

CIRCULAR DATED 11 JUNE 2020

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

This Circular is issued by World Precision Machinery Limited (the “**Company**”). Its purpose is to explain to the Shareholders the rationale and provide information for the proposed renewal of the IPT Mandate to be tabled at the Annual General Meeting of the Company (the “**AGM**”) to be held by way of electronic means on Friday, 26 June 2020 at 2.00 p.m.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of the Company, you should forward this Circular to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited (“**SGX-ST**”) assumes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Circular.



World Precision Machinery Limited
(Incorporated in Singapore)
(Company Registration No: 200409453N)

**CIRCULAR TO SHAREHOLDERS ACCOMPANYING THE NOTICE OF
ANNUAL GENERAL MEETING DATED 11 JUNE 2020**

in relation to

THE PROPOSED RENEWAL OF THE INTERESTED PERSON TRANSACTIONS MANDATE

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DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated.

"2019 AGM"	: The AGM held on 29 April 2019
"2020 AGM"	: The AGM to be held on 26 June 2020, or any adjournment thereof
"AGM"	: The annual general meeting of the Company or any adjournment thereof
"Audit Committee"	: The audit committee of the Company, comprising Mr. Wang Weiyao, Mr. Phang Kin Seng (Lawrence) and Mr. Lim Yoke Hean as at the Latest Practicable Date
"CDP"	: The Central Depository (Pte) Limited
"Companies Act"	: The Companies Act, Chapter 50 of Singapore
"Company"	: World Precision Machinery Limited
"Directors"	: The directors of the Company for the time being
"Group"	: The Company and its subsidiaries
"Independent Directors"	: The Directors who are considered to be independent for the purposes of the IPT Mandate are, as at the Latest Practicable Date, Mr. Phang Kin Seng (Lawrence) and Mr. Lim Yoke Hean
"IPT Mandate"	: The proposed mandate pursuant to Rule 920 of the Listing Manual for interested person transactions of a recurrent nature in the ordinary course of business
"Latest Practicable Date"	: The latest practicable date prior to the printing of this Circular, being 5 June 2020
"Listing Manual"	: The Listing Manual of the SGX-ST
"Resolution 8"	: The ordinary resolution relating to the renewal of the IPT Mandate
"RMB"	: Renminbi, the lawful currency of the People's Republic of China
"Securities Accounts"	: Securities accounts maintained by Depositors with CDP, but not including securities sub-accounts maintained with a Depository Agent
"SGX-ST"	: Singapore Exchange Securities Trading Limited
"Shareholders"	: Registered holders of the Shares except that where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares and where the context admits, mean the Depositors whose Securities Accounts are credited with Shares
"Shares"	: Ordinary shares in the capital of the Company
"S\$", "\$" and "cents"	: Singapore dollars and cents, respectively
"%" or "per cent."	: Per centum or percentage

The terms **"Depositor"**, **"Depository Agent"** and **"Depository Register"** shall have the respective meanings ascribed to them in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or the Listing Manual, or any modification thereof and not otherwise defined in this Circular shall have the same meaning assigned to it under the Companies Act or the Listing Manual, or any modification thereof, as the case may be.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any reference to a time of day and date in this Circular is made by reference to Singapore time and date unless otherwise stated.

Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures that precede them.

LETTER TO SHAREHOLDERS

WORLD PRECISION MACHINERY LIMITED

(Incorporated in Singapore)
(Company Registration No: 200409453N)

Directors:	Registered Office:
Mr. Shao Jianjun (<i>Executive Chairman</i>)	120 Robinson Road
Mr. Wang Weiyao (<i>Non-Executive and Non-Independent Director</i>)	#08-01
Mr. Phang Kin Seng (Lawrence) (<i>Lead Independent Director</i>)	Singapore 068913
Mr. Lim Yoke Hean (<i>Independent Director</i>)	

11 June 2020

To: The Shareholders of the Company

Dear Sir / Madam

1. INTRODUCTION

The Company has, on even date, issued a Notice of AGM for the 2020 AGM, being the forthcoming AGM to be held on 26 June 2020.

Item 8 appearing under the heading “**Special Business**” in the Notice of AGM is an ordinary resolution (“**Resolution 8**”) in relation to the proposed renewal of the IPT Mandate, as further explained in paragraph 2.

The purpose of this Circular is to provide Shareholders with relevant information pertaining to and to seek their approval for Resolution 8 at the 2020 AGM. This Circular has been prepared solely for the purpose set out herein and may not be relied upon by any persons (other than Shareholders) or for any other purpose.

The SGX-ST assumes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Circular.

2. THE PROPOSED RENEWAL OF THE IPT MANDATE

The Company had, at the 2019 AGM, sought and obtained the approval of Shareholders for the renewal of the IPT Mandate to enable the Company, its subsidiaries and associated companies, to enter in the ordinary course of business into certain types of transactions with specified classes of the Company’s “interested persons”, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such transactions.

The IPT Mandate is subject to annual renewal and its validity period will expire on the date of the forthcoming 2020 AGM or the date by which the next AGM is required by law to be held. Accordingly, it is proposed that the renewal of the IPT Mandate be tabled to Shareholders for approval at the 2020 AGM.

The IPT Mandate, the particulars of the interested person transactions in respect of which the IPT Mandate is sought, including the rationale for, and the benefits to, the Company and its entities at risk, the methods or procedures for determining transaction prices and other general information relating to Chapter 9 of the Listing Manual remain largely unchanged and are set out in Appendix A.

