



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

RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) OF ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

The Board of Directors (the “**Board**”) of World Precision Machinery Limited (the “**Company**”, and collectively, the Company and its subsidiaries, the “**Group**”) refers to the questions raised by the Securities Investors Association (Singapore) (“**SIAS**”) in relation to the Company’s Annual Report for the financial year ended 31 December 2023 (“**Annual Report 2023**”). The Company’s responses and the corresponding questions are set out below:

Q1. In the core business of manufacturing stamping machines, management noted a gradual shift towards high-end stamping machines which allowed the group to raise its market share in the premium segment. The group’s key segments of electronics, automotive parts, home appliances and “others” contributed 33.88%, 27.48%, 21.95% and 16.68% of the total revenue respectively.

For the financial year ended 31 December 2023, revenue decreased by 3.19% to RMB1.08 billion, from RMB1.11 billion a year ago. Gross profit margin improved from 16.71% to 17.35% in 2023 due to a decrease in raw material costs and higher sales of high performance high tonnage stamping machines.

Net profit attributable to equity holder for FY2023 decreased by 75.52% to RMB6.02 million from RMB24.58 million in FY2022. Earnings per ordinary share was RMB0.02.

(i) **Automotive parts:** In 2023, China’s total auto exports surged to 4.9 million units, positioning the country to take over from Japan as the world’s leading car exporter. **How many key customers does the group have in the automotive sector and what strategies are in place to acquire new customers? Are there any variations in the specifications for stamping machines needed to manufacture parts for new energy vehicles (NEVs), considering that NEVs typically weigh more compared to internal combustion engine vehicles?**

[Company’s response to Q1\(i\)](#)

The Group’s key customers in the automotive sector are mainly large automotive parts manufacturers, which customers are in turn, tier-1 suppliers to major automobile manufacturers and/or major automobile manufacturers.

To acquire new customers in the automotive sector (or in fact, most sectors), the Group typically employs various strategies such as market analysis and working closely with our distributors, plus continuing to develop and/or deepen relationships directly with end-customers, such as the major automobile manufacturers. The Group undergoes constant product innovation, upgrading of its products’ quality and reliability, and continues to price its products competitively.

Regarding stamping machines for manufacturing parts for new energy vehicles (NEVs), there may indeed be variations in specifications compared to those used for internal combustion engine vehicles (ICEVs). NEVs often have different design requirements, such as larger battery packs and structural components to accommodate the weight and layout of electric drivetrains.

Some key considerations for stamping machines used in NEV parts manufacturing may include higher press capacities, more flexibility, higher precision and accuracy, material compatibility and integration with automation.



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Overall, as a manufacturer of stamping machines for automotive parts, the Group keeps itself updated of evolving trends and requirements in the NEV sector, so as to continuously provide solutions that meet the specific needs of customers in this rapidly growing market segment.

- (ii) **Home appliances:** The smart home appliances industry is poised for “substantial growth” in the coming years (page 7), driven by continuous advancements in product functionalities and technologies as well as government support. **Would this development drive sales of conventional stamping machines rather than high performance high tonnage stamping machines?**

[Company’s response to Q1\(ii\)](#)

There is little correlation between the growth of the smart home appliances industry with that of the ratio of sales of conventional stamping machines when compared with sales of high-performance, high-tonnage stamping machines. The stamping machines sold by the Group are used by appliance parts manufacturers and/or appliance manufacturers to manufacture parts and components used in appliances, rather than the finished appliance goods sold in the consumer market.

The growth in the smart home appliances industry would certainly increase the demand for various components and parts used in their production, which could include stamped metal parts. Our customers choose between conventional and high-performance stamping machines depending on their needs, based on factors such as the complexity of the parts, production volume, precision requirements, and material properties etc.

