payment | 952,157.61 | Unable to recover | Internal approval | N |
| Anshan Steel Group New Steel Co., Ltd | Trade payment | 906,605.65 | Unable to recover | Internal approval | N |
| Neimenggu Baotou Steel Union Co., Ltd. Equipment Materials Department Equipment Purchase and Supply Station | Trade payment | 371,806.71 | Unable to recover | Internal approval | N |
| Chongqing Yongjin Transmission Device Sales Company | Trade payment | 366,049.00 | Unable to recover | Internal approval | N |
| Shijiazhuang Power Machinery Factory | Trade payment | 348,135.90 | Unable to recover | Internal approval | N |
| Tangshan Ruifeng Iron & Steel Group Co. Ltd | Trade payment | 278,901.00 | Unable to recover | Internal approval | N |
| Baotou Tianlihan Generator Co. Ltd | Trade payment | 273,597.67 | Unable to recover | Internal approval | N |
| Fushun New Iron & Steel Co. Ltd | Trade payment | 257,880.12 | Unable to recover | Internal approval | N |
| Jixi North Steel Co. Ltd | Trade payment | 253,114.13 | Unable to recover | Internal approval | N |
| Hunan Zhihong Technology Co., Ltd | Trade payment | 246,717.09 | Unable to recover | Internal approval | N |
| Hunan Hualing Lianyuan Iron & Steel Co. Ltd | Trade payment | 231,065.90 | Unable to recover | Internal approval | N |
| Hangzhou HuifengAaxle Co., LTD | Trade payment | 199,999.98 | Unable to recover | Internal approval | N |
| Qingan Group Co. Ltd | Trade payment | 189,202.03 | Unable to recover | Internal approval | N |
| Shanxi Sente Coal Coking Engineering Group Co., Ltd. Wenxi Branch | Trade payment | 182,700.00 | Unable to recover | Internal approval | N |
| Tangshan Yanshan Iron & Steel | Trade payment | 174,000.00 | Unable to recover | Internal approval | N |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Company name | Nature of receivable | amount | reason | Procedure to be performed | Caused by related party |
|---|----------------------|---------------------|-------------------|---------------------------|-------------------------|
| Co. Ltd | | | | | |
| Taiyuan Tongze Heavy Industry Co. Ltd | Trade payment | 170,178.79 | Unable to recover | Internal approval | N |
| Qinghai Huading Heavy Duty Machine Tool Co. Ltd | Trade payment | 168,998.78 | Unable to recover | Internal approval | N |
| Huai 'an Jiangong Nylon Products co., Ltd | Trade payment | 168,632.72 | Unable to recover | Internal approval | N |
| Shenyang Machinery Group Kunming Machine Tool Co. Ltd | Trade payment | 167,497.51 | Unable to recover | Internal approval | N |
| Benxi Beiyong Steel (Group) Co. Ltd | Trade payment | 165,525.50 | Unable to recover | Internal approval | N |
| Yichong Group Tianjin Wind Energy Equipment Co. Ltd | Trade payment | 121,584.00 | Unable to recover | Internal approval | N |
| Beijing Zhongruide Wazhou Technology Co., Ltd | Trade payment | 108,252.00 | Unable to recover | Internal approval | N |
| Jinan Iron & Steel Group Co. Ltd | Trade payment | 106,510.70 | Unable to recover | Internal approval | N |
| Total | | 6,409,112.79 | | | |

(5) The top significant accounts receivable categorized by debtors

| Debtors name | Closing Balance | Age | Proportion of receivable (%) | Provision closing balance |
|---|-----------------|--|------------------------------|---------------------------|
| Wazhou Group Precision Roller Co.,Ltd | 58,389,070.16 | Within 1 year | 5.11 | |
| Wazhou Group High-End Auto Bearing Co.,Ltd | 53,141,781.21 | Within 1 year 1-2years 2-3years 3-4years | 4.65 | |
| Wazhou Liaoyang Bearing Manufacturing Co.,Ltd | 52,916,637.73 | Within 1 year 1-2years 2-3years 4-5years Over 5years | 4.63 | |
| Dalian Wazhou Precision Motor Car | 39,133,257.03 | Within 1 year 1-2years | 3.42 | |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Debtors name | Closing Balance | Age | Proportion of receivable (%) | Provision closing balance |
|---|-----------------------|---------------|------------------------------|---------------------------|
| Bearing Company Limited | | | | |
| Wazhou Group Wind Power Bearing Co. Ltd | 35,002,715.76 | Within 1 year | 3.06 | |
| Total | 238,583,461.89 | | 20.87 | |

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

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

2. Other receivables

| Items | Closing Balance | Opening Balance |
|---------------------|----------------------|----------------------|
| Interest receivable | | |
| Dividend receivable | | |
| Other receivable | 13,357,080.42 | 10,316,683.41 |
| Total | 13,357,080.42 | 10,316,683.41 |

