

## **Wafangdian bearing Co., LTD**

### **Announcement on Changes in Accounting Policies**

Our company, the whole members of the board of directors and top managements ensured the truth, accuracy, completeness, no false record, misleading statement and fatal omit of the announcement.

Wafangdian Bearing Co., LTD. (hereinafter referred to as the "Company") has made changes in accordance with the relevant provisions of the "Interpretation No. 18 of Accounting Standards for Business Enterprises" (CAI Kuai [2024] No. 24) (hereinafter referred to as the "Interpretation No. 18") issued by the Ministry of Finance of the People's Republic of China (hereinafter referred to as the "Ministry of Finance"), which will not have a significant impact on the Company's financial position and operating results. Nor is there any situation that harms the interests of the company and its shareholders. The specific matters of this accounting policy change are as follows:

#### **I. Overview of This Accounting Policy Change**

##### **1. Reason for change**

In December 2024, the Ministry of Finance issued Interpretation No. 18, stipulating that for the estimated liabilities arising from quality guarantees of the guarantee type that do not fall under individual performance obligations, they should be recorded in the "Main Business Cost" and "Other Business Cost" accounts at a determined amount, and no longer be recorded in "Selling Expenses". It shall come into effect on December 6, 2024. Due to the above regulations of the Ministry of Finance, the company will make corresponding changes to the original accounting policies and implement them from the prescribed starting date.

##### **2. Accounting policies adopted before the change This accounting policy**

Before the change, the company implemented the "Basic Standards of Accounting Standards for Business Enterprises" and various specific accounting standards issued by the Ministry of Finance in 2006, the "Application Guide of Accounting Standards for Business Enterprises", the "Interpretation Announcement of Accounting Standards for Business Enterprises", and other relevant regulations.

##### **3. The accounting policy adopted after the change This accounting policy**

After the change, the company will implement in accordance with the relevant provisions of the "Interpretation No. 18" issued by the Ministry of Finance. Other unchanged parts shall still be implemented in accordance with the "Basic Standards of Accounting Standards for Business Enterprises" and various specific accounting standards previously issued by the Ministry of Finance, the "Application Guide of Accounting Standards for Business Enterprises", the "Interpretation Announcement of Accounting Standards for Business Enterprises",

and other relevant regulations.

## II. The Impact of This Accounting Policy Change on the Company

### 1. The impact of implementing "Interpretation No. 18" on the company

In accordance with the "Interpretation No. 18", the estimated liabilities arising from quality guarantees that do not fall under individual performance obligations shall be recorded in the "Main Business Cost" and "Other Business Cost" accounts at a determined amount, and shall no longer be recorded in "Selling Expenses". The retrospective adjustment method is adopted to make corresponding adjustments to the financial statements of comparable periods. This regulation will be implemented by our company as of December 6, 2024. The main impacts of our company's implementation of this regulation from the year 2024 are as follows:

Unit: Yuan

The contents and reasons for the change of accounting policies	The affected report items	Merge		Parent company	
		2024	2023	2024	2023
Accounting treatment for quality guarantees that do not fall under individual performance obligations	Operating cost	6,666,758.52	4,457,815.54	6,657,253.29	4,454,503.75
	Sales expenses	-6,666,758.52	-4,457,815.54	-6,657,253.29	-4,454,503.75

2. This change in accounting policy is made by the company in accordance with the relevant regulations and requirements of the Ministry of Finance, which complies with the provisions of relevant laws and regulations. The implementation of the changed accounting policy can objectively and fairly reflect the company's financial position and operating results. This change in accounting policy will not have a significant impact on the company's financial position, operating results and cash flows, and there is no situation that harms the interests of the company and its minority shareholders.

**Hereby notify**

**Board of directors of**

**Wafangdian bearing Company limited**

**April 28, 2025**