

Wafangdian Bearing Co., LTD

Announcement of uncovered losses exceeding one third of paid-in capital stock

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.

Wafangdian Bearing Co., LTD. (hereinafter referred to as the "Company") held the fourth meeting of the Ninth Board of Directors and the fourth meeting of the ninth Board of Supervisors on April 26, 2023 to review and pass the "unmade up loss over one-third of the total paid-in capital stock", the proposal needs to be submitted to the 2022 annual general meeting of shareholders for review. The details are announced as follows:

I. Basic information

According to the audit of Shu Lun Lun Certified Public Accountants (Special General Partnership), the company's undistributed profit for the year 2022 ended December 31, 2022 was -556,691,657.88 Yuan, accounting for -138.27% of the total capital stock of 402,600,000.00 yuan. The undistributed profit in the parent company's report for 2022 is -374,807,248.18 Yuan, accounting for -93.1% of the total capital stock of 402,600,000.00 yuan. The company's uncovered losses exceed one third of the total paid-in capital stock. According to the relevant provisions of the Company Law of the People's Republic of China and the Articles of Association, the matter shall be submitted to the general meeting of shareholders of the Company for deliberation.

II. Reasons for loss

1. During the reporting period, the company's credit impairment losses and asset impairment losses amounted to 56.61 million yuan, mainly including -14.15 million yuan in credit impairment losses, 54.4 million yuan in inventory impairment losses, and 14.02 million yuan in fixed asset impairment losses, the loss of the depreciation preparation of the construction in progress is 2.31 million yuan.

2. Affected by the decline in product selling price and the rise in raw material purchase cost, the gross profit margin of products has been further narrowed, resulting in the company still in the state of loss.

III. Countermeasures

In order to improve product profit margin and reduce competitive disadvantage, the company will take the following measures to improve profitability in 2023:

1. Firstly, through product design and manufacturing process optimization, simplified design, lightweight product structure and standardization of production and processing can be achieved through standardized design and process, so as to reduce manufacturing costs and improve added value.
2. Gradually open the supply chain, expand procurement channels, and achieve cost reduction in the supply chain.
3. Promote the development of "Sail" products, drive the replacement speed of imports, improve product quality, increase supplementary value and enhance profitability.
4. Adjust the market structure, expand the market of new energy industry, vigorously adjust the market price structure and product structure, and improve the operation quality.

IV. Documents for reference

1. Resolution of the fourth meeting of the ninth Board of Directors of Wafangdian Bearing Co., LTD.;
2. Resolution of the fourth meeting of the ninth Board of Supervisors of Wafangdian Bearing Co., LTD.

Hereby notify

Board of director of

Wafangdian bearing Company limited

27 April 2023