2.1 Other receivables

(1) The categories of other receivable by nature

| Nature | Closing Balance | Opening Balance |
|------------------|----------------------|----------------------|
| Secured fund | 6,913,207.78 | 5,336,731.56 |
| Deposit | 381,780.42 | 280,221.23 |
| Petty cash | 120,512.99 | 433,594.77 |
| Electricity bill | 4,895,063.88 | 3,762,048.35 |
| Others | 7,024,289.13 | 6,625,605.28 |
| Total | 19,334,854.20 | 16,438,201.19 |

(2) The categories of other receivable

| Items | Closing Balance | | | | Booking balance |
|--|-----------------|-------|--------------|--------|-----------------|
| | Booking balance | | Provision | | |
| | Amount | % | Amount | % | |
| Other receivables with individual bad debt provision | 4,173,361.85 | 21.58 | 4,173,361.85 | 100.00 | |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| | | | | | |
|--|----------------------|---------------|---------------------|--------------|----------------------|
| Other receivables identified bad debt provision based on the characters of credit risk portfolio | 15,161,492.35 | 78.42 | 1,804,411.93 | 11.90 | 13,357,080.42 |
| -Aging combination | 10,261,174.02 | 53.07 | 1,804,411.93 | 17.58 | 8,456,762.09 |
| -Related party portfolio | 4,895,063.88 | 25.32 | | | 4,895,063.88 |
| -Risk-free portfolio | 5,254.45 | 0.03 | | | 5,254.45 |
| Total | 19,334,854.20 | 100.00 | 5,977,773.78 | 30.92 | 13,357,080.42 |

(Continued)

| Items | Opening Balance | | | | |
|--|----------------------|---------------|---------------------|----------|----------------------|
| | Booking balance | | Provision | | Booking balance |
| | Amount | % | Amount | % | |
| Other receivables with individual bad debt provision | 3,476,929.10 | 21.15 | 3,476,929.10 | 100.00 | |
| Other receivables identified bad debt provision based on the characters of credit risk portfolio | 12,961,272.09 | 78.85 | 2,644,588.68 | 20.40 | 10,316,683.41 |
| -Aging combination | 8,423,918.09 | 51.25 | 1,865,638.03 | 22.15 | 6,558,280.06 |
| -Related party portfolio | 3,758,403.35 | 22.86 | | | 3,758,403.35 |
| -Risk-free portfolio | 778,950.65 | 4.74 | 778,950.65 | 100.00 | |
| Total | 16,438,201.19 | 100.00 | 6,121,517.78 | - | 10,316,683.41 |

(3) Bad debt provision of other receivable

| Provision for bad debt | 1 st stage | 2 nd stage | 3 rd stage | Total |
|----------------------------|---|---|---|--------------|
| | Expected credit loss within following 12 months | Expected credit loss within life time(unimpaired) | Expected credit loss within life time(impaired) | |
| Balance on January 1, 2020 | | 6,121,517.78 | | 6,121,517.78 |

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

| Provision for bad debt | 1 st stage | 2 nd stage | 3 rd stage | Total |
|--|---|---|---|--------------|
| | Expected credit loss within following 12 months | Expected credit loss within life time(unimpaired) | Expected credit loss within life time(impaired) | |
| On January 1, 2019 | — | — | — | — |
| Other receivable carrying amount on the book | | | | |
| --get into 2 nd stage | | | | |
| --get into 3 rd stage | | | | |
| --reverse into 2 nd stage | | | | |
| -reverse into 1 st stage | | | | |
| Accrued | | 231,131.89 | | 231,131.89 |
| Reversed | | 374,875.89 | | 374,875.89 |
| Recollected | | | | |
| Written off | | | | |
| Others | | | | |
| Balance on December 31, 2020 | | 5,977,773.78 | | 5,977,773.78 |

(4) Bad debt provision based on aging

| Item | Closing Balance |
|---------------|----------------------|
| Within 1 year | 12,516,473.58 |
| 1-2 years | 564,378.17 |
| 2-3 years | 234,230.15 |
| 3-4years | 352,420.05 |
| 4-5years | 1,382,203.62 |
| Over 5 years | 4,285,148.63 |
| Total | 19,334,854.20 |

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

(6) The top significant other receivable categorized by debtors

Wafangdian Bearing Co., Ltd**Notes to financial statements for the year ended as at December 31, 2020**

(The currency is in RMB Yuan except otherwise indicated)

| Name | Category | Closing Balance | Aging | % of the total OR | Closing Balance of Provision |
|---|------------------|------------------------|---------------|--------------------------|-------------------------------------|
| Liaoning Province State Grid | Electricity bill | 4,895,063.88 | Within 1 year | 25.32 | - |
| Luoyang Zhongzhu Casting Plant | AP/AR | 723,598.86 | Over 5 years | 3.74 | 723,598.86 |
| An Steel Sales Co.,Ltd | AP/AR | 319,694.17 | Over 5 years | 1.65 | 319,694.17 |
| Handan Iron&Steel Group Co.,Ltd | AP/AR | 314,947.00 | 4-5ys | 1.63 | 314,947.00 |
| Wafangdian Bearing Co.,Ltd Lanzhou Sales Branch | AP/AR | 768,264.15 | 4-5ys | 3.97 | 768,264.15 |
| Total | — | 7,021,568.06 | — | 36.32 | 2,126,504.18 |

