

Wafangdian Bearing Company Limited Notice of Change in Accounting Policy

The Company, all 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.

Wafangdian Bearing Co., LTD. (hereinafter referred to as "the company") adopted the proposal on accounting policy changes at the 10th meeting of the seventh board of directors held on August 16, 2019, and the accounting policy changes need not be submitted to the general meeting of shareholders for consideration.

The specific situation is as follows:

I. Overview of accounting policy changes

(I). Reasons for accounting policy changes

1. Revision of accounting standards: the Ministry of Finance issued the "Notice on the Issuance and Revision of <Accounting Standards for Enterprises No. 7 -- Non-monetary Assets Exchange>" (Finance and Accounting [2019] No. 8) on May 9, 2019, issued the "Notice on the Issuance and Revision of < Accounting Standards for Business Enterprises No. 12 - Debt Restructuring >(Finance and Accounting [2019] No. 9) On May 16,2019, requires the implementation of all enterprises implementing accounting standards for business enterprises.

2. Format adjustment of financial statements

On April 30, 2019, the Ministry of Finance issued the "Notice on Revising and Issuing the 2019 Annual General Enterprise Financial Statement Format (Financial accounting [2019] No. 6)", partially adjusting the financial statement format on the basis of the original document [2018] No. 15.

(II) Date of change

According to the documents of Financial Accounting [2019]No.6,[2019]No.8, [2019]No.9,"Accounting Standards for Business Enterprises No. 7 - Exchange of Non-monetary Assets" was implemented on June 10, 2019,"The Accounting Standards for Business Enterprises No. 12 - Debt Restructuring" was implemented on June 17, 2019, and some format changes of financial statements were implemented on June 30, 2019.

II. Main contents of this accounting policy change

The main contents of this accounting policy change are as follows, and the matters not specified shall be subject to the documents of the ministry of finance.

(I) The main content of the changes of "Accounting Standards for Business Enterprises No. 7 - Non - monetary Assets Exchange".

1. In terms of the scope of application of the criteria, it is made clear that transactions in which other criteria should be applied.

2. The recognition point of non-monetary asset exchange is clarified. For the exchange of assets, the enterprise shall confirm the exchange of assets when the assets conform to the definition of assets and meet the requirements for asset recognition; As for the swapped assets, the enterprise shall terminate the recognition when the swapped assets meet the conditions for the termination of recognition of the assets.

3. In the definition of monetary assets, the right to receive a fixed or ascertainable amount is emphasized.

4. For non-monetary asset exchange measured on the basis of book value, if the fair value of multiple assets exchanged at the same time cannot be measured reliably, the apportioned basis of the total book value of the exchanged asset can be "the relative proportion of the original book value of the exchanged asset" or "other reasonable

(II) The changes of the main content for "Accounting Standards for Business Enterprises No. 12 - Debt Restructuring".

1. In terms of the definition of debt restructuring, it emphasizes re-reaching an agreement and no longer emphasizes financial difficulties of debtors and concessions of creditors. The restructured creditor's rights and debts are designated as the category of financial instruments regulated by the accounting standards for business enterprises no. 22 - recognition and measurement of financial instruments. The accounting rules for restructuring creditor's rights and liabilities echo the new financial instruments standards.

2. For debt restructuring by means of paying off debts with non-cash assets, the principle of cost measurement when creditors initially recognize assets other than the transferred financial assets is clarified.

3. It is clear that the creditor waives the creditor's right and adopts fair value measurement.

4. In terms of information disclosure, the method and basis for determining the disclosure and fair value of contingent receivables and contingent payables are delete

(III) Main contents of the format adjustment of financial statements

The company's preparation of the financial statements for the first half year of 2019 and the subsequent financial statements will comply with the requirements of the financial accounting document [2019] No. 6, and mainly change the presentation of the following financial statements.

1. Balance sheet

(1) Split the former "notes receivable and accounts receivable" projects into "notes receivable" and "accounts receivable" projects, and split the former "notes payable and accounts payable" projects into "notes payable" and "accounts payable" projects.

(2) Change the original "financial assets measured at fair value and whose changes are included in current profits and losses" into "trading financial assets".

(3) List the debt-for-equity swap resulting from the restructuring of the debtor as "other equity instrument investment" project.

2. The income statement

(1) adjust the "credit impairment loss" and "asset impairment loss" as the addition to the calculation of operating profit, and the loss is listed as "-";

(2) under "investment income", add "financial assets at amortized cost to stop recognizing income" for separate presentation.

III.The impact of this accounting policy change on the company

1. New financial statement format

The company prepares financial statements according to the relevant requirements of "notice on revising and issuing the 2019 annual general corporate financial statement format", which only affects the financial statement format and the filling of some items, but does not affect the company's net assets, net profit and other financial indicators.

2. Exchange of non-monetary assets

Company according to the Ministry of Finance issued on May 9, 2019 on the printing of revision of <Accounting Standards for Enterprises No. 7 - Exchange of Non-monetary Assets > notice (Finance and Accounting) [2019] No. 8, The exchange of non-monetary assets occurred between the implementation date of solstice on January 1, 2019 shall be adjusted according to this code, and the exchange of non-monetary assets occurred before January 1, 2019 shall not be retroactively adjusted.

3. Debt restructuring

Company according to the ministry of finance issued on May 16, 2019 "About Printing of Revision of" Accounting Standards for Enterprises No. 12 - Debt Restructuring > Notice (Finance and Accounting) [2019] 9, on January 1, 2019 solstice execution day happened between debt restructuring, adjust according to these criteria, in before January 1, 2019 of debt restructuring, not for retroactive adjustment.

IV.The Board of Directors on the Rationality of the Accounting Policy Change

This accounting policy change is issued in accordance with the Ministry of Finance ,the "Notice on the Issuance and Revision of <Accounting Standards for Enterprises No. 7 -- Non-monetary Assets Exchange>" (Finance and Accounting [2019] No. 8) on May 9, 2019, issued the "Notice on the Issuance and Revision of< Accounting Standards for Business Enterprises No. 12 - Debt Restructuring >(Finance and Accounting [2019] No. 9) On May 16,2019.This change of accounting policy conforms to the relevant provisions and the actual situation of the company, and its decision-making process conforms to the relevant provisions of relevant laws and regulations and the company's articles of association. There is no harm to the interests of the company and minority shareholders, so the company agrees to this change of accounting policy.

VII.Documents for future reference

1. Resolution of the 10th meeting of the seventh board of directors;

Hereby notify

**Board of
Wafangdian Bearing Co., Ltd.
19August,2019**