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

THE PROPOSED ACQUISITION OF WANNING YINHU HOT SPRING HOLIDAY HOTEL CO., LTD.

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1. INTRODUCTION

The Board of Directors (the "**Board**") of World Precision Machinery Limited (the "**Company**", and collectively, the Company and its subsidiaries, the "**Group**") wishes to announce that the Jiangsu World Tourism Investment Management Co., Ltd ("**JWTIM**"), a wholly-owned subsidiary of the Company has entered into a Share Transfer Agreement (the "**Agreement**") on 6 January 2023 with (i) Wei Haitao (魏海涛), Wei Laiyun (魏来运), Wu Jianguo (吴建国), and Wang Yinjie (王英杰) (collectively, the "**Sellers**"), and (ii) Shandong Zhongda Industrial Group Co., Ltd (山东中达实业集团有限公司) (the "**Obligor**"), in relation to the acquisition of 100% shares in Wanning Yinhu Hot Spring Holiday Hotel Co., Ltd (万宁银湖温泉假日酒店有限公司) (the "**Target Company**", its shares, the "**Target Shares**", and the acquisition, the "**Proposed Acquisition**").

2. BACKGROUND INFORMATION

2.1 The Target Company is a limited liability company incorporated in the People's Republic of China, with a registered capital of RMB 150 million, of which, RMB 1.8 million has been paid up. The main assets of the Target Company comprise:

(a) the right to use the state-owned land held by the Target Company, where the land area is 54,430 square meters, and for the period until 1 April 2050, located in Xinglong Hot Spring Tourism Zone, Wanning City, Hainan Province, China (海南省万宁市兴隆温泉旅游区) (the "**Plot**" and the right to use the Plot, the "**Land Use Right**");

(b) above-ground buildings and fixtures located of the Plot ("**Existing Infrastructure**");

(c) lease over state-owned land (water surface) of 41.72 mu (1 mu = 666.67 sq meters), for the period until 31 March 2050 (the "**Lease**").

2.2 Currently, the Target Company is a dormant company and does not carry out any business operations, save for mainly holding the assets mentioned in paragraph 2.1 above.

2.3 The Sellers are employed by the Obligor, and in particular, Wang Jianguo is the Vice Chairman of the Supervisory Board of the Obligor. Collectively, they are the registered shareholders of 100% of the Target Shares, with Wei Haitao, Wei Laiyun, Wu Jiangguo and Wang Yingjie holding 51%, 17%, 17% and 16% of the Target Shares respectively. The Sellers are holding the Target Shares

as the nominees of the Obligor, with the Obligor retaining the beneficiary interests over the Target Shares. Accordingly, the Obligor has undertaken to be jointly and severally liable with the Sellers for the responsibilities and obligations of the Sellers under the Agreement. The Obligor is a limited liability company incorporated in the PRC, and their principle businesses involve real estate development and operation, and sales of building materials.

3. SALIENT TERMS OF THE AGREEMENT

3.1 A summary of the principal terms of the Agreement is set out below:

(a) The total consideration for 100% of the Target Shares is RMB 155 million (the "**Purchase Price**"), which is based on arm's length negotiations, with reference to the Target Company's financial conditions, taking into account the Target Company's balance sheet, intangible assets, profit and loss and the market conditions.

(b) The Purchase Price is payable in 4 instalments, namely:

i. RMB 10 million within 3 business days of signing of the Agreement ("**First Instalment**"). Concurrently, the Sellers shall send a representative to assist with transfer of the Target Shares to JWTIM (or such related corporation of JWTIM), and the Sellers shall undertake to complete the registration for transfer of the Target Shares within 10 business days of payment of the First Instalment;

ii. RMB 50 million within 6 months of registration of the Target Shares in favour of JWTIM or such related corporation of JWTIM (the "**Second Instalment**");

iii. RMB 50 million within 6 months of the date of payment of the Second Instalment (the "**Third Instalment**"); and

iv. RMB 45 million within 12 months from the date of payment of the Third Instalment (the "**Final Instalment**").

(c) Salient conditions precedent: Payment of each instalment is subject to the following conditions being and continue to be, fulfilled:

i. There is no material adverse changes in the business and operations of the Target Company;

ii. The information and documents provided by the Sellers are true, correct, accurate and not misleading, and will not cause material losses to JWTIM or there being unusual difficulties arising to complete the Proposed Acquisition.

iii. The Sellers and the Target Company have fulfilled and complied with their obligations and conditions precedents to be fulfilled by the Sellers or their related parties on each instalment payment date.

iv. The Sellers and the former employees of the Target Company to actively co-operate with

JWTIM to complete the asset handover related works, and reasonably perform the obligations of notification, maintain confidentiality, explanation and assistance for all matters involving the Target Company in good faith.

