

## Wafangdian Bearing Company Limited Announcement Relating to Debt Reorganizations

The Company, all the 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.

### I. Overview of debt restructuring

#### 1. Daily operational debt restructuring

In order to optimize the debt structure of the enterprise and improve the use efficiency of funds, wafangdian bearing co., LTD. (hereinafter referred to as "the company") cleans up the payable funds of the daily operation of the company from January to June 2019. During this period, the company with precision forging co., LTD., dalian Chang Rui wafangdian bearing group co., LTD., such as 16 suppliers signed the debt restructuring agreement, through friendly consultation, this part of the supplier agree to daily operation nature of the debt owed by a company to make concessions, the business makes the company's debt restructuring income of about 2.02 million yuan;

#### 2. Debt restructuring caused by bankruptcy reorganization of customers

##### (1) Northern Heavy Industries Group co., LTD. Bankruptcy reorganization

Due to the bankruptcy reorganization of the company's client, North Heavy Industry Group Co., LTD. (hereinafter referred to as "North Heavy Industry"), all the receivables cannot be collected, and the accumulated bad debt provision is deducted by 250,000 yuan, resulting in a debt restructuring loss of 4.845 million yuan. The details are as follows:

North Heavy Industry owes the company the payment before its reorganization, our company declares and the manager of the other party confirms that the creditor amount is 6,668,934.01 yuan (including 296,000.43 yuan of interest generated from the creditor's right, the financial expenses have been written down in the second quarter). Because this company "reorganization plan" the court has ruled that the approval, in line with the principle of benefit maximization, review by the board of directors, agree that the north heavy industry reorganization plan about non-financial ordinary creditor's rights in the "repayment scheme (3)", That is, each creditor shall pay off the creditor's rights of less than 300,000 yuan (including 300,000 yuan) in cash before December 31, 2019. The part above 300,000 yuan shall be paid off in cash, with 20% of the payment ratio, 5% of the payment shall be paid off before December 31, 2019, 7% of the payment shall be paid off before December 31, 2020, and 8% of the payment shall be paid off before December 31, 2021. The remainder is exempt.

##### (2) DaLian Long Hui company(company one of Dalian Jichuang group) bankruptcy reorganization

According to the reorganization plan of big machine tool enterprises, (big machine tool enterprises are the 27 enterprises such as dalian gaojin technology development co., LTD., dalian machine tool group co., LTD.). The creditor amount of the company confirmed by the manager is 11,879,777.72 yuan, which will be paid off by means of cash, debt-for-equity swap. According to the reorganization plan of large machine tools, the specific settlement plan obtained by the company is as follows:RMB 4.16 million in cash shall be paid off in the secured debt, and RMB 300,000 in cash shall be paid off in the rest, and 100% of the rest shall be converted into equity.The company recorded the debt-for-equity swap of 7.423 million yuan (7,423,089.69 yuan) into "other equity instrument investment". This business deducted the bad debt provision of 1.088 million yuan (1,088,083.33 yuan) that had been withdrawn at the beginning of the year,

and generated a debt restructuring income of 580,000 yuan (579,777.72 yuan) in the current period.

3. The above-mentioned debt restructuring business resulted in a total loss of 1.949 million yuan, which was recorded into the current profit and loss of the company in 2019. The specific amount shall be subject to 2019 annual audit.

4. Wafangdian Bearing Precision Forging Co., Ltd. and other three suppliers are the first in our company As a wholly-owned subsidiary of a major shareholder, transactions involving this part constitute affiliated transactions.

5. The bill was deliberated and unanimously passed at the tenth board meeting of the seventh session of the company. When deliberating matters related to related transactions, related directors Meng Wei, Zhao Yang, Zhang Xinghai, Sun Najuan, Chen Jiajun and Sun Maolin recused themselves. The independent director of the company has issued opinions of independent directors on this matter.