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

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

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

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

3. Long-term equity investments

(1) Category of long-term equity investments

| Item | Closing Balance | | | Opening Balance | | |
|------------------------------|-----------------------|-----------|-----------------------|-----------------------|-----------|-----------------------|
| | Closing Balance | Provision | Book Value | Opening Balance | Provision | Book Value |
| Investment in subsidiaries | 211,583,897.67 | - | 211,583,897.67 | 211,583,897.67 | - | 211,583,897.67 |
| Investment in JV, associates | - | - | - | - | - | - |
| Total | 211,583,897.67 | - | 211,583,897.67 | 211,583,897.67 | - | 211,583,897.67 |

(2) Investments into subsidiaries

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

Wafangdian Bearing Co., Ltd**Notes to financial statements for the year ended as at December 31, 2020**

(The currency is in RMB Yuan except otherwise indicated)

4. Operating revenue and cost

| Item | current year | | prior year | |
|------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Revenue | Cost | Revenue | Cost |
| Revenue from main operation | 1,605,507,916.97 | 1,214,586,296.79 | 1,646,976,619.94 | 1,324,929,747.37 |
| Revenue from other operation | 295,145,581.58 | 227,264,657.13 | 224,148,967.56 | 202,613,053.04 |
| Total | 1,900,653,498.55 | 1,441,850,953.92 | 1,871,125,587.50 | 1,527,542,800.41 |

(1) Principle operation - classified according to Industries

| Industries | current year | | prior year | |
|---------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Sales revenue | Cost of sales | Sales revenue | Cost of sales |
| Export | 149,255,608.09 | 142,551,544.89 | 172,405,718.50 | 145,059,709.58 |
| Domestic | 1,355,487,411.91 | 959,847,724.11 | 1,378,502,620.86 | 1,054,573,671.79 |
| Including: | | | | |
| Transportation vehicle bearings | 317,870,001.39 | 272,223,654.04 | 335,717,197.66 | 343,717,324.81 |
| Special use bearings | 539,719,702.28 | 361,320,661.46 | 442,536,471.10 | 268,114,706.08 |
| General use bearings | 497,897,708.24 | 326,303,408.61 | 600,248,952.10 | 442,741,640.90 |
| Industrial Operations | 100,764,896.97 | 112,187,027.79 | 96,068,280.58 | 125,296,366.00 |
| Total | 1,605,507,916.97 | 1,214,586,296.79 | 1,646,976,619.94 | 1,324,929,747.37 |

5. Investment income

| Items | current year | prior year |
|--|---------------------|------------|
| Gain on holding of the tradable financial assets | 3,962.74 | |
| Gain on debt restructuring | 1,121,811.33 | |
| Total | 1,125,774.07 | |

XVIII. Approval of Financial Statements

This report was approved by the Board of Directors of the Group on April 23, 2021.

Wafangdian Bearing Co., Ltd**Notes to financial statements for the year ended as at December 31, 2020**

(The currency is in RMB Yuan except otherwise indicated)

Supplementary Information to the Financial Statements

1. Non-operating profit or loss

| Items | Current year | Notes |
|--|----------------------|-------|
| Gain or loss from disposal of non-current assets | -1,221,382.96 | |
| Government grants recorded into profit or loss during current period(except the government subsidies which are fixed or quantitatively enjoyed according to the national unified standard and it is closely related to the business) | 9,520,190.48 | |
| Profit or loss from debts restructuring | 1,226,811.33 | |
| Reversal of impairment provision of accounts receivable separately tested for impairment | -57,011.50 | |
| Non-operating revenue and expense apart from the above items | 3,056,476.10 | |
| Subtotal | 12,525,083.45 | |
| Less: effect on income tax | 2,313,051.76 | |
| attributable to minority shareholders' equity (after tax) | | |
| Total | 10,212,031.69 | |

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 | -36.69 | -0.94 | -0.94 |
| Net profit after deducting non-recurring gains and losses attributable to shareholders of parent company | -37.68 | -0.97 | -0.97 |

III. Differences in accounting information under IAS and domestic accounting standard**1. Differences in net profit and net asset under domestic and international accounting standards** Applicable Inapplicable**2. Differences in net profit and net asset under domestic and overseas accounting standards** Applicable Inapplicable

Wafangdian Bearing Co., Ltd

Notes to financial statements for the year ended as at December 31, 2020

(The currency is in RMB Yuan except otherwise indicated)

Chapter XII. List of reference documents

1. Accounting statements with the signatures and seals of the legal representative, financial controller and the director of the accounting department of the company;
2. The 2020 annual audit report and the financial statement with the seal of the Certified Public Accountants and the personal signature and seal of the certified public accountant.
3. The documents and notices of the company disclosed in newspapers designated by the Security Supervisory Committee of China in the report period.

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