



**WORLD PRECISION MACHINERY LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration Number: 200409453N)

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**CLARIFICATION ON UNAUDITED FINANCIAL STATEMENTS  
FOR THE SECOND QUARTER ENDED 30 JUNE 2020**

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The Board of Directors (the “**Board**”) of World Precision Machinery Limited (the “**Company**”) refers to the queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 28 August 2020 in relation to the Company’s Unaudited Financial Statements for the second quarter ended 30 June 2020 (“**2Q2020 Unaudited Financial Statements**”), and wishes to clarify the following:

**SGX-ST’s queries**

- (a) With reference to the unaudited financial statements for the period ended 30 June 2020, please provide an explanation for
- (i) Increase in amount due from related parties (trade)
  - (ii) Increase in amount due to related parties (trade)
- (b) It is disclosed on page 4 of the unaudited financial statements that the Company has other payables of RMB 129,838,000 and RMB 143,228,000 for the period ended 31 December 2019 and 30 June 2020 respectively. Please disclose the breakdown of the Group’s other payables for the period ended 31 December 2019 and 30 June 2020 respectively.
- (c) It is disclosed on page 15 of the unaudited financial statements that the increase in trade receivables is mainly due to reclassification of \$132.9 million of bill receivables received and used to pay suppliers but not yet mature. Please provide the relevant accounting entries and explain the reason for the reclassification of \$132.9 million of bill receivables.

**Company’s responses**

- a) (i) The transactions volume and outstanding amounts are as follows:-

<b>Period</b>	<b>Transactions volume (RMB’000)</b>	<b>Outstanding amounts (RMB’000)</b>
1 January 2019 to 31 December 2019	56,802	10,188
1 July 2019 to 30 June 2020	92,161	37,809

The increase in amount due from related parties (trade) for the period ended 30 June 2020 was due to an increase in volume of the transactions with related parties.



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(ii) The transactions volume and outstanding amounts are as follows:-

<b>Period</b>	<b>Transactions volume (RMB'000)</b>	<b>Outstanding amounts (RMB'000)</b>
1 January 2019 to 31 December 2019	89,912	3,696
1 July 2019 to 30 June 2020	89,942	12,578

The increase in amount due to related parties (trade) for the period ended 30 June 2020 was mainly attributed to slower payment to related parties.

(b) Other payables comprised mainly of the following:-

<b>Nature</b>	<b>1H2020 (RMB'000)</b>	<b>FY2019 (RMB'000)</b>
Accrued operating expenses	70,279	65,490
VAT payables	7,688	3,363
Other payables (payables to various suppliers and sales staff mostly with amount less than RMB100,000)	32,613	19,436
Bonus payables	16,974	17,657
Payables relating to property, plant and equipment	15,674	23,892
<b>Total</b>	<b>143,228</b>	<b>129,838</b>

(c) The relevant accounting entries for bill receivables are as follows:-

<b>Before reclassification</b>	<b>After reclassification</b>
Dr Bill receivables \$132.9 million	Dr Bill receivables \$132.9 million
Cr Trade receivables \$132.9 million	Cr Trade and other payables \$132.9 million
Dr Trade and other payables \$132.9 million	
Cr Bill receivables \$132.9 million	

In FY2019 audited financial statements, the Group has taken the advice of the external auditors and determined that the bill receivables which are recourse in nature should not be treated as if the risks have been transferred to the suppliers before the maturity of the bill receivables. Accordingly, consistent with the recognition of bill receivables in the FY2019 audited financial statements, the bills receivables and trade and other payables have been represented as gross amounts in the Group's 1Q2020 and 2Q2020 Unaudited financial statements.



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By Order of the Board

Shao Jianjun  
Executive Chairman  
1 September 2020