(d) Salient conditions precedent to the payment of the First Instalment:

i. All transaction documents are duly signed, the accounts of the Target Company have been adjusted to the requisite accounting standards, with all creditor-debtor relationships clarified.

ii. There being no undisclosed claims or liabilities other than as disclosed.

iii. Delivery of the original financial account vouchers, contracts, land use right certificates and original relevant land information documents, assets, real estate, facilities and equipment and items, the company seal to JWTIM.

iv. All executives appointed by the Sellers are to submit signed letters of resignation, and the Target Company appointing a director or supervisor nominated by JWTIM, and all employment contracts with existing employees of the Target Company terminated in accordance with applicable law and locating relevant resettlement employment for such employees, and there being no labour disputes.

v. All debts between the Sellers, Obligor and the Target Company being fully resolved, with JWTIM fully taking over the daily management and operation of the Target Company.

vi. There being no outstanding disputes with third parties arising from the Proposed Acquisition.

vii. The Obligor having executed the joint and several liability guarantee commitment letter undertaking all the obligations of the Sellers under the Agreement, which is in agreed form (the "**Commitment Letter**") see also paragraph 3.1(g) below).

viii. The Sellers publishing an announcement on "Hainan Daily Newspaper" of the Target Company's claims and liabilities, and furnishing a copy of the same to JWTIM.

(e) Salient conditions precedent to the payment of the Second Instalment:

i. All conditions precedents as set out in the Agreement, including those for payment of the First Instalment remaining fulfilled.

ii. There being no liabilities (contingent or otherwise) arising from before transfer of the Target Shares other than as disclosed and as may have been settled by the Sellers.

iii. The Sellers and the Obligor have not breached their obligations under the Agreement, and have not caused any losses attributable to JWTIM.

iv. The Sellers shall provide necessary assistance to JWTIM should JWTIM be required to

submit for assessment, applications, with such expenses being borne by JWTIM.

(f) The Conditions Precedent to the payment of the Third Instalment and Final Instalment are that the earlier conditions precedent remain fulfilled.

(g) Other Key Terms:

i. The Sellers have undertaken to assume all debts (contingent or otherwise) and third party claims of the Target Company incurred or arising prior to completion of the Proposed Acquisition, and JWTIM has the right to set off any such liabilities arising from remaining instalments of the Purchase Price payable. The Sellers have undertaken and warranted that all assets of the Target Company will, at completion of the Proposed Acquisition, be free from all encumbrances or defect of rights.

ii. The Obligor has undertaken to be jointly and severally liable with the Sellers for any breach of undertakings, warranties and other contractual obligations of the Sellers. In this connection, the Obligor will also be executing the Commitment Letter where, amongst other undertakings and warranties, the Obligor shall undertake the Sellers' obligations and liabilities under the Agreement.

4. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The financial effects of the Proposed Acquisition on the Group are set out below, based on the Group's audited consolidated financial statements for the financial year ended 31 December 2021 ("**FY2021**"), being the latest audited consolidated financial statements of the Group, are purely for illustrative purposes only and do not reflect the future financial position of the Group after the completion of the Proposed Acquisition.

(a) Net Tangible Assets per Share

The effect of the Proposed Acquisition on the net tangible assets ("**NTA**") per share of the Group for FY2021, assuming that the Proposed Acquisition had been effected on 31 December 2021 is as follows:

As at 31 December 2021	Before the Proposed Acquisition	After the Proposed Acquisition
NTA	RMB1,152,615,000	RMB1,168,484,500(1)
NTA per share	RMB2.88	RMB2.92

Note:

(1) The NTA of the Target Company, immediately post completion, is based on adjustments of its balance sheet to take into account (a) the assumption of all of its liabilities (contingent or otherwise) by the Sellers and the Obligor as at completion, (b) the value of the Land Use Right to reflect the current market value of similar parcels of land in the vicinity of the Plot. In determining what the current market value is, the management of the Group had referenced the average price per square metre for the reserve price of 2 plots of land, which are similar in nature to the Plot, released by the Hainan Government for public auction in October 2022.