6. According to the Shenzhen Stock Exchange, the stock market listing rules (5) of article 9.3: "Trading the profits of listed companies in the most recent fiscal year audited net profit of more than 50%, and the absolute amount is more than 5 million yuan" need to be submitted to the shareholders meeting of the debt restructuring does not constitute a "trading" shall be submitted to the shareholders meeting, also does not constitute a "major restructuring of listed companies management method "regulation of material assets reorganization.

7. According to the Shenzhen Stock Exchange "Stock Listing Rules" article 10.2.5: and associated transactions of listed companies, listed companies with cash assets and guarantee except) amount is in thirty million yuan of above, and the absolute values of the listed company's latest audited net assets more than 5% of the related party transactions, besides shall be disclosed in a timely manner, and shall, according to article 9.7 of the rules of the hiring has engaged in securities and futures related business qualification of intermediary organizations, to evaluate trade mark or auditing, a deal and will be submitted to the shareholders meeting. The amount involved in the related debt restructuring accounts for 1.73% of the company's net assets audited in the latest period, and does not constitute a "transaction that shall be submitted to the general meeting of shareholders for consideration".

8. There are no major legal obstacles to the implementation of the debt restructuring.

## **II. the debt restructuring of the other party's basic situation**

1. There are 18 suppliers and customers involved in this debt restructuring. The debt restructuring reached by the company and related parties and the debt restructuring reached by the company and the third party suppliers are independently operated and not mutually prerequisite, and do not constitute a package transaction.

2. Debt restructuring the other party has no other relationship with the company and the top ten shareholders of the company in terms of property rights, business, assets, creditor's rights, liabilities, personnel, etc., which may or has caused the company to tilt its interests or its interests to the company. The company shall conduct debt restructuring in accordance with the principle of fairness, equity and non-discrimination for all debt restructuring. The basic information of North Heavy Industry and related parties is as follows:

### **(I) North Heavy Industry Group Co., LTD**

1. Type of enterprise: limited liability company

2. Address: No. 16, Kaifa road, Shenyang Economic and Technological Development Zone

3. Legal Representative: Liu Xiaodong

4. Registered Capital: 1292.92 million yuan

5. Date of Establishment: June 16, 2004
6. Business Scope: heavy, mining, construction, building materials, electric power, construction machinery, coal mining machinery, general machinery, equipment and accessories, auto parts, rubber products, metal products, steel products, mold processing and manufacturing, etc.
7. As of June 22, 2018, the base date of audit, main financial indicators: total book assets of 7,731,593,900.36 yuan, total liabilities of 22,128,696,688.96 yuan.
8. Not the dishonest person subjected to execution

## **(II) Dalian longhui Industry and Trade Co. LTD( the company belongs to Dalian Machine Tool Series of Company**

Dalian Machine Tool series Company is enterprise for Dalian Machine Tool Group Co., LTD., Dalian Gaojin Technology Development Co., LTD., Dalian longhui Industry and Trade Co., LTD., and other 27 enterprises into the reorganization process, unified by their managers and organize bankruptcy reorganization. Dalian longhui Industry and Trade Co., LTD., the actual customer of our company, is a member of the bankruptcy reorganization plan of Dalian Machine Tool Company. The company's situation is as follows:

1. Type of enterprise: limited liability company
2. Company address: No. 3, Gaoxin street, High-tech Industrial Park, Dalian, Liaoning
3. Legal representative: Duan Zhiyou
4. Registered capital: 20 million yuan
5. Date of establishment: May 9, 2003
6. Business scope: import and export of goods, import and export of technologies, domestic general trade (excluding items prohibited by laws and administrative regulations; Projects restricted by laws and administrative regulations may be operated only after obtaining permission. \*\*\*\* (for projects subject to approval according to law, business activities can only be carried out after approval by relevant departments.)
7. Financial data for the company is not available.
8. He is the person subjected to execution for breach of faith. The specific circumstances of the behavior of the person subjected to execution for breach of faith "refuses to perform the obligations specified in the effective legal document due to his ability to perform". The company is identified as the person who has been executed for breach of trust, which has no impact on the transaction. As the company is a member of dalian machine tool company, it has participated in the overall bankruptcy reorganization, and the company's claims to the company have been fully paid off.

