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

THE PROPOSED ACQUISITION OF 100% EQUITY OF A TO-BE INCORPORATED PROJECT COMPANY WITH CERTAIN HOSPITALITY ASSETS AND LIABILITIES TRANSFERRED FROM HAINAN XINGLONG PEARL INVESTMENT CO., LTD.

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1. The Proposed Acquisition

The Company's wholly owned subsidiary, Hainan World Tourism Investment Co., Ltd. (海南沃得旅业投资有限公司 **"HWTI"**), has on 8 October 2023 entered into a Share Transfer Agreement (the "**SPA**") with (i) Zhejiang Haiti Investment Real Estate Co., Ltd. (浙江海地投资置业有限公司 "**Seller A**") and (ii) Zhoushan Ailifen Buidling Materials Co., Ltd. (舟山市爱力奋建材有限公司 "**Seller B**") and collectively, Seller A and Seller B, the "**Sellers**"), in relation to the acquisition of 100% equity of a to-be incorporated project company (the "**Project Company**", and the equity of the Project Company, the "**Project Co Equity**" and the proposed acquisition of the Project Co Equity, the "**Proposed Acquisition**"). Prior to completion to the Proposed Acquisition, certain Assets (as defined below) and Liabilities (as defined below) will be transferred from Hainan Xinglong Pearl Investment Co., Ltd. (海南兴隆明珠投资有限公司 "**Target Company**") to the Project Company.

As at the date of the SPA, Seller A and Seller B hold 76% and 24% of the equity of the Target Company respectively.

1.1 <u>Background Information</u>

The assets of the Target Company comprise namely:-

1.1.1 land use rights over land located on the south side of Pearl Avenue, Xinglong Hot Spring Tourism City, Wanning City, Hainan Province, with an area of 52,668 sq m (the "**Land**" and the land use rights, the "**Land Use Rights**"), and the Land used for tourism related purposes;

1.1.2 building structures constructed on the Land which include 40 hotel villa property and other buildings; and

1.1.3 all ancillary facilities, appurtenances, landscaping on the Land,

(in aggregate, the "**Assets**").

1.2 The Sellers will procure the Target Company to transfer (i) the Assets and (ii) certain liabilities of the Target Company identified and agreed to between the Sellers and HWTI (the "**Liabilities**"), to the Project Company, a company to be incorporated in the PRC by Seller A and Seller B, in the equity proportion of 76% and 24% respectively, with its business scope to include the provision of accommodation and catering services.

1.3 Upon transfer of the Assets and Liabilities from the Target Company to the Project Company, the Sellers shall transfer 100% of the Project Co Equity to HWTI for a consideration of RMB 160 million (the "**Purchase Price**") to be paid by HWTI in cash, of which approximately

RMB107,418,798 is to be paid to the Sellers, and the balance RMB52,581,202 is to be injected as equity into the Project Company, to be applied by the Project Company towards the settlement of the Liabilities. All taxes, fees payable to third parties and other expenses arising from the Proposed Acquisition shall be borne by the Sellers and the HWTI respectively.

1.4 The Purchase Price is payable in 6 tranches, as follows:-

1.4.1 The first tranche payment of 12.5% of the Purchase Price, being RMB 20 million, is payable to the Sellers within 5 days from the date of the signing of the SPA;

1.4.2 The second tranche payment of 15% of the Purchase Price, being RMB 24 million (the "**Second Tranche Payment**"), is payable by the Company by way of an equity capital injection into the Project Company (see paragraph 2.4.2(c) below) within 90 days of the signing of the SPA, provided that the conditions set out below are fulfilled:

(a) The Sellers shall have successfully incorporated the Project Company with a paid up equity of RMB 28.8 million, procured the registration of all licences related to the Assets, including but not limited to real estate ownership certificates, fire protection permits, health permits, to the Project Company, and the business of the Project Company shall be jointly managed by the Sellers and HWTI.

(b) The Sellers settling in full all taxes and fees arising and due from transferring the Assets and Liabilities from the Target Company to the Project Company, and obtain the relevant tax payment certificate.

(c) HWTI having completed the registration of an increase in capital of the Project Company of RMB 24 million.

(d) The Company obtaining the approval by (aa) the relevant regulatory authorities (including but not limited to the SGX-ST), (bb) the board of directors and shareholders of the Company. The Sellers shall work with HWTI and provide such necessary information to assist HWTI to obtain the above approvals.

Upon fulfilment of the conditions set out above, HWTI shall inject equity capital of RMB 24 million, being the Second Tranche Payment, to the Project Company, where the proceeds from the Second Tranche Payment shall be applied by the Project Company to settle debts owing to related parties of the Sellers, being part settlement of the Liabilities transferred. Upon payment of the Second Tranche Payment, HWTI will obtain an equity stake amounting to 45% of the enlarged Project Co Equity.