- (iii) **Thailand:** The group acquired three adjoining plots of land in Rojana Industrial Park Ayutthaya to build a factory for the manufacturing of stamping machines. This strategic move aims to diversify the group’s manufacturing sites beyond Danyang and Shenyang in China. **Could the board provide details on the total investment for this expansion in Thailand? Considering this is the group’s first venture abroad, how well-equipped is the group in establishing a new factory in a foreign country, where language barriers, cultural disparities, and unfamiliarity with Thai legal frameworks, including import/export regulations, labour laws, and tax policies, may pose challenges?**

[Company’s response to Q1\(iii\)](#)

As for the total investment for the expansion in Thailand, the Board has allocated a budget of RMB200 million for the establishment of the factory and associated infrastructure in Rojana Industrial Park Ayutthaya (the “**Factory**”). This budget covers land acquisition, construction costs, machinery procurement, initial staffing, and other related expenses.

Though the Group has no immediate plans to proceed with the construction the Factory, the Group has ready access (through World Sharehold International Limited and its subsidiaries (the “**World Group**”), who are interested persons of the Group) to resources and experience to enable the Group to construct the Factory and undertake the manufacturing of stamping machines eventually.

Of note is that the World Group has already completed construction of two factories located in Rojana Industrial Park Ayutthaya in 2023 and the factories will be commencing manufacturing business during the course of this year. The Group has an understanding with the World Group where when needed, the Group can tap on the World Group’s local Thai business partnerships, their employees who have



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already undergone language and cultural training, their dedicated teams which oversee legal compliance, risk management and regulatory affairs in Thailand covering import/export regulations, labour laws, and tax policies etc.

With access to such resources and experience, the Group believes that it will be adequately prepared and equipped to navigate the complexities of doing business in Thailand and to ensure the success of its venture in this region.

- Q2.** During the financial year, the group diversified into the tourism industry, with the proposed acquisition of a parcel of land in Xinglong Hot Spring Tourism City in Hainan Province (the “**Xinglong Asset**”).

The EGM circular with details of the proposed acquisition can be found here: <https://links.sgx.com/FileOpen/Circular.ashx?App=Announcement&FileID=780699> (the “**Circular**”)

- (i) **Can the board, especially the independent shareholders, help shareholders better understand the level of due diligence carried out prior to entering the share transfer agreement on 6 January 2023?**

Company’s response to Q2(i)

For the record, with respect to the acquisition of the Xinglong Asset, the share purchase agreement was entered into on 8 October 2023 (the “**SPA**”), and not 6 January 2023.

Capitalised terms used in this reply to Q2 which are not otherwise defined herein shall have the same meanings ascribed to them in the Circular.

As set out in the Circular, the legal due diligence was carried out by Beijing Dentons (Haikou) Law Firm, with the Group’s in-house legal team handling PRC law related matters. Zhonghui Jiangsu Tax Accountant Office Co., Ltd. acted as the financial due diligence adviser. The transaction structure and the legal documentation were prepared based on the recommendations of the financial due diligence adviser. For more information on due diligence related issues, please refer to the Circular, and in particular, but not limited to paragraphs 1.5, 2, 4.[4] (erroneously set out as paragraph 4.3 in the Circular) and 4.5 of the Circular.

- (ii) **Were the directors unanimous in the company’s decision to diversify away from the stamping machine business to tourism via the proposed acquisition?**

Company’s response to Q2(ii)

The Board had deliberated and considered the Proposed Acquisition before seeking Shareholders’ approval for the ordinary resolution at the extraordinary general meeting held on 29 December 2023, and takes collective responsibility for its decisions.

Of note is that Shareholders should be aware that when acquiring the Xinglong Asset, it was not to diversify from the stamping machine business, but rather, it was for investment purposes as part of the implementation of the Group Strategy Plan adopted by the Board. The Plan was first announced by the Company on 7 December 2022.



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As mentioned in the Circular, the Board will, in due course, determine how to monetise the Xinglong Asset, such as whether to sell the Xinglong Asset, further invest in the Xinglong Asset so as to operate as a resort hotel (and if so, the likelihood is that the Board will appoint a third party hotel management company to manage the Assets), or for such other commercial use.

The company has also revealed the adoption of “Group Strategy Plan” which outlines the group’s investment strategy for the next 5 to 10 years.