## **(III) ZWZ Precision Forging Co., Ltd.**

1. Type of Enterprise: Limited Liability Company
2. Enterprise Address: No.1, Section 1, Beigongji Street, Wafangdian City, Liaoning Province
3. Legal Representative: Wang Longjie
4. Registered Capital: 24.45 million Yuan
5. Date of Establishment: June 16, 2004
6. Business Scope: forging products processing, mechanical parts processing; forging equipment maintenance; forging annealing; forging process design; sales of metal materials
7. Main financial indicators as of December 31, 2018: total assets of 466,941,300Yuan, total liabilities of 307,927,100Yuan, net assets of 159,014,200Yuan; on December 31, 2018, accumulated operating income of 522,237,600Yuan, and net profit of 7,825,000Yuan.

8. Not the dishonest person subjected to execution

#### **(IV)Wafangdian Bearing Group Equipment Technology Engineering Co., LTD**

1. Type of enterprise: limited liability company
2. Company Address:No.1, Section 1, Beigongji Street, Wafangdian City, Liaoning Province
3. Legal representative: Zhang Xinghai
4. Registered Capital: 3 million yuan
5. Establishment Date: June 1, 2012
6. Scope of business: installation and construction of mechanical and electrical engineering, procurement, manufacturing, installation and sales of mechanical equipment and instruments (the above products are produced after passing the environmental protection examination and approval process, and the sales and leasing of real estate and mechanical equipment are conducted with the qualification certificate); Non-financial asset management (excluding financial and special approval)
7. Main Financial Indicators as of December 31, 2018: total assets of RMB 36,068,800 yuan, total liabilities of RMB 30,940,200 yuan, and net assets of RMB 5,128,600 yuan; As of December 31, 2018, the cumulative operating income reached 4.3888 million yuan and the net profit reached 42,300 yuan.
8. Not the dishonest person subjected to execution

#### **(V) Wafangdian Bearing Precision Rolling Element Co., Ltd.**

1. Type of Enterprise: Limited Liability Company
2. Enterprise Address: No.1, Section 1, Beigongji Street, Wafangdian City, Liaoning Province
3. Legal Representative: Zhang Shiyin
4. Registered Capital: 20 million Yuan
5. Date of Establishment: September 1, 2016
6. Business Scope:Rolling body design, manufacturing and sales, housing, equipment rental (Projects subject to approval according to law can be carried out after approval by relevant departments)
7. Main financial indexes as of December 31, 2018: total assets: 86,368,000yuan, total liabilities: 119,217,100yuan, net assets:-32,849,100yuan; On December 31, 2018, the accumulated operating income was185,973,800yuan, and the net profit was -22,031,500 yuan.
8. Not the dishonest person subjected to execution

### **III Main contents of the debt restructuring plan and debt restructuring agreement**

#### 1. Formation of debts and creditor's rights

After accounting by the company and the financial personnel of 16 suppliers, the company shall pay about 41.63 million yuan for the procurement and project of the above-mentioned suppliers.

The bankruptcy reorganization of Northern Heavy Industry, the receivable payment of 6,668,934.01 yuan cannot be fully recovered; The reorganizationis of Big machine tool enterprise, the company shall receive the payment of 11,879,777.72 yuan, which will be paid off through cash and debt-for-equity.

#### 2. Main elements of the debt restructuring plan

Through communication with the creditors consultation, according to the company with 16 suppliers respectively the debt restructuring agreement, signed in line with the principle of cooperation of mutual benefit, the creditors agree to abandon a part payment of creditor's rights, the remaining payment for

goods by the company in the form of commercial paper, bank deposit to pay creditors, the creditors, after receipt of the payment for goods, the two sides involved in the contract detail claims and liabilities have been settled no other economic disputes.