1.4.3 The third tranche payment of 12.5% of the Purchaser Price, being RMB 20 million (the "**Third Tranche Payment**"), which shall be paid by the HWTI either (i) by way of an equity capital injection to the Project Company and/or (ii) to the Sellers, such that HWTI obtains 60% of the enlarged Project Co Equity, where the proceeds from the Third Tranche Payment shall be applied by the Project Company towards the further part settlement of the Liabilities transferred to the Project Company. The Third Tranche Payment is payable within 120 days of the signing of the SPA, provided:

(a) The conditions set out in paragraph 1.4.2 above are fulfilled and remain fulfilled.

(b) The Sellers having completed the registration of the Project Company's increase in capital of RMB 20 million.

(c) The articles of association, the legal representative of the Project Company, directors, supervisors and senior management are replaced by persons appointed by HWTI.

(d) The Sellers procuring the Project Company register HWTI as owning 60% of the enlarged Project Co Equity.

(e) The Company shall have sole management rights over the business of the Project Company.

(f) the Sellers shall handover the operation and control of the business of the Project Company and deliver all physical Assets to HWTI.

1.4.4 The fourth tranche payment of 20% of the Purchase Price, being RMB 32 million (the "**Fourth Tranche Payment**") which shall be paid by HWTI by way of equity injection into the Project Company and/or paid to the Sellers, and is payable within 6 months of the date of the SPA, provided:

(a) The conditions set out in paragraph 1.4.3 above are fulfilled and remain fulfilled.

(b) All Liabilities of the Project Company have been fully repaid.

(c) The Sellers transferring the balance 40% of the enlarged Project Co Equity to the Company, and that the transfer is successfully registered, resulting in HWTI owning 100% of the enlarged Project Co Equity.

1.4.5 The fifth tranche payment of 30% of the Purchase Price, being RMB 48 million, and is payable within 12 months of the date of the SPA, provided:

(a) The conditions set out in paragraph 1.4.4 above are fulfilled and remain fulfilled.

(b) The Sellers' obligations under the SPA having been fully performed and discharged.

(c) There being no claims against the Project Company for any previously undisclosed liabilities.

(d) HWTI shall pledge 20% of the Project Co Equity to the Sellers, and such pledge to be released by the Sellers upon HWTI paying the Final Tranche Payment.

1.4.6 The final tranche payment of 10%, being RMB 16 million (the "**Final Tranche Payment**"), shall be paid within 24 months of the signing of the SPA for so long as there are no claims against the Project Company for any previously undisclosed liabilities, and where there are such undisclosed liabilities arising, Sellers shall be liable to bear the responsibility to discharge such undisclosed liabilities.

1.4.7 The Sellers and Target Company have given representations that they have fully disclosed all of Target Company's liabilities, and in the event of (i) any other liabilities arising (contingent or otherwise) other than the Liabilities, and (ii) any third party claims against the Project Company incurred or arising prior to completion of the Proposed Acquisition, the Sellers and Target Company have undertaken to take full responsibility for all such other liabilities arising and claims incurred or arising. Furthermore, HWTI shall have the right to set off against the Final Tranche Payment payable, for any liabilities and claims arising from any third party against the Project Company incurred or arising prior to completion of the Proposed Acquisition.

1.4.8 All Assets to be transferred to the Project Company shall be transferred on the basis that that Assets are free of all encumbrances. The Project Co Equity are to be transferred on the basis that they are free of all encumbrances.

1.5 Pro Forma Balance Sheets of the Project Company at Completion of the Proposed Acquisition

1.5.1 The Pro Forma Balance Sheet of the Project Company as at Completion is as follows:

	Per GL	Adjustment	Adjusted	Take over adjustment	Profarma
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Cast and bank balances	364	-364	-	-	-
Trade receivables	142	-142	-	-	-
Other receivables	19,689	-19,689	-	-	-
Stocks	3,169	-3,169	-	-	-
Investments	42,990	-42,990			
Property, plant and equipment	33,404	-3,861	29,543	25,905	55,448
Land use rights	25,995	-14,250	11,745	92,807	104,552
	125,753	-84,465	41,288	118,712	160,000
Liabilities					
Trade payables	540	-540	-	-	-
Other payables	60,344	-7,763	52,581	-52,581	-
Tax payables	96	-96	-	-	-
Salary payables	-	-	-	-	-
Loans	-	-	-	-	-
	60,980	-8,399	52,581	-52,581	-
Net assets	64,773	-76,066	-11,293	171,293	160,000
Equity					
Share capital	90,000	-61,200	28,800	52,581	81,381
Capital reserves	135,761	-	135,761		135,761
Fair value reserves	-	-	-	118,712	118,712
Retained earnings	-160,988	-14,866	-175,854	-	-175,854
	64,773	-76,066	-11,293	171,293	160,000

The net tangible asset of the Project Company (the "**NTA**"), immediately post completion, is based on adjustments of its balance sheet to take into account (a) the settlement in full by the Project Company of all Liabilities, (b) the Sellers undertaking to settle any other liabilities (contingent or otherwise) of the Project Company arising up to Completion, (c) the value of the Land Use Right after taking into account of the current market value of similar parcels of land in the vicinity of the Land. 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 Land, released by the Hainan Government for public auction in October 2022, the information of which is as follows:-