(iii) Can the board provide a detailed overview of the plan?

[Company’s response to Q2\(iii\)](#)

As mentioned in the Circular, the Group Strategy 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.

As the Group Strategy Plan contains sensitive and proprietary information relating to the Group’s future investments, goals and strategies, the Company is unable to disclose more specific information relating to the Group Strategy Plan at this time.

(iv) Would the company be providing shareholders with photographs and videos of the assets/land slated for acquisition, along with architectural drawings or renderings depicting its development plans for the property?

[Company’s response to Q2\(iv\)](#)

When the Board determines how the Xinglong Asset will be monetised, the Company will disclose relevant information to Shareholders.

(v) Who will be spearheading the group’s effort in this? Will management’s focus and energy be diverted away from the stamping machine business?

[Company’s response to Q2\(v\)](#)

Up to the date hereof, and until the Board determines how the Xinglong Asset is to be deployed or dealt with, the nature of the investment in the Xinglong Asset is investment holding, which does not require material focus and energy from the current management team.

The management team will ensure that there will be adequate resources and manpower available to spearhead and manage any new businesses, while maintaining its principal management resources and focus on the Group’s stamping machine business.

Q3. There have been several changes to the board in recent months. The cessations relate to the retirement or resignation of three directors, namely Mr Phang Kin Seng, Ms Low Mui Kee and Mr Lim Yoke Hean (with effect from 29 April 2024).

(ii) Has the nominating committee (NC) reviewed the current competency matrix of the board and identified any gaps in skills or competencies that need to be addressed in future director appointments, especially considering the group’s expansion to Thailand and diversification into the hospitality sector?



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Ms Yap Ming Choo was appointed as lead independent director of the company and Mr Ngo Yit Sung was appointed as independent director of the company on 2 February 2024.

	Date Of Appointment 02/02/2024
	Name Of Person Yap Ming Choo
Date Of Appointment 02/02/2024	Age 66
Name Of Person Ngo Yit Sung	Country Of Principal Residence Singapore
Age 42	The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process) The Board of Directors, having reviewed the qualifications, working experience, expertise, suitability and independence of Ms Yap Ming Choo, approved her appointment as Lead Independent Director of the Company, Chairman of the AC and members of the NC and the RC with effect from 2 February 2024.
Country Of Principal Residence Singapore	The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process) The Board of Directors, having reviewed the qualifications, working experience, expertise, suitability and independence of Mr Ngo Yit Sung, approved his appointment as an Independent Director of the Company, and a member of the AC and the Chairman of the NC and the RC with effect from 2 February 2024.

(Source: company announcements)

According to the directors' biographies (page 13), Ms Yap Ming Choo was the CFO of TA Corporation Ltd until her retirement in 2022 while Mr Ngo Yit Sung held an executive director role in TOTM Technologies Limited and is currently an executive director of Eneco Energy Limited.

- (ii) **Would the board elaborate further on the rationale, selection criteria, board diversity considerations and the search and nomination process, that led to the appointments of Ms Yap Ming Choo and Mr Ngo Yit Sung, as required in the SGX template?**
- (iii) **Given that the directors will be seeking their re-election, can the directors let shareholders know how they envision themselves contributing to the board, particularly given that the core business of stamping machines in China, the expansion to Thailand and the recent diversification into hospitality in Hainan? How relevant are the directors' experiences from their (present/former) roles in TA Corporation, TOTM Technologies and Eneco Energy?**

[Company's responses to Q3\(i\) to \(iii\)](#)

Mr Lim Yoke Hean (appointed on 2 July 2010) and Mr Phang Kin Seng (Lawrence) (appointed on 28 April 2010 and retired at the conclusion of the annual general meeting held on 28 April 2023) had each served as Independent Director of the Company for a period exceeding nine years from their respective date of first appointment.

To ensure that the composition of the Board remains diverse, the Board aims to maintain a majority of its Board members to be made up of Non-Executive Directors, with at least (i) half of the Board making up of Independent Directors and (ii) one female Director on the Board, at all times.