From January to June 2019, the company completed the daily operating debt restructuring of about 43.65 million yuan, the actual payment for goods was about 41.63 million yuan, and the debt restructuring income was about 2.02 million yuan.

Due to the bankruptcy reorganization of northern heavy industry, all the receivables could not be collected, and the accumulated bad debt provision was deducted by 250,000 yuan, resulting in a debt restructuring loss of 4.845 million yuan.

The reorganization of Big machine tool enterprise, The company's payment of 11,879,777.72 yuan shall be paid off through cash and debt-to-equity conversion. The specific repayment scheme is as follows: 4.16 million RMB of secured debt shall be paid in cash, the remaining amount shall be 300,000 RMB, and the other 100% debt to equity conversion. The specific impact of this debt restructuring on the expected profits and losses of the company is still uncertain, which needs to be determined according to the future business situation of the enterprise relying on the debt-for-equity swap.

3. The debt restructuring does not involve assets such as debt repayment with assets.

#### **IV. Other arrangements for debt restructuring**

The debt restructuring does not involve subsequent arrangements such as personnel placement, land lease, related transactions and inter-industry competition.

#### **V. The reason, purpose and impact of the debt restructuring on the company**

Debt restructuring of the main causes of it is due to the influence of market environment, enterprises in the short term capital relatively nervous, in order to alleviate the pressure of the capital, agreed with the supplier, in the levy, a percentage of the down payment, the determination of the discount is related in their business, both sides can withstand range determined by negotiation; Second, due to the bankruptcy reorganization of customers, from the perspective of safeguarding the company's interests to maximize the receivables collection scheme. Except for the contents agreed in the reorganization agreement, there are no other agreements and arrangements not disclosed. Debt restructuring involving related parties should not be regarded as an equity transaction.

The company's subsequent payment arrangement is based on the supplier's arrears to the settlement period and the company's actual recovery of funds in the current period. The funds are mainly the funds recovered by the enterprise from the external sales of bearing products; It is normal capital payment business, which does not affect the daily operation of the company.

Through debt restructuring, the company further sorted out the debt-creditor relationship of the company, relieved the financial pressure, reduced the debt burden of the company, optimized the debt structure, and improved the company's financial situation, which is conducive to promoting the company's business development.

5. The above-mentioned debt restructuring business resulted in a total loss of 1.949 million yuan, which was recorded into the current profit and loss of the company in 2019. The specific amount shall be subject to 2019 annual audit.

## **VI. Documents for reference**

1. Board Resolution.
2. Resolution of the Board of Supervisors.
3. Independent director's opinion.
4. Other documents required by the Shenzhen Stock Exchange.

**Hereby notified**

**Board of director of Wafangdian bearing  
Company limited  
August19. 2019**

## Attachment:

## Schedule of Daily Operating Debt Restructuring of Wafangdian Bearing Company Limited

Number	Supplier	The actual payment amount	Gain on Restructuring of Debt
<b>I.Related company</b>	<b>Total</b>	<b>23,861,000.00</b>	<b>719,100.00</b>
1	supplier1	650,000.00	13,000.00
2	supplier2	23,000,000.00	690,000.00
3	supplier3	211,000.00	16,100.00
<b>II.external supplier</b>	<b>Total</b>	<b>17,766,970.87</b>	<b>1,300,862.15</b>
1	supplier1	25,186.00	2,518.60
2	supplier2	24,000.00	2,400.00
3	supplier3	18,800.00	1,880.00
4	supplier4	26,000.00	2,600.00
5	supplier5	1,980.00	198.00
6	supplier6	100,000.00	3,000.00
7	supplier7	5,093,004.87	156,864.55
8	supplier8	5,678,000.00	451,401.00
9	supplier9	3,000,000.00	300,000.00
10	supplier10	300,000.00	30,000.00
11	supplier11	500,000.00	50,000.00
12	supplier12	1,000,000.00	100,000.00
13	supplier13	2,000,000	200,000
	<b>Total</b>	<b>41,627,970.87</b>	<b>2,019,962.15</b>