Wafangdian Bearing Company Limited

Notice on Provision of Assets Impairment

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 9th session of the 8th Board of Directors and the 7th session of the 8th Board of Supervisors on April 23, 2021, reviewed and approved the "Proposal on the Provision for Asset Impairment", the specific situation is announced as follows:

In accordance with the “Accounting Standards for Business Enterprises”, the company’s accounting policies and other relevant regulations, in order to truly/accurately reflect the company’s asset status and financial status as of December 31, 2020, the company has conducted impairment tests on various assets that may show signs of impairment at the end of 2020 within the scope of the consolidated statements. Based on the test results and the principle of prudence, the company planned to withdraw asset impairment reserves for assets that may have asset impairment losses in 2020. In order to faithfully reflect the company’s financial status and asset value, the company fully analyzed and evaluated the recovering possibilities of various receivables and the net realizable value of inventories of the company and its subsidiaries in 2020, and made provisions for impairment of accounts receivable and inventories that may incur impairment losses of 294.98 million yuan based on the principle of prudence. The specific situation is as follows:

Item	Amount accrual (10 thousand Yuan)	Reasons of accrual
Inventory	24,077	Inventories at the end of the period are priced based on the lower of cost and net realizable value. As for inventories that are damaged, fully or partially obsolete, or whose sales price is lower than cost, etc., the unrecoverable part of the cost is expected to be provided for inventory write-down. Inventory write-down of inventory commodities and bulk raw materials are drawn based on the difference between the cost of a single inventory item and its net realizable value; other raw and auxiliary materials with large quantities and low unit prices are drawn the inventory write-down by category.
Fixed assets	2,830	Provision for impairment of fixed assets that are no longer expected to be used
Construction in process	347	The Group inspects the construction in progress on each balance sheet date. When there are signs of impairment, the Group conducts an impairment test. The recoverable amount is determined based on the higher of the net value of the asset’s fair value minus the disposal expenses and the present value of the asset’s expected future cash flow. After the impairment test, if the asset’s book value exceeds its

		recoverable amount, the difference is recognized as an impairment loss.
Account receivable, note receivable and receivable financing	2244	Recognition criteria for credit impairment losses: The Company uses expected credit losses as the basis to impair financial assets measured at amortized cost, debt instrument investments measured at fair value and whose changes are included in other comprehensive income, etc., and confirm the loss provision. For receivables that do not contain significant financing components, the Group uses a simplified measurement method to measure the loss provision based on the amount of expected credit loss equivalent to the entire duration. For accounts receivable divided into portfolios, the Company refers to historical credit loss experience, combines with current conditions and forecasts of future economic conditions, compiles a comparison table of accounts receivable aging and the expected credit loss rate for the entire duration, and calculates the expected credit loss.
Total	29,498	

II Impact on the company's financial status and operating results

The provision for impairment of the above-mentioned various assets is 294.98 million yuan this time, which will affect the company's total profit in the company's 2020 annual consolidated statements to 294.98 million yuan.

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

The provision for asset impairment this time has been reviewed and approved at the 9th meeting of the 8th Board of Directors and the 7th session of the 8th Board of Supervisors convened on April 23, 2021. Independent directors expressed independent opinions on this matter and agreed to this provisions for asset impairment. This case will be submitted to the company's 2020 annual general meeting of shareholders for deliberation.

IV Explanation of the board of directors on the rationality of the asset impairment

According to the "Accounting Standards for Business Enterprises" and the company's relevant accounting policies, the company's receivables and inventory impairment reserves totaled 294.98 million in 2020, which can more objectively and fairly reflect the company's financial status and asset status at the end of the period.

V. Opinions of the Board of Supervisors

The board of supervisors believes that the company’s decision to withdraw asset impairment reserves this time is legal and based on sufficient basis, the provision complies with the accounting standards and other relevant regulations, conforms to the actual situation of the company, and can reflect the company’s asset status more fairly after the provision, and it agrees to the provision for asset impairment.

VI Opinions of independent directors

The independent directors believe that the company’s provision for asset impairment this time has sufficient basis, and the decision-making procedures are standardized and in line with the "Accounting Standards for Business Enterprises" and the company's relevant regulations, and can more fairly reflect the company's financial status, asset value and operating results as of December 31, 2020, which conforms to the overall interests of the company and helps provide investors with more authentic, reliable and accurate accounting information. There is no harm to the interests of the company and all shareholders, especially the small and medium shareholders. We agree to the provision for asset impairment this time.

VII. Documents Available for Reference

1. Resolution of the 9th session of 8th BOD of Wafangdian Bearing Co., Ltd.;

2. Resolution of the 7th session of 8th BOS of Wafangdian Bearing Co., Ltd.

3. Independent Director's Opinion

Hereby notify

Board of director of

Wafangdian bearing Company limited

26 April 2021