



WORLD PRECISION MACHINERY LIMITED
(Incorporated in Singapore)
(Co. Regn. No: 200409453N)

FULL YEARLY RESULTS ANNOUNCED ON 29 FEBRUARY 2024 – SGX QUERIES

The Company has received queries from the SGX Regco on 28 March 2024 in relation to the Company's announcement on 29 February 2024 released on the SGXnet, titled "Full Yearly Results" (the "Announcement"). All capitalised terms used in this reply which are not otherwise defined herein shall have the same meanings ascribed to them in the Announcement.

The SGX Regco's queries are in italics.

1) In relation to the non-current other receivables amounting to RMB 55,259,000 as at 31 December 2023, please disclose the Board's assessment of the recoverability of the non-current trade and other receivables.

The non-current other receivables amounting to RMB55,259,000 as at 31 December 2023 pertain to prepayment for purchase of property, plant and equipment. The recoverability of these non-current trade and other receivables is not deemed an issue as the Group's counter-parties are reputable and credible suppliers, most of which the Group has had prior dealings with.

2) Please provide the reason(s) for the significant borrowings of RMB250,000,000 by the Group when the Group recorded a cash and cash equivalent of RMB431,549,000 as at 31 December 2023.

Please disclose:

- (i) when were the loans obtained and approved by the Board including the Audit Committee; and*
- (ii) the use of proceeds from the loan.*

The interest rate environment in the People's Republic of China is favourable to borrowers at the time when the loans were drawn down, and as loans from financial institutions can be difficult to obtain, the management team had made the decision to procure the bank loans for its current and expected near future needs for working capital and investment purposes.

- (i) The RMB 150,000,000 loan from Shanghai Pudong Development Bank Co., Ltd. was drawn down on 28 June 2023 and 30 June 2023 (please refer to the Company's announcement released on SGXnet on 1 July 2023 for further details). The RMB 100,000,000 loan from Bank of Jiangsu was drawn down in full on 22 September 2023 (please refer to the Company's announcement released on SGXnet on 13 October 2023 for further details). The Group operates on the basis that bank borrowings to fund the working capital of the Group and to fund investments pre-approved by the Board fall within the purview of the duties of the Group's management team, and accordingly, the two aforementioned loans do not require the prior approval of the Board. The announcements relating to the two loans were approved by the Board, including the Audit Committee, for release on 1 July 2023 and 13 October 2023 respectively.
- (ii) The proceeds from the loans are for working capital and investment purposes.

3) It is noted on page 18 of the unaudited financial statements that, the Company reversed negative goodwill amounting to RMB8,281,000 in 4Q2023. Please disclose how the negative goodwill amount is being arrived at and explain what led to the reversal of negative goodwill for the quarter ended 31 Dec 2023.

The 1H2023 and 3Q2023 result announcement presented a provisional negative goodwill pursuant to FRS 103 para 45. The amount was derived based on a preliminary purchase price allocation assessment, which comprised of valuation reports available as of June 2024 for certain assets and liabilities identified. The purchase price allocation exercise was subsequently

completed after due consideration and management deliberations of the tax implications. The impact is summarized as follows:

Fair value recognised on the date of acquisition of Wanning Yinhu Hot Spring Holiday Hotel Co., Ltd.

	3Q2023 Unaudited RMB'000	4Q2023 Unaudited RMB'000
Property, plant and equipment	34,169	34,169
Land use rights	122,957	122,957
Cash and cash equivalents	23	23
Other payables	(58)	(58)
Deferred tax liability	-	(33,316)
Net identifiable assets at fair value	<u>157,091</u>	<u>123,775</u>
(Negative goodwill)/Goodwill	<u>(8,281)</u>	<u>25,035</u>
Total purchase consideration	<u><u>148,810</u></u>	<u><u>148,810</u></u>

4) It is noted on page 26 of the unaudited financial statements that, the Company recognized other receivables amounting to RMB21,668,000 as at 31 December 2023. Please disclose:

(i) the nature of these other receivables; and

(ii) details of the Group's underlying transactions of these other receivables and the terms of the transactions.

(i) These other receivables are deposits paid, as itemised in (ii) below:

(ii)

Nature	Amount (RMB)	Terms of the transactions
Deposit for Hainan hotel acquisition – Hainan Xinglong Pearl long Pearl Investment Co., Ltd.	20,000,000	Refundable
Deposit for utilities	650,000	Refundable
Deposit for sale tenders	856,000	Refundable
Deposit for others	162,000	Refundable
Total	21,668,000	

By Order of the Board
World Precision Machinery Limited

Wang Weiyao
Executive Chairman
5 April 2024