Wafangdian Bearing Co., Ltd.

Related Transaction of Leased Property

The Company and whole members of the Board hereby ensure that the Notice is factual, accurate and complete without any false record, misleading statements or important omissions.

I Summary of related transactions

1. Three companies including Wafangdian Bearing Company Limited (hereinafter referred to as "the Company") rolling element branch company have never really faced the market and searched the development chances due to the long-term inactive system and mechanism and insufficient intrinsic motivation and vitality, so the products are short of competitiveness.

In recent years, the orders have been reducing, and overcapacity, rising costs, benefits decline and other issues have become increasingly prominent. The company's 1st meeting of the seventh board of directors has approved that the Company decides to terminate the businesses of these three companies and close them, respectively rent out the assets to the newly established company of Wafangdian Bearing Group Corp. (hereinafter referred to as "ZWZ"), and gradually sell the assets to counterparties according to the needs of production and management. The company will carry out the relevant approval and disclosure of business in accordance with legal procedures, the above-mentioned transaction does not constitute a major asset restructuring.

2. These three new company are the branch or subsidiary of Wafangdian Bearing Group Corp. (hereinafter referred to as "ZWZ") - the Company's largest shareholder, so leasing assets this time constitutes the related transaction;

3. The related directors Meng Wei, Zhang Xinghai, Chen Jiajun, Li Shi, Sun Maolin and Sun Najuan avoided the deliberation on this matter, other directors all voted yes for this matter, there was neither negative vote nor abstention vote. The company's independent directors have issued the "Prior approval of independent directors" and made "Independent directors' opinions" on this matter;

4. This transaction still needs to get the approval of shareholders meeting, person affiliated with this related transaction will give up the rights to vote for this proposal at the shareholders meeting.

II Basic information of the counterparties

The counterparties of this transaction are ZWZ's newly established branches and subsidiaries, i.e. Wafangdian Bearing Group Precision Roller Co., Ltd. (subsidiary), Wafangdian Bearing Group Precision Holder Co., Ltd. (subsidiary), and Wafangdian Bearing Group Premier Automotive Bearing

Co., Ltd. (Branch Company). Because above companies are founded in less than a year, the investors are hereby introduced as follows:

Company Name: Wafangdian Bearing Group Corp.

Registered capital: 413,793,100 yuan

Legal representative: Meng Wei

Company Type: State-owned enterprise

Business scope: manufacturing and marketing of bearings, components and accessories of bearings, special tools of bearings, tooling, equipments, mechanical equipments, abrasives, toolings, casting, auto parts, motor parts and related industrial products; design, repair, maintenance and technical services of bearings; purchase and marketing of raw materials and auxiliary materials of bearing; house rental and equipment rental.

Financial situation of the past year:

The audited financial situation of ZWZ in 2015: Total assets are 3,547,637,492.19 yuan, net assets are 1,241,838,726.01 yuan, operating incomes are 714,658,810.29 yuan, and net profits attributable to owners of parent company are 68,062,752.06 yuan.

III About the object of transactions

1. Overview of the underlying assets

The rental underlying assets this time include the production equipments, housing and land of Rolling Element Company, Holder Company, and Automotive Bearing Company. Details are as below table:

(1) Assets leasing situation of Wafangdian Bearing Group Automotive Bearing Company (branch company)

In RMB

No.	Lessee	Lessor	Assets Name	PCS	Area (m^2)	Original Value	Net Value	Rental Fee
1	New Automotive Bearing Branch Company	Joint-stock company	Mechanical power transportation equipment	414	-	8,445.76	3,173.50	945.03
			Valuation acceptance device	5	-	3,262.39	2,734.97	370.25
			Metering equipment	25	-	134.22	3.81	15.23
			Office equipment	138	-	238.44	104.32	60.08
			Housing		30,020.00	-	-	360.24

Total	582	30,020.00	12,080.81	6,016.60	1,750.83

(2) Assets leasing situation of Wafangdian Bearing Group Precision Holder Company (subsidiary)

In RMB

No.	Lessee	Lessor	Assets Name	PCS	Area (m^2)	Original Value	Net Value	Rental Fee
2	New Holder Subsidiary	Joint-stock company	Mechanical power transportation equipment	299	-	4802.51	779.86	573.28
			Valuation acceptance device	8	-	70.46	14.78	9.47
			Metering equipment	43	-	27.14	1.73	3.56
			Office equipment	-	11982	-	-	71.89
			Housing	-	17911.5	-	-	26.87
Total				350	29,893.5	4,900.11	796.37	685.07

(3) Assets leasing situation of Wafangdian Bearing Group Precision Roller Company (subsidiary)

In RMB

No.	Lessee	Lessor	Assets Name	PCS	Area (m^2)	Original Value	Net Value	Rental Fee
3	Rolling Element Branch Company	Joint-stock company	Mechanical power transportation equipment	866	-	19026.87	8295.24	1830.77
			Metering equipment	76	-	423.15	110.18	58.49
			Office equipment	35	-	22.63	0.68	2.57
			Housing	-	36063.54	2408.36	757.06	216.38
			Land	-	13712.49	-	-	20.57
Total				977	-	21881.01	9163.16	2128.78

(4) The rental fees of equipments and others are calculated by the depreciation charges and taxes and dues and considering the market price by mutual agreement; rental fees of housing and land are calculated by the market price at the same district.

(5) The lease term starts from the date on which both parties sign the contract to December 31, 2016; the company will include this business into the daily related transactions for unified control in 2017.

2. Other matters

(1) Placement of personnel

The staffs in the old company will be employed by the three new companies and sign new labor contracts voluntarily. 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. Other mattes not provided herein can be conducted by negotiation together.

(2) Both sides sign the related transaction protocol for the related transactions generated by the assets leasing, and proceed normatively.

IV The impact of the transaction on the company

1. Needed by the company's development strategy, three units have been seriously hampering the company’s development which already made losses of 2.5 million yuan in the first half of 2016, and there is no trend to improve in the next half year, and operating losses of these three units can be decreased by business adjustment.

2. Vitalize assets and increase annual rental income of about 45 million yuan.which can increase the cash inflow.

3. Discontinuing operation of the three companies can reduce the employee and cost burdens on the joint-stock company so that the company can focus on the development of superior products of joint-stock company.

4. The company's original demands for rolling elements and holder parts and accessories will make bidding procurement facing to society. The three new company can also be the suppliers.

V Independent directors’ opinions

The company’s independent directors have issued the “Prior approval of independent directors" and made "Independent directors’ opinions" on this matter, the independent directors think this transaction can help the company to vitalize assets and increase rental incomes, concentrate on developing the superior products of joint-stock companies and reduce the company's losses, so it will neither damage the company’s interests nor the rights and interests of minority shareholders.

VI Documents available for reference

1. Resolution of the First Meeting of 7th Board of Directors of Wafangdian Bearing Co., Ltd.;

2. Independent Opinions;

3. Prior approval of independent directors.

Hereby notify

Board of Directors of

Wafangdian Bearing Co., Ltd.

26 August 2016