

Wafangdian Bearing Co., Ltd.
**Announcement on the provision for credit Impairment and asset
Impairment in 2022**

The Company and all members of the BOD guarantee that the information disclosed is true, accurate and completed, and that there are no false records, misleading statements or material omissions.

I. Overview of the provision for asset impairment

Wafangdian Bearing Co., Ltd. (hereinafter referred to as “the company”) held the 4th Session of 9th Board of Directors and the 4th Session of the 9th Board of Supervisors on April 26, 2023, which deliberated and passed the Proposal on the Provision for Asset Impairment, the specific situation is hereby announced as follows:

1. The credit impairment provision and the reason for the asset impairment provision

In accordance with the accounting standards for enterprises and the relevant provisions of the company’s accounting policies, and in order to provide a true and accurate picture of the company’s assets and financial position as at 31 December 2022, the company conducted a comprehensive examination and impairment test of all assets within the scope of the consolidated statements as at 31 December 2022, provision for credit impairment and provision for impairment of assets that may show signs of impairment as at 31 December 2022.

2. The scope and total amount of the provision for credit impairment and asset impairment

Having regard to the assets within the scope of the consolidated statements of the company as at 31 December 2022 that may show signs of impairment, such as accounts receivable, notes receivable, other receivables, contract assets, inventory and contract performance costs, fixed assets, construction-in-progress, etc. , the company’s total credit impairment losses and asset impairment losses due to various impairment provisions amounted to \$56.61 million. Details are as follows:

Project	Item	Amount Accrued (ten thousand yuan)	Reason for Accrual
Loss of credit impair ment	Loss on impairment of notes receivable	130	The company estimates the expected credit losses of financial assets measured at amortized cost, financial assets measured at fair value and the changes in these assets included in other combined income, etc. . In addition to assessing overdue credit losses on a single-item basis, the company also assesses expected credit losses on an aging-portfolio basis using amortized costs to measure accounts receivable. According to the characteristics of credit risk, the paper divides the notes receivable into several combinations, and calculates the expected credit loss based on the combination. The basis for determining the combination is: Bank acceptance bill, commercial acceptance bill portfolio received from related parties, commercial acceptance bill portfolio received from non-related parties.
	Loss on impairment of accounts receivable	-1348	The company estimates the expected credit losses of financial assets measured at amortized cost, financial assets measured at fair value and the changes in these assets included in other combined income, etc. . For receivables arising from transactions governed by GAAP 14-income (2017) , regardless of whether they contain significant financing elements, the company always measures its loss provisions in amounts equal to the expected credit losses over the life of the business. In addition to assessing overdue credit losses on a single-item basis, the company also assesses expected credit losses on an aging-portfolio basis using amortized costs to measure accounts receivable. According to the characteristics of credit risk, accounts receivable are divided into several combinations, and the expected credit loss is calculated on the basis of the combination. The basis of determining the combination is: related party combination, aging combination. For the accounts receivable divided into a combination, the company refers to the history of credit loss experience, combined with the current situation and the forecast of future economic conditions, the preparation of accounts receivable aging and the expected credit loss rate throughout the life of the table, calculate expected credit losses.
	Impairment loss of other receivables	-197	The company estimates the expected credit losses of financial assets measured at amortized cost, financial assets measured at fair value and the changes in these assets included in other combined income, etc. . The group divides other receivables into several combinations according to their credit risk characteristics, and calculates the expected credit losses on the basis of the combinations. The basis of determining portfolio is: related party portfolio, aging portfolio, risk-free portfolio (according to the credibility of the transaction object, the nature of funds, transaction

