

## **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 ninth meeting of the ninth Board of Directors and the seventh meeting of the ninth Board of Supervisors on April 26, 2024 to consider and pass the "Proposal on unmade losses exceeding one-third of the total paid-in share capital", which needs to be submitted to the 2023 annual general meeting of shareholders for consideration. The details are hereby announced as follows:

#### **I. Basic information**

According to the audit of Shu Lun Pan Certified Public Accountants (Special General Partnership), the company's undistributed profit for the year 2023 ended December 31, 2023 was -656,170,250.968Yuan, accounting for-162.98%of the total capital stock of 402,600,000.00 yuan. The undistributed profit in the parent company's report for 2023 is -421,976,934.76 Yuan, accounting for-104.81% 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. In 2023, the company continued to strengthen production and operation management, improve the quality of inventory assets, and reduce the reserve for inventory price decline year-on-year, thereby reducing losses accordingly.
2. Affected by the double factors such as the decline in product selling prices and the rise in raw material procurement costs, the gross profit margin of products has been further narrowed, resulting in the company still in a state of loss.

### **III. Countermeasures**

In order to improve product profit margins and reduce competitive disadvantages, the company will take the following measures to improve profitability in 2024:

#### **1. Increase revenue and gross margin**

(1) Classify products by industry and market type, and formulate differentiated cost and price strategies for products with poor profitability and serious losses in different markets and customers to improve the gross profit level of products.

(2) Revise dealers' pricing strategy, standardize order management, strictly restrict dealers' purchasing behavior, and improve the liquidity of spot products by differentiating prices of spot products and futures products.

(3) Actively explore overseas markets, make use of favorable factors of good policies, expand product sales scale, and increase product sales revenue.

(4) Promote the development of "to raise sail" products, vigorously adjust the market structure and product structure, improve product quality, increase the added value, pull the speed of replacing imports, and improve profitability.

#### **2. Reduce costs**

(1) From product design and manufacturing process optimization, through standardized design and process to achieve simplified design, product structure lightweight, production and processing standardization, so as to reduce manufacturing costs and increase added value.

(2) Expand procurement channels, achieve supply chain cost reduction, and further compress costs through competition mechanism.

(3) Control labor costs, through improving labor productivity, scientific staffing, strict control of the number of workers, flexible internal distribution mechanism, total wage control.

### **IV. Documents for reference**

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

**Hereby notify**

**Board of director of  
Wafangdian bearing Company limited**

**April 29, 2024**