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

EMPHASIS OF MATTER BY INDEPENDENT AUDITORS

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Board of Directors (the "**Board**") of World Precision Machinery Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the independent auditor of the Company, KPMG LLP, had on 9 June 2020, without modifying their opinion, included in their independent auditor's report (the "**Independent Auditor's Report**"), a section on 'Emphasis of matter - comparative information' (the "**Emphasis of Matter**") in relation to Group's financial statements for the financial year ended 31 December 2018 ("**FY2018**").

Extracts of the Emphasis of Matter in the Independent Auditor's Report and Note 33 to the Group's financial statements for FY2018 ("**Note 33**") are attached to this announcement as "**Appendix I**".

The Board notes that the restated statements will not have an impact to the total assets, total liabilities and total equity of the Company and the Group and net cash and cash equivalents of the Group for the financial year ended 31 December 2018.

Due to the reclassifications set out in Note 33, the full year results for the financial year ended 31 December 2019 and the quarterly results for the first quarter ended 31 March 2020, both of which have been previously announced, will be restated. These restated results announcements will be released separately.

By Order of the Board
World Precision Machinery Limited

Shao Jianjun
Executive Chairman
9 June 2020

Appendix I

Extract of the Emphasis of Matter from the Independent Auditor's Report

Emphasis of matter - comparative information

We draw attention to Note 33 to the financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2018 has been restated. Our opinion is not modified in respect of this matter.

Other matter relating to comparative information

The consolidated financial statements of the Group as at and for the year ended 31 December 2018, excluding the adjustments described in Note 33 to the financial statements, were audited by another firm of Chartered Accountants who expressed an unmodified opinion on those financial statements 25 March 2019.

As part of our audit of the financial statements as at and for the year ended 31 December 2019, we audited the adjustments described in Note 33 that were applied to restate the comparative information presented as at and for the year ended 31 December 2018. We were not engaged to audit, review, or apply any procedures to the financial statements for the year ended 31 December 2018, other than with respect to the adjustments described in Note 33 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 33 are appropriate and have been properly applied.

Extract of Note 33 to the to the Company's financial statements for FY2018

The financial statements of the Group and Company for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on 25 March 2019.

The comparative financial information has been adjusted for the following:

- i) Reclassification of input tax from construction work-in-progress under property, plant and equipment to other receivables as VAT receivables and prepayments for property, plant and equipment have been inadvertently classified in property, plant and equipment;
- ii) Reclassification between trade receivables, amount due from employees, other receivables and respective allowance for expected credit losses to reflect more appropriately the nature of the account;
- iii) Reclassification between trade receivables and VAT receivables to reflect more appropriately the nature of the account;
- iv) Reclassification between trade payables and VAT payables to reflect more appropriately the nature of the account;
- v) Reclassification between cash from changes in working capital from trade and other payables to contract liabilities for better comparable presentation; and
- vi) Reclassification between cash flow from financing activities to cash flow from operating activities for cash flow from increase in bills payables to reflect more appropriately the nature of the cash flow.

As the prior year adjustments have no effect on the information in the statements of financial position, which include total assets, total liabilities and total equity, as at the beginning of the preceding period i.e. 1 January 2018, the third statements of financial position as at the beginning of the preceding period was not prepared.

These adjustments have no effect to the Company's statement of financial position, consolidated statement of profit or loss and other comprehensive income and earnings per share.

The following tables set out the prior year adjustments made to the consolidated statement of financial position and consolidated statement of cash flows as at and for year ended 31 December 2018.

		31 December 2018		
Group	Note	As previously stated RMB'000	Reclassifications RMB'000	As restated RMB'000
<u>Statement of financial position</u>				
Non-current assets				
Property, plant and equipment	(i)	783,146	(25,599)	757,547
Trade and other receivables	(i)	815	18,131	18,946
Current assets				
Trade and other receivables				
Trade receivables	(ii), (iii)	123,827	(1,634)	122,193
Less: allowance for expected credit losses	(ii)	(20,211)	(2,085)	(22,296)
		103,616	(3,719)	99,897
VAT receivables	(i), (iii)	—	11,187	11,187
Amount due from employees	(ii)	9,985	(2,085)	7,900
Less: allowance for expected credit losses	(ii)	(4,057)	2,908	(1,149)
		5,928	823	6,751
Other receivables	(ii)	2,865	—	2,865
Less: allowance for expected credit losses	(ii)	—	(823)	(823)
		2,865	(823)	2,042
Current liabilities				
Trade and other payables				
Trade payables	(iv)	247,257	(4,094)	243,163
VAT payables	(iv)	—	4,094	4,094

		31 December 2018		
Group	Note	As previously stated RMB'000	Reclassifications RMB'000	As restated RMB'000
<u>Consolidated statement of cash flows</u>				
Cash flows from operating activities				
Currency translation differences	(v)	(217)	217	–
Contract liabilities	(v)	–	(1,241)	(1,241)
Trade and other payables	(v), (vi)	40,147	9,629	49,776
Trade and other receivables	(i)	(9,335)	18,131	8,796
Net cash from operating activities		100,725	26,736	127,461
Cash flows from investing activities				
Purchases of property, plant and equipment	(i)	(81,005)	(18,131)	(99,136)
Net cash used in investing activities		(92,580)	(18,131)	(110,711)
Cash flows from financing activities				
Increase in bills payables to bank	(vi)	8,605	(8,605)	–
Net cash used in financing activities		(12,222)	(8,605)	(20,827)