(b) Earnings per Share

The effect of the Proposed Acquisition on the earnings per share of the Group for FY2021, assuming that the Proposed Acquisition had been effected on 1 January 2021 is as follows:

FY2021	**Before the Proposed Acquisition**	**After the Proposed Acquisition**
Profits after tax attributable to the owners of the Company	RMB113,347,000	RMB129,216,500(2)
Earnings per share	RMB0.28	RMB0.32

Note:

(2) As mentioned in paragraph 2.2 above, the Target Company is currently a dormant company. Most of the profits arising for the Target Company is a result of writing off all liabilities of the Target Company which are assumed by the Sellers and the Obligor.

(c) RELATIVE FIGURES COMPUTED BASED ON RULE 1006 OF THE LISTING MANUAL

The relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

1006 (a)	Net asset value of the assets to be disposed of, compared with the group's net asset value	Not applicable
1006 (b)	Net profits attributable to the assets acquired or disposed of, compared with the group's net profits	14.00%(3)
1006 (c)	Aggregate value of the consideration given or received, compared with the issuer's market capitalisation, based on the total number of issued shares excluding treasury shares	19.85%(4)
1006 (d)	Number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable
1006(e)	Aggregate volume or amount of proved and probable reserves to be disposed of,	Not applicable

	compared with the aggregate of the group's proved and probable reserves	

Notes:

(3) This is calculated on the bases as if the Proposed Acquisition had been effected on 1 January 2021, and on profits arising for the Target Company as a result of writing off all liabilities of the Target Company which are assumed by the Sellers and the Obligor.

(4) The market capitalization of the Company is calculated based on the Company's issued share capital comprising 400,000,000 shares on 5 January 2023, being the latest market day preceding the date of the Agreement, at the price of S$0.38 per share, and on the foreign exchange rate of S$1 to RMB5.13595.

The relative figures computed under Rule 1006 of the Listing Manual exceed 5% but is less than 20%, and accordingly, the Proposed Acquisition is discloseable transaction as classified under Rule 1004(b) of the Listing Manual.

4.1 World Precise Machinery (China) Co., Ltd. had appointed KPMG China to conduct financial due diligence for the Proposed Acquisition, and also appointed Jiangsu Jiang Cheng Law Firm to conduct legal due diligence for the Proposed Acquisition.

4.2 The management team of the Group, comprising Shao Jianjun, Wenhui and Zheng Yi, the Executive Chairman and Chief Executive Officer of the Company and the Finance Manager of the World Precise Machinery (China) Co., Ltd. respectively, and Wang Weiyao, the Non-Executive Non-Independent Director of the Company, have inspected the site of the Plot and negotiated the Purchase Price with the Sellers and representatives of the Obligor directly. The Purchase Price was arrived at based on arms' length negotiations, the management team of the Group assessing the financial condition of the Target Company based on the financial and legal due diligence reports, and with reference to the reserve price of 2 recent plots of land of a similar nature as the Plot, which have been released by the Hainan Government recently for sale by public auction.

5. RATIONALE AND BENEFIT TO THE COMPANY

As mentioned in the Company's announcement dated 7 December 2022, the Board had on 13 October 2022 adopted a Group Strategy Plan ("**Plan**"), outlining the Group's investment strategy planning for the next 5 to 10 years. The Plan sets out parameters for future investments of the Group, in line with the Group's long-term business and investment strategy so as to utilise cash in excess of the Group's short to medium term budgeted working capital and long term capital expenditure requirements. The Proposed Acquisition is for investment purposes, and is in line with the parameters set out in the Plan. The Board will, in due course, determine how to monetize the assets of the Target Company, such as whether to (i) sell the Target Company or its assets at a later date, and/or (ii) further invest in the Existing Infrastructure so as to operate as a resort hotel, or for such other commercial use. The Proposed Acquisition is fully funded by internally generated cash of the Group.

There are no plans for diversification of business for the Group and given the relative figures computed on the bases set out in Rule 1006 which is under 20%, there is no change in risk profile

of the Company arising from the Proposed Acquisition.

6. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the other Directors or controlling shareholders has any interest, direct or indirect, in the Proposed Acquisition, other than through their shareholdings in the Company.

7. DOCUMENTS FOR INSPECTION

The Company will make further announcements when there are material developments in respect of the Proposed Acquisition.

A copy of the Agreement is available for inspection at the registered office of the Company at 9 Straits View, #06-07 Marina One West Tower, Singapore 018937 during normal business hours for a period of three months from the date this announcement.

By Order of the Board
World Precision Machinery Limited

Shao Jianjun
Executive Chairman
9 January 2023