Wafangdian Bearing Company Limited
Affiliate Transaction Announcement of Assets Sale

The Company, all the members of the Board of Directors, supervisors and top management hereby guarantee the truth, accuracy and completeness of the information disclosure, no any false records, misleading statements and major missing contents.

I. Summary

1. Wafangdian Bearing Company Limited ("The Company" for short) plans to enter into the Assets Sale Agreement with Wafangdian Bearing Group LLC ("WBGC"); The Company plan to sale the assets and liabilities related with auto transfer case bearing,the assets inclued machines,construction in process and the inventory etc.the staff related with this objects will be transferred as the same time.
2. In view of the first majority shareholder of the Company is Wafangdian Bearing Group LLC ("WBGC"), the assets sold this time constitutes affiliate transaction.
3. The affiliate transaction has been deliberate in 1st extraordinary Board Meeting for the year of 2016 and was adopted by consensus. Related directors Meng Wei, Zhang Xinghai, Chen Jiajun, Li Shi and Sun Najuan avoid the deliberation, other directors are voted in favor without voted against and abstention vote. Independent directors of the Company carry out the "Prior Approval" and "Independent director's opinion".
4. The transaction needs to be approved in the Annual General Meeting; interested affiliated person will waive a voting right in the Meeting for this proposal.

II. Counterparty

Name: Wafangdian Bearing Group LLC

Registered capital: RMB 413,793,100

Legal person: Cong Hong

Business type: State-owned enterprises

Business scope: manufacture and sales of the bearing, bearing parts, special bearing instrument, tooling, equipment, mechanical equipment, abrasive, grinding tool, casting, auto parts, engine parts and relevant industry products; bearing design, repair, maintenance and technical service; procurement and sales of the bearing raw materials and supporting materials; house leasing, equipment leasing.

The audited financial states of WBGC for year of 2014: total assets: RMB 3,143,930,186.11; net assets: RMB 1,629,481,657.26; Revenue: RMB 208,254,627.22; net profit: RMB 94,262,537.89.

3. Object for trade

1. Underlying assets

(1) The assets sold mainly refers to the assets and liabilities related with auto transfer case bearing,the

assets inclued machines,construction in process and the inventory etc. there are no mortgage, pledge or other third party rights, no major controversy, lawsuit or arbitration involved, and no judicial measures of seal up and blocking either.

(2) Transaction with financial involved as (up to 30th September 2015), Total assets 108.22 million Yuan, Total liability 101.51 million Yuan , Net assets 6.71 million Yua, detail amount subject to auditing

(3) Since 2014 to end of September 2015, the auto transfer case bearing losses RMB 19.72 million in total, including RMB 6.72 million losses in 2014, RMB 13 million loss from Jan. to Sept. for year of 2015, it is estimated that the project will be kept in the red, even more serious.

2. According to relevant laws, regulations, department rules and regulation of “stock listing rules” of the Shenzhen Stock Exchange, relevant assets will been evaluated by the assessment agency that has the qualification of security and futures practicing.

III. Draft of the trading agreement

1. Transfer price

By mutual consent, the assets price transfer to WBGC is subject to the appraisal value of net assets.

2. Way of payment and terms

(1) By mutual consent, a one-time payment in cash should be paid according to the agreement transfer price to the Company in 5 working days since the assets transfer agreement come into effect.

(2) The two parties are responsible for coordination with the creditors, in 3 months after assets transfer agreement come into effect, the debts, plans to clearing with the WBGC, will transfer under the name of WBGC.

(3) WBGC promise that if the debt transfer can not get all the consent of the creditors for the transfer assets within the terms regulated in clause 2, the WBGC should, in line with the debt amounts without consent of creditors (based on evaluation price), transfer the price to the Company in monetary within 3 months after agreement effect, the debts still borne by the Company.

3. Delivery of the assets transferred

(1) By mutual consent, the Company transfers assets of auto transfer case bearing to WBGC, within 10 working days after assets transfer agreement effect should be determined as the delivery date.

(2) Before the agreed delivery date, the Company should, transfer the assets under the agreement to WBGC, and the two parties should handle relevant transfer formalities. If WBGC can not transfer the price to the Company in line with the appointed time, the delivery date should be postpone.

4. Other

(1) After assets transfer, resettlement of staff of the former auto transfer case bearing project is the responsibility of WBGC, as for the staff refuse to accept the settlement from WBGC, he/she can be stay in Party A and settle by WBC. if there are economic compensation occurred in the future, the expenses should be cover by two parties without claim. Other mattes not provided herein can be conducted by

negotiation together.

(2) As for the affiliated transaction due to assets transfer, the two parties should enter into an affiliated transaction agreement for operation specification.

IV. Impact on the Company

1. The transfer case bearing assets are in the operation of a loss for a long time, after transfer, save majority investment and benefit a lot for the Company in superior products development.

2. Approximately 457 staff reduced in the Company. The staffs are transfer to WBGC with the assets sold which made the labor costs reduced.

3. Reducing annual loss in the future, and increasing the profitability for Wafangdian Bearing Company.

4. Saving approximately RMB 300 million retrofit investment for Wafangdian Bearing Company.

V. Independent director's opinion

Independent directors of the Company carry out the "Prior Approval" and "Independent director's opinion" for the transaction, and they consider that, the transaction saving a lot of investment for the Company, benefit the development of Company's superior products, reducing annual loss in the future, and increasing the profitability for Wafangdian Bearing Company, therefore, there are no Company's interest be damaged, the minority interest either.

VI. Other

1. The ultimate trading price is subject to the audited evaluation data, after audited evaluation and before Annual General Meeting held, the Company will report the evaluation result to all members of the Directors and supplement the announcement.

VII. Documents available for inspection

1. Wafangdian Bearing Co., Ltd Resolutions of the 2016 1st Extraordinary Board of Directors
2. The opinion of independent director.
3. Pre-confirmation made by independent directors.

Specially Announcement

Board of Dirctor
Wafangdian Bearing Company Limited
15 January 2016