In conjunction with the progressive renewal and succession planning of the Board based on its Board Diversity Policy and plans/timelines for achieving its targets:



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- (a) It was stated in the Company's annual report for the financial year ended 31 December 2021 that the Nominating Committee ("**NC**") and the Board intended to bring in an additional new Independent Director by 31 December 2022.

Consequently, the Board had appointed Ms Low Mui Kee as the Lead Independent Director on 1 February 2023 in place of Mr Phang Kin Seng (Lawrence) who did not seek re-election and retired as a Director of the Company pursuant to Article 89 of the Company's Constitution at the conclusion of the annual general meeting ("**AGM**") of the Company held on 28 April 2023.

- (b) It was stated in the Company's annual report for the financial year ended 31 December 2022 that the NC and the Board are in the midst of reviewing its Board composition with an intent to bring in an additional new Independent Director in place of Mr Lim Yoke Hean before the Company's AGM for the financial year ended 31 December 2023 to be held in April 2024.

Ms Low Mui Kee resigned on 28 December 2023 due to personal reasons as set out in (i) the announcement of cessation relating to her resignation dated 29 December 2023 (announcement reference: SG231229OTHRQOQX); and (ii) the Company's minutes of extraordinary general meeting held on 29 December 2023 (announcement reference: SG240126XMETSE1K).

In view of the above, the Company had appointed Mr Ngo Yit Sung as Independent Director of the Company and Ms Yap Ming Choo as Lead Independent Director of the Company with effect from 2 February 2024. For more information, please refer to the Company's announcement dated 2 February 2024 (announcement reference: SG240202OTHRZC1T).

The Company has in place a Process for Selection and Appointment of New Directors which provides the procedure for identification of potential candidates, evaluation of candidates' skills, knowledge and experience and assessment of candidates' suitability. For more information, please refer to the disclosure under Provision 4.3 - Process for selection and appointment of new Directors.

The size and composition of the Board is reviewed annually by the NC to ensure that the size and composition of the Board and the Board Committees are appropriate so as to facilitate effective decision making. The review will ensure that there is an appropriate mix of expertise, gender, skillset, knowledge and experience, which the Group may tap on for assistance in furthering its business objectives and shaping its business strategies.

Having regard to the guidelines in the Company's Board Diversity Policy, the NC had, in reviewing the Board's composition, rotation and retirement of Directors, and succession planning, taken into account factors, including but not limited to gender, age, nationality, cultural background, educational background, experience, skillset, knowledge, independence and length of service. The NC and the Board had also evaluated the diversity of the Board and the Board Skills Matrix, details of which are set out on pages 27 and 28 of its Annual Report 2023.

Each Director (including Ms Yap Ming Choo and Mr Ngo Yit Sung) had been appointed based on his or her strength, experience and stature. They are expected to bring a valuable range of experience and expertise, and contribute to the development of the Group's strategy and business performance. Together, the Board and Board Committees comprise Directors who, as a group, provide an appropriate balance and diversity of skills, experience and knowledge to the Company. They also



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bring with themselves a wide range of core competencies such as accounting and financial management, business management and strategic planning experience, industry knowledge (manufacturing and machinery) and banking and finance experience. The diversity of the Directors' background allows for the useful exchange of ideas and views. All Directors have extensive experience in jurisdictions outside Singapore, specifically the People's Republic of China. Key information regarding the Directors (including Ms Yap Ming Choo and Mr Ngo Yit Sung) is set out under the "Board of Directors" section of the Annual Report 2023.

The NC, having considered the attendance and participation of the Director at Board and Board Committees' meetings, and taking into account the track record, experience and capabilities to, amongst others, provide insight and guidance to the Group's business and strategies, of Ms Yap Ming Choo and Mr Ngo Yit Sung, and had recommended to the Board their re-election pursuant to Article 88 of the Company's Constitution at the forthcoming AGM.

By Order of the Board
World Precision Machinery Limited

Wang Weiyao
Executive Chairman
26 April 2024