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

UPDATE - DISCLOSEABLE TRANSACTION
LOAN TO YINCHENG REAL ESTATE GROUP CO., LTD.

World Precision Machinery Ltd (the "**Company**") has received queries from the SGX Regco on 17 July 2023 in relation to the Company's announcement on 10 May 2022 (the "**10 May Announcement**") and 14 July 2023, both titled "Discloseable transaction - Loan to Yincheng Real Estate Group Co., Ltd."

The SGX Regco's queries are in italics, and the Company's response is indented. Capitalised terms which are not otherwise defined in this response shall have the same meanings ascribed to them in the 10 May 2022 Announcement.

1) *Please disclose the (i) amount repaid by the Borrower to-date, if any; and (ii) outstanding Loan Amount from the New Loan due for repayment on 9 May 2023 which Mr Wang Weiyao has agreed to settle on behalf of the Borrower on or before 31 August 2023.*

   Prior to the extension of the New Loan, there was another loan of RMB100m. The loan and all interest accruing thereon was fully repaid by the Borrower on 7 May 2022, before the New Loan was disbursed on 9 May 2022.

   As for the New Loan, the amount repaid by the Borrower to-date is nil.

   Under the terms of the New Loan Agreement, the amount due at maturity of the New Loan is RMB100 million plus interest amounting to RMB10 million. As a guarantor of the New Loan, Mr Wang Weiyao has agreed to settle the outstanding New Loan and interest accrued thereon in full, that is, RMB 110 million.

2) *Please disclose the interest income received from the Borrower from 10 May 2022 to-date.*

   Nil. The interest on the New Loan is payable when the New Loan falls due on 9 May 2023, and no payment has been received from the Borrower since the New Loan has become due.

3) *It is disclosed in the 10 May 2022 Announcement that, "the New Loan is supported by Mr Huang Qingping ("Mr Huang") acting as an obligor, with Mr Huang having joint and several obligations with the Borrower under the New Loan Agreement. Mr Huang has also delivered a share certificate of Yincheng Life Service Co., Ltd. ("YC Life"), a company listed on the mainboard of the Stock Exchange of Hong Kong ("HKEX"), representing 86,118,000 YC Life Shares, to be kept in custody by the Borrower and to be returned to him only after full repayment of the New Loan and interest accrued." and that, "To further mitigate any risk and to protect the benefits of the minority shareholders, the Audit Committee also requested that Mr Shao Jianjun and Mr Wang Weiyao place all the Shares that they are directly and deemed interested in under a moratorium until the full payment of the New Loan and interest accruing thereon."*

   a. *Please disclose whether the YC Life Shares certificate is kept in custody by the Lender instead of Borrower;*

      The share certificate representing 86,118,000 YC Life Shares (the "**YC Life Shares Certificate**") is kept in custody by the Lender.

b. *Please disclose whether the Company has sought recourse against Mr Huang. If yes, please provide the relevant information; and*

   See reply to query 6 below.

c. *Please provide a status update on (i) the Shares kept under a moratorium and (ii) YC Life shares kept under custody to be returned only after full repayment of the New Loan.*

   Mr Wang has agreed that the moratorium over his Shares be continued until such time he has fully discharged his obligations under the guarantee he has issued in favour of the Lender. The Company is taking steps to formalise the extension of the said moratorium.

   The YC Life Shares Certificate remains under the custody of the Lender.

4) *Please disclose if there are any negative the financial effect on the Company arising from the overdue New Loan and novation of the New Loan Agreement to Mr Wang Weiyao, if any.*

   There is no negative financial impact on the Company arising, for reason that even though the New Loan is overdue, the Lender's cashflow position remains strong. As for novation of the New Loan Agreement to Mr Wang Weiyao, this will be effected only after Mr Wang Weiyao has fully settled the New Loan (and interest accrued thereon) on behalf of the Borrower. Accordingly, the novation of the New Loan Agreement will not have any negative financial effect on the Company.

5) *Please disclose the mode of settlement by Mr Wang Weiyao in respect of the New Loan (including all interest accruing thereon) on behalf of the Borrower on or before 31 August 2023.*

   The Lender and Mr Wang Weiyao have agreed that the mode of settlement shall be by way of cash, where the New Loan (and interest accrued thereon) will be fully settled in one payment tranche on or before 31 August 2023.

6) *Please disclose (i) the reasons for non-repayment of New Loan by the Borrower; and (ii) efforts taken by the Company to recover the New Loan from the Borrower.*

   Insofar as we are aware, and based on general market data publicly available, the real estate sector in the PRC is suffering from a downturn, and the Borrower's business would likely have been similarly adversely impacted.

   The Lender has spoken to Mr Huang on numerous occasions, including visiting his office, to extensively discuss the issue relating to the repayment of the New Loan. Unfortunately, little progress was made over an approximate 2-month period, and it was only then that the management team of the Group had made the decision to seek recourse against Mr Wang Weiyao under the guarantee he had provided.

7) *Please disclose whether there are any transactions between the Group, the Borrower and Mr Huang, other than the New Loan. If yes, please provide details.*

   No, none of the Group has any transactions with Mr Huang, other than the New Loan.

8) *Please disclose whether there is any connection (including any business relationship) between (i) the Borrower, its directors and substantial shareholders; (ii) Mr. Huang and his associates; (iii) Mr Shao Jianjun (Executive Chairman); and (iv) Mr Wang Weiyao (Non-Executive Non-Independent Director). If yes, please provide details.*

   Other than the New Loan, there is no connection (including any business relationship) between (i) the Borrower, its directors and substantial shareholders, (ii) Mr Huang and his associates on the one hand; and, Mr Shao Jianjun and Mr Wang Weiyao on the other hand.

9) *Please explain the delay in the Company's announcement regarding the non-repayment of New Loan on 14 July 2023, given that the New Loan was overdue for repayment as at 9 May 2023.*

The Group's management team is of the view that immediately announcing the non-repayment of the New Loan may not be in the best interest of the Lender, given that such information, when publicised, could likely have an immediate material adverse impact to the credit worthiness (perceived or actual) of the Borrower, resulting in immediate cascading claims from other creditors of the Borrower. This can potentially jeopardise the recoverability of the New Loan before the Lender has assessed and exhausted its options to recover the New Loan from the Borrower.

Now that it is clear to the Lender that the probability of full and immediate recoverability of the New Loan from the Borrower and Mr Huang is low, the Lender has sought recourse against Mr Wang Weiyao.

By Order of the Board
World Precision Machinery Limited

Shao Jianjun
Executive Chairman
20 July 2023