			security measures, etc. . For other receivables divided into a portfolio, the company refers to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, by default risk exposure and expected credit loss rate over the life of the company, calculate expected credit losses.
Loss on impairment of assets	Loss from inventory depreciation and loss from impairment of contract performance costs	5,440	End-of-period inventory is valued at the lower of cost or net realisable value and the portion of the inventory that is expected to be unrecoverable due to damage, obsolescence in whole or in part, or the sale price below cost, draw Reserve for inventory decline. The reduction of inventory prices of inventory commodities and bulk raw materials is to be drawn on the basis of the difference between the cost of a single inventory item and its net realizable value; Other large quantities, unit price lower raw and auxiliary materials according to the type of stock reserve.
	Contract assets	3	For contract assets formed from transactions governed by GAAP 14-income (2017) , whether or not they contain significant financing elements, the company always measures its loss provisions in amounts equal to the expected credit losses over the life of the business. Based on the historical credit loss experience, combined with the current situation and the forecast of the future economic situation, the company compiles the contrast table of the expected credit loss rate between the aging of the contract assets and the whole life period, and calculates the impairment loss.
	Fixed assets	1,402	If there are signs of impairment on the balance sheet date, a impairment test shall be conducted. If the recoverable amount of an asset is lower than its book value, a provision for impairment shall be made and the impairment loss shall be taken into account. The recoverable amount is the higher of the net fair value of the asset less the cost of disposal and the present value of the expected future cash flow of the asset. The provision for impairment of assets is calculated and recognized on the basis of a single asset, and if it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group to which the asset belongs is determined. The Asset Group is the minimum portfolio that can independently generate cash inflows.
	Construction in progress	231	The company inspects construction in progress on each balance sheet date and conducts impairment tests when there are signs of impairment. Recoverable amounts are determined on the basis of the higher ratio between the fair value of the assets, net of disposal costs, and the present value of the expected future cash flows of the assets. After the impairment test, if the carrying value of the asset exceeds its recoverable amount, the difference is recognized as impairment loss.
Total		5,661	

II. Influence on the company's financial condition and operating results

The provision for impairment of the above various types of assets this time is 56.61 million yuan, which will affect the total profit of the company's 2022 consolidated statements of 56.61million yuan.

III. The company's approval procedures for the provision for asset impairment this time

The provision for asset impairment this time has been reviewed and approved at the 4th Session of the 9th board of directors and the 4th Session of the 9th board of supervisors convened by the company on April 26, 2023. The independent directors expressed their independent opinions on the matter and agreed to make the provision for asset impairment this time. The case shall be submitted to the company's 2022 annual general meeting for consideration.

IV. Explanation of the board of directors on the rationality of asset impairment this time

In accordance with the Accounting Standards for Business Enterprises and the relevant accounting policies of the Company, the Company will make provision for 2022

The reserve for impairment of fixed assets and inventories totaled 56.61 million yuan, which can more objectively and fairly reflect the company's financial position and ending assets.

V. Opinions of the board of supervisors

The board of supervisors believes that the resolution procedure for the company's provision for asset impairment this time is legal and has sufficient basis; the provision is in line with relevant regulations such as the Accounting Standards for Business Enterprises, and in line with the company's actual situation, and can more fairly reflect the company's asset status after the provision. The provision for asset impairment this time is agreed.

VI. Opinions of independent directors

The independent directors believe that the company has sufficient basis for the provision for asset impairment this time, and the decision-making procedures are normative, conform to the Accounting Standards for Business Enterprises and the relevant regulations of the company, can more fairly reflect the company's financial status, asset value and operating results as of December 31, 2022, is in line with the company's overall interests, and helps provide investors with more real, reliable and accurate accounting information, and there is no situation that damages the interests of the company and all shareholders, especially small and medium shareholders. We agree to the provision for asset impairment this time.

VII. Table of contents for documents available for inspection

1. Resolution of the 4th Session of 9th BOD of Wafangdian Bearing Co., Ltd.;

2. Resolution of the 4th Session of 9th BOS of Wafangdian Bearing Co., Ltd.;
3. Opinions of independent directors.

Hereby notify

**Board of director of
Wafangdian bearing Company limited
27 April 2023**