

Wafangdian Bearing Co., Ltd.

Announcement on the provision for credit Impairment and asset Impairment in 2025

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.

I. Overview of the provision for asset impairment

Wafangdian Bearing Co., LTD. (hereinafter referred to as the "Company") deliberated and passed the "Motion on the Provision of Credit Impairment Reserves and Asset Impairment Reserves in 2025" at the fifth meeting of the tenth Board of Directors on April 24, 2026. The details are hereby announced as follows:

1. Reasons for the provision of credit impairment reserve and asset impairment reserve

In accordance with the relevant provisions of the Accounting Standards for Business Enterprises and the Company's accounting policies, in order to truly and accurately reflect the Company's asset position and financial position as at December 31, 2025, the Company conducted a comprehensive examination and impairment test of all types of assets within the scope of the consolidated statements as at December 31, 2025. Provision for credit impairment and asset impairment for related assets that may show signs of impairment as at December 31, 2025.

2. The scope and total amount of the provision for credit impairment and asset impairment

Following a comprehensive inventory and impairment test of assets within the scope of the Company's consolidated statements as at 31 December 2025, such as accounts receivable, notes receivable, other receivables, contract assets, inventory and contract performance costs, fixed assets, construction in progress, etc., during the reporting period, The Company's total credit impairment loss and asset impairment loss resulting from the provision of various impairment provisions amounted to 59.20 million yuan. The details are as follows:

Project	Item	Provision Amount (ten thousand yuan)	Reason for Provision
Loss of credit impairment	Loss on impairment of notes receivable	-170	The company estimates expected credit losses for financial assets measured at amortized cost or fair value with changes recognized in other comprehensive income, either individually or in combination. In addition to assessing overdue credit losses based on individual assets, the company also evaluates expected credit losses for amortized cost financial instruments using aging portfolio analysis. Receivable notes are classified into distinct portfolios according to credit risk characteristics, with expected credit losses calculated on a portfolio basis. The classification criteria include: bank acceptance bills, commercial acceptance bill portfolios from related parties, and commercial acceptance bill portfolios from non-related parties.
	Impairment loss on receivables financing	104	The Company estimates expected credit losses on financial assets measured at amortized cost, financial assets measured at fair value with changes recognized in other comprehensive income, and similar assets, either individually or in combination. In addition to assessing overdue credit losses on an individual asset basis, the Company also evaluates expected credit losses on financial instruments measured at amortized cost using an aging portfolio approach.
	Loss on impairment of accounts receivable	1806	The Company estimates expected credit losses for financial assets measured at amortized cost or fair value with changes recognized in other comprehensive income, either individually or in combination. For receivables arising from transactions governed by Accounting Standard for Business Enterprises No.14 – Revenue (2017), the Company consistently measures loss provisions equivalent to the expected credit loss over the entire life cycle, regardless of whether such receivables contain significant financing components. In addition to assessing overdue credit losses on an individual basis, the Company evaluates expected credit losses on accounts receivable measured at amortized cost using aging group classifications. Accounts receivable are categorized into distinct groups based on credit risk characteristics, with expected credit losses calculated on a group basis. The classification criteria include related-party groups and aging groups. For grouped accounts receivable, the Company develops a comparison table linking aging periods to expected credit loss rates over the entire life cycle, incorporating historical credit loss experience, current conditions, and forecasts of future economic conditions to determine expected credit losses.
	Impairment loss of other receivables	2	The Company estimates expected credit losses on financial assets measured at amortized cost, financial assets measured at fair value with their changes recognized in other comprehensive income, and similar assets, either individually or in combinations. The Group classifies other receivables into various portfolios based on their credit risk characteristics and calculates expected credit losses at the portfolio level. The classification criteria include: related-party portfolios, aging portfolios, and risk-free portfolios (classified according to the creditworthiness of counterparties,

			nature of funds, and transaction safeguards). For other receivables classified into portfolios, the Company determines expected credit losses by referencing historical credit loss experience, considering current conditions and forecasts of future economic conditions, and applying default risk exposure and the expected credit loss rate over the entire life cycle.
Loss on impairment of assets	Loss on inventory decline and impairment loss on contract performance costs	3,954	The Company estimates expected credit losses on financial assets measured at amortized cost, financial assets measured at fair value with their changes recognized in other comprehensive income, and similar assets, either individually or in combinations. The Group classifies other receivables into various portfolios based on their credit risk characteristics and calculates expected credit losses at the portfolio level. The classification criteria include: related-party portfolios, aging portfolios, and risk-free portfolios (classified according to the creditworthiness of counterparties, nature of funds, and transaction safeguards). For other receivables classified into portfolios, the Company determines expected credit losses by referencing historical credit loss experience, considering current conditions and forecasts of future economic conditions, and applying default risk exposure and the expected credit loss rate over the entire life cycle.
	Impairment loss of contract assets	126	For contract assets arising from transactions governed by Accounting Standard for Business Enterprises No.14 – Revenue (2017), the Company consistently measures loss provisions equivalent to the expected credit loss over the entire life expectancy of these assets, regardless of whether they contain significant financing components. Based on historical credit loss experience, current conditions, and forecasts of future economic conditions, the Company prepares a comparison table between the aging structure of contract assets and the expected credit loss rate over their entire life expectancy to calculate impairment losses.
	Impairment loss of fixed assets	98	When impairment indications exist on the balance sheet date, an impairment test shall be conducted. If the impairment test results indicate that the recoverable amount of an asset is lower than its carrying amount, an impairment provision shall be recognized for the difference and recorded as an impairment loss. The recoverable amount is the higher of the net amount of the asset's fair value less disposal costs and the present value of the asset's estimated future cash flows. The asset impairment provision is calculated and recognized on an individual asset basis; if estimating the recoverable amount of an individual asset is difficult, the recoverable amount of the asset group to which the asset belongs shall be determined. An asset group is the smallest combination of assets capable of generating independent cash flows.
Total		5,920	

II. Influence on the company's financial condition and operating results

The impairment of the above-mentioned assets will affect the total profit of the company's consolidated statement in 2025 to 59.20 million yuan.

III. The company's approval procedures for the provision for asset impairment this time

The provision for credit impairment and asset impairment was approved at the Second Meeting of the Board Review Committee held on April 22, 2026, and at the Fifth Meeting of the Tenth Board of Directors held on April 24, 2026.

The case will be submitted to the company's 2025 annual General meeting for consideration.

IV. Explanation by the Board of Directors on the rationality of the provision of credit impairment reserves and asset impairment reserves

In accordance with the provisions of the Accounting Standards for Enterprises and the relevant accounting policies of the Company, the Company will provide for a total of 59.20 million yuan of credit impairment reserves and asset impairment reserves in 2025, which can more objectively and fairly reflect the company's financial position and asset status at the end of the period.

V. Opinion of the Board of Directors' Audit Committee on the Provision for Asset Impairment

The Board of Directors' Audit Committee concludes that the company's resolution to recognize credit impairment provisions and asset impairment provisions follows lawful procedures and is well-grounded. The provisions comply with the Enterprise Accounting Standards and relevant regulations, align with the company's actual circumstances, and provide a more accurate reflection of its asset status. The Committee approves these provisions.

VI. Documents for reference

1. Resolution of the fifth meeting of the tenth Board of Directors of Wafangdian Bearing Co., LTD.;
2. The second Meeting of the Board of Directors' Audit Committee in 2026.

Hereby notify

Board of directors of

Wafangdian bearing Company limited

April 27, 2026