

Wafangdian Bearing Co., Ltd.
**Announcement on the provision for credit Impairment and asset
Impairment in 2023**

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") deliberated and passed the "Motion on the Provision of Credit Impairment Reserves and Asset Impairment Reserves in 2023" at the ninth meeting of the ninth Board of Directors and the seventh meeting of the ninth Board of Supervisors held on April 26, 2024. The details are hereby announced as follows:

1. Reasons for the provision of credit impairment reserve and asset impairment reserve

In accordance with the relevant provisions of the Accounting Standards for Business Enterprises and the Company's accounting policies, in order to truly and accurately reflect the Company's asset position and financial position as at December 31, 2023, the Company conducted a comprehensive examination and impairment test of all types of assets within the scope of the consolidated statements as at December 31, 2023. Provision for credit impairment and asset impairment for related assets that may show signs of impairment as at December 31, 2023.

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

Following a comprehensive inventory and impairment test of assets within the scope of the Company's consolidated statements as at 31 December 2023, such as accounts receivable, notes receivable, other receivables, contract assets, inventory and contract performance costs, fixed assets, construction in progress, etc., during the reporting period, The Company's total credit impairment loss and asset impairment loss resulting from the provision of various impairment provisions amounted to 24.76 million yuan. The details are as follows:

Project	Item	Amount Accrued (ten thousand yuan)	Reason for Accrual
Loss of credit impairment	Loss on impairment of notes receivable	-12	The Company estimates expected credit losses on financial assets measured at amortized cost, financial assets measured at fair value and whose changes are recorded in other comprehensive income, either individually or in combination. In addition to assessing overdue credit losses on an individual basis, the Company also evaluates expected credit losses on accounts receivable measured at amortized cost on an aging portfolio basis. The notes receivable are divided into several combinations according to the credit risk characteristics, and the expected credit loss is calculated on the basis of the combination. The basis for determining the combination is: bank acceptance bill, commercial acceptance bill received from related parties, commercial acceptance bill received from non-related parties.
	Loss on impairment of accounts receivable	774	The Company estimates expected credit losses on financial assets measured at amortized cost, financial assets measured at fair value and whose changes are recorded in other comprehensive income, either individually or in combination. For receivables arising from transactions regulated by Accounting Standard for Enterprises 14 - Revenue (2017), whether or not they contain a significant financing component, the Company always measures its loss provision at an amount equal to expected credit losses over the entire duration. In addition to assessing overdue credit losses on an individual basis, the Company also evaluates expected credit losses on accounts receivable measured at amortized cost on an aging portfolio basis. The accounts receivable are divided into several combinations according to the credit risk characteristics, and the expected credit loss is calculated on the basis of the combination. The basis for determining the combination is: related party combination and aging combination. For the accounts receivable divided into portfolios, the company makes reference to the historical credit loss experience, combined with the current situation and the forecast of the future economic situation, and prepares the comparison table of the expected credit loss rate of the accounts receivable over the entire aging period to calculate the expected credit loss.
	Impairment loss of other receivables	57	The Company estimates expected credit losses on financial assets measured at amortized cost, financial assets measured at fair value and whose changes are recorded in other comprehensive income, either individually or in combination. The Group classifies other receivables into combinations based on credit risk characteristics and calculates expected credit losses on the basis of the combination. The basis for determining the portfolio is: related party portfolio, aging portfolio,

			risk-free portfolio (classified by the credit of the transaction object, the nature of the payment, transaction safeguards, etc.). For other receivables classified as portfolios, the Company calculates expected credit losses based on default risk exposure and expected credit loss rates throughout the duration, taking into account historical credit loss experience, current conditions and projections of future economic conditions.
Loss on impairment of assets	Loss on inventory decline and impairment loss on contract performance costs	1,612	The ending inventory is priced at the lower of cost and net realizable value. Reserve for inventory decline price shall be drawn for those parts of the inventory whose cost is not expected to be recovered due to damage, total or partial obsolescence or sales price below cost. Reserve for inventory declines of commodities and bulk raw materials based on the difference between the cost of a single inventory item and its net realizable value; Other raw and auxiliary materials with a large quantity and low unit price shall be extracted from the reserve for inventory decline price by category.
	Impairment loss of contract assets	29	For contractual assets formed from transactions regulated by Accounting Standard for Enterprises 14 - Revenue (2017), whether or not they contain a significant financing component, the Company always measures its loss reserve at an amount equal to expected credit losses over the entire duration. The company refers to the historical credit loss experience, combined with the current situation and the forecast of the future economic situation, and prepares the comparison table of the expected credit loss rate of the contract assets during the aging period and the whole life period to calculate the impairment loss.
	Impairment loss of fixed assets	16	If there are signs of impairment at the balance sheet date, an impairment test shall be conducted. If the impairment test results show that the recoverable amount of the asset is lower than its carrying value, an impairment provision shall be made according to the difference and included in the impairment loss. The recoverable amount is the higher of the fair value of the asset, net of disposal costs, and the present value of the asset's expected future cash flows. The asset impairment reserve is calculated and recognized on the basis of individual assets, and if it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group is determined on the basis of the asset group to which the asset belongs. An asset group is the smallest portfolio of assets that can independently generate cash inflows.
Total		2,476	

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

The impairment of the above-mentioned assets will affect the total profit of the company's consolidated statement in 2023 to 24.76 million yuan.

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

The provisions for credit impairment provisions and asset impairment provisions have been considered and approved by the 9th meeting of the 9th Board of Directors and the 7th meeting of the 9th Board of Supervisors on April 26, 2024.

The case will be submitted to the company's 2023 annual General meeting for consideration.

IV. Explanation by the Board of Directors on the rationality of the provision of credit impairment reserves and asset impairment reserves

In accordance with the provisions of the Accounting Standards for Enterprises and the relevant accounting policies of the Company, the Company will provide for a total of 24.76 million yuan of credit impairment reserves and asset impairment reserves in 2023, which can more objectively and fairly reflect the company's financial position and asset status at the end of the period.

V. Opinions of the board of supervisors

The Board of Supervisors considers that: the company's resolution procedure for the provision of credit impairment reserves and asset impairment reserves is legal and based on sufficient basis; The provision is in line with the relevant provisions of the accounting standards for enterprises and the actual situation of the company, and can more fairly reflect the company's asset status after the provision, and agree to the provision of credit impairment reserves and asset impairment reserves.

VI. Table of contents for documents available for inspection

1. Resolution of the 9th Session of 9th BOD of Wafangdian Bearing Co., Ltd.;
2. Resolution of the 7th Session of 9th BOS of Wafangdian Bearing Co., Ltd.;

Hereby notify

**Board of director of
Wafangdian bearing Company limited
April 29, 2024**