

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 sixteenth meeting of the ninth Board of Directors and the tenth meeting of the ninth Board of Supervisors on April 25, 2025 to consider and pass the "Proposal on unpaid losses exceeding one-third of the total paid-in share capital", which needs to be submitted to the 2024 annual general meeting of shareholders for deliberation. 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 2024 ended December 31, 2024 was -766,382,732.49 yuan, accounting for -190.36% of the total capital stock of 402,600,000.00yuan. The undistributed profit in the parent company's report for 2024 is -495,179,558.47yuan, accounting for -123.81% of the total capital stock of 402,600,000.00yuan. The company's unremedied 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 2024, the total credit impairment losses and asset impairment losses incurred by the company due to the provision for various impairment amounts to 49.87 million yuan, an increase of 25.11 million yuan compared with the previous year.
2. Due to the dual factors of the decline in product sales prices and the increase in raw material procurement costs, the gross profit margin of the products has further narrowed, and the operating gross profit decreased by 40.46 million yuan year-on-year.
3. Effective measures were taken to cut costs and expenses, and the four expenses decreased by 48.92 million yuan year-on-year.

III. Countermeasures

In 2025, the company has set its main business goals as increasing product profits and enhancing profitability. The main measures are as follows:

1. Increase revenue and improve product profit margins.

(1) Seize market orders to increase revenue, focus on large customers for refined operation, develop mid-to-high-end products, streamline the range of self-developed products, divest non-core products, and enhance profitability.

(2) Focus on sales prices for value-added, further strengthen price control, and increase product profit margins. Establish a multi-dimensional price management system and standardize the sales prices of service providers.

2. Implement meticulous cost control to increase profit levels through cost reduction.

(1) Continuously deepen technological research, optimize design and manufacturing processes. Increase the proportion of R&D for mid-to-high-end products and A-class products, optimize design templates, increase the number of standard parts, achieve simplified and serialized design, reduce manufacturing costs, and increase added value.

(2) Deepen the transformation of integrated supply chains, enhance procurement efficiency through centralized purchasing, direct purchasing, and bidding, and achieve cost reduction.

(3) Deepen the transformation of lean production to improve production efficiency, quality, and reduce costs.

(4) Control labor costs, strictly control the total number of employees, and improve personnel efficiency.

(5) Deepen the management of warehousing and logistics to reduce inventory and shipping costs.

IV. Documents for reference

1. Resolution of the sixteenth meeting of the ninth Board of Directors of Wafangdian Bearing Co., LTD.;

2. Resolution of the tenth meeting of the ninth Board of Supervisors of Wafangdian Bearing Co., LTD.

Hereby notify

Board of directors of

Wafangdian bearing Company limited

April 28, 2025