Total consideration			
Area (Sqm)	RMB	Price per Sqm	
4,790.00	12,720,000.00	2,655.53	万宁市兴隆华侨旅游经济区温泉大道南侧地段
26,000.00	76,970,000.00	2,960.38	万宁市兴隆旅游度假区兴梅大道东侧地段
30,790.00	89,690,000.00	2,912.96	Average per square meter

For reference purposes only, to benchmark the Purchase Price to the value of the Land Use Right, the land area attributable to the Land Use Right is 52,668.00 square metres and at

RMB2,912.96 per square metre, this amounted to RMB153,419,777. This is before attributing value to the plant, property and equipment which are situate on the Land, and which are part of the Assets transferred.

As a further reference, when the Group acquired Wanning Yinhu Hot Spring Holiday Hotel Co., Ltd., the land the Group had acquired then was 54,430 square metres for a total consideration of RMB 155 million, which was RMB 2,847.69 per square metre. The Land to be acquired pursuant to the Proposed Acquisition, will be acquired at the value of RMB 3,037,89 per square metre.

1.6 Other than entering into the SPA with the Sellers and the Target Company in relation to the Proposed Acquisition, there is no connection or business relationship between the Company, its directors and substantial shareholders with the Sellers, the Target Company, the Target Company's directors, substantial shareholders, and beneficial owners.

1.7 The Sellers were introduced to the Company by government officers of Wanning Municipal Government, Hainan, the PRC.

1.8 Rationale of the Proposed Acquisition

The Proposed Acquisition allows the Group to diversify the Group's earnings base. The Proposed Acquisition is funded by internally generated cash and bank borrowings of the Group.

2. FINANCIAL EFFECT OF THE PROPOSED ACQUISITION

2.1 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 2022 ("**FY2022**"), 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.

2.1.1 Net Tangible Assets per Share

The effect of the Proposed Acquisition on the NTA per share of the Group for FY2022, assuming that the Proposed Acquisition had been effected on 31 December 2022 is as follows:

As at 31 December 2022	Before the Proposed Acquisition	After the Proposed Acquisition
NTA	RMB 1,139,495,000	RMB 1,138,947,500
NTA per share	RMB 2.85	RMB 2.85

2.1.2 Earnings per Share

The effect of the Proposed Acquisition on the earnings per share of the Group for FY2022, assuming that the Proposed Acquisition had been effected on 1 January 2022 is as follows:

FY2022	Before the Proposed Acquisition	After the Proposed Acquisition

Profits after tax attributable to the owners of the Company	RMB 24,580,000	RMB 24,032,500
Earnings per share	RMB 0.06	RMB 0.06

3. RELATIVE FIGURES COMPUTED BASED ON RULE 1006 OF THE LISTING MANUAL

3.1 The relative figures for the Proposed Sale 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	RMB Nil / RMB 24,580,000 = 0% (1)
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	RMB 160,000,000 / RMB 597,971,169 = 26.76% (2)
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, compared with the aggregate of the group's proved and probable reserves	Not applicable

Notes:

(1) This is calculated on the bases as if the Project Company had been acquired on 1 January 2022, and the net profits calculated for the 12-month period ended 31 December 2022.

(2) The market capitalisation of the Company is calculated based on the Company's issued share capital comprising 400,000,000 shares on 6 October 2023, being the latest market day preceding the date of the SPA, at the price of S$ 0.28 per share, and on the foreign exchange rate of S$1 to RMB 5.3390.

3.2 As the relative figure computed under Rule 1006(c) of the Listing Manual exceeds 20%, but does not exceed 100%, the Proposed Acquisition is classified as a major transaction under Rule 1014 of the Listing Manual.

3.3 Accordingly, the Proposed Acquisition is conditional upon the Company obtaining the approval of the Company's shareholders at an EGM.

3.4 HWTI had appointed Zhonghui Jiangsu Tax Accountant Office Co., Ltd. to conduct financial due diligence for the Proposed Acquisition, and also appointed Beijing Dentons (Haikou) Law Firm to conduct legal due diligence for the Proposed Acquisition. The structure of the

Proposed Acquisition was arrived at after the management of the Group had reviewed the outcome and findings of the due diligence exercise and advised by the due diligence advisers.

3.5 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 Land and negotiated the Purchase Price with the Sellers and representatives of the Sellers directly. The Purchase Price was arrived at based on arms' length negotiations, the management team of the Group assessing the financial condition of the Project 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 Land, which have been released by the Hainan Government recently for sale by public auction.

4. 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.

5. DOCUMENTS FOR INSPECTION

The Company will make further announcements when there are material developments in respect of the Proposed Acquisition, and will also be releasing a circular in accordance with Chapter 10 of the Listing Manual, where the Company will be seeking shareholders' approval for the Proposed Acquisition.

A copy of the SPA 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
8 October 2023