3. AUDIT COMMITTEE CONFIRMATION

Pursuant to Rule 920(1)(c) of the Listing Manual, the Audit Committee confirms that:

- (a) the methods or procedures for determining the transaction prices under the IPT Mandate have not changed since the 2019 AGM; and
- (b) the methods or procedures referred to in sub-paragraph (a) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

LETTER TO SHAREHOLDERS

4. INTERESTS OF DIRECTORS, CHIEF EXECUTIVE OFFICER AND SUBSTANTIAL SHAREHOLDERS

4.1 **Directors' and Chief Executive Officer's Interests.** The interests of the Directors and the Chief Executive Officer in the Shares as recorded in the Register of Director's and Chief Executive Officer's Shareholdings of the Company as at the Latest Practicable Date are set out below:

Director	Number of Shares			
	Direct Interest	% ⁽¹⁾	Deemed Interest ⁽²⁾	% ⁽¹⁾
Wang Weiyao	200,000	0.05	295,391,000	73.85
Shao Jianjun	-	-	54,100,000	13.53
Lim Yoke Hean	-	-	200,000	0.05
Chief Executive Officer				
Zhuang Guosheng	-	-	-	-

Notes:

- (1) The figures are based on the issued share capital of 400,000,000 Shares as at the Latest Practicable Date and are rounded to the nearest 2 decimal places.
- (2) Deemed interests refer to interests determined pursuant to Section 4 of the Securities and Futures Act, Chapter 289.

4.2 **Substantial Shareholders' Interests.** The interests of the substantial Shareholders in the Shares as recorded in the Register of Substantial Shareholders of the Company as at the Latest Practicable Date are set out below:

Substantial Shareholders	Number of Shares			
	Direct Interest	% ⁽¹⁾	Deemed Interest ⁽²⁾	% ⁽¹⁾
World Sharehold Limited	295,391,000	73.85	-	-
Wang Weiyao	200,000	0.05	295,391,000	73.85
Minshun Private Limited	54,100,000	13.53	-	-
Shao Jianjun	-	-	54,100,000	13.53

Notes:

- (1) The figures are based on the issued share capital of 400,000,000 Shares as at the Latest Practicable Date and are rounded to the nearest 2 decimal places.
- (2) Deemed interests refer to interests determined pursuant to Section 4 of the Securities and Futures Act, Chapter 289.

LETTER TO SHAREHOLDERS

5. DIRECTORS' RECOMMENDATIONS AND VOTING

5.1 **Independent Directors.** The Directors who are considered independent for the purposes of the IPT Mandate are, as at the Latest Practicable Date, Mr. Phang Kin Seng (Lawrence) and Mr. Lim Yoke Hean.

5.2 **Recommendation.** The Independent Directors are of the opinion that the renewal of the IPT Mandate is in the best interests of the Group. Accordingly, the Independent Directors recommend that Shareholders vote in favour of Resolution 8, being the ordinary resolution relating to the renewal of the IPT Mandate to be proposed at the 2020 AGM.

The Independent Directors, in rendering their recommendation, have not had regard to the specific investment objectives, financial situation, tax position and/or unique needs and constraints of any Shareholder.

As different Shareholders would have different investment objectives, the Independent Directors recommend that any individual Shareholder who may require specific advice in relation to the IPT Mandate should consult his/her stockbroker, bank manager, solicitor, accountant or other professional advisers.

5.3 **Abstention from Recommendation and Voting.** Mr. Wang Weiyao, who is a controlling shareholder of the Company and an Interested Person, has abstained from making any recommendation to Shareholders in relation to the proposed renewal of the IPT Mandate.

Mr. Wang Weiyao will abstain from voting his holding of Shares, and has undertaken to ensure that his associates will abstain from voting their respective holdings of Shares, on Resolution 8, being the ordinary resolution relating to the renewal of the IPT Mandate to be proposed at the 2020 AGM.

Mr. Wang Weiyao will also decline to accept appointment as proxy for any Shareholder to vote in respect of Resolution 8, being the ordinary resolution relating to the renewal of the IPT Mandate to be proposed at the 2020 AGM, unless the Shareholder concerned shall have given specific instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of Resolution 8.

6. ANNUAL GENERAL MEETING

The 2020 AGM, notice of which is circulated together with this Circular, will be held by way of electronic means on Friday, 26 June 2020 at 2.00 p.m. for the purpose of considering and, if thought fit, passing with or without any modifications, Resolution 8, being the ordinary resolution relating to the renewal of the IPT Mandate to be proposed at the 2020 AGM.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the IPT Mandate and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

LETTER TO SHAREHOLDERS

8. INSPECTION OF DOCUMENTS

The following documents are available for inspection at the registered office of the Company during normal business hours from the date of this Circular up to the date of the 2020 AGM:

- (a) the annual report of the Company for the financial year ended 31 December 2019; and
- (b) the constitution of the Company.

Yours faithfully
for and on behalf of
the Board of Directors of
WORLD PRECISION MACHINERY LIMITED

Yuen Pei Lur Perry
Company Secretary

APPENDIX A

THE IPT MANDATE

1. Chapter 9 of the Listing Manual

- 1.1 Chapter 9 of the listing manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) governs transactions between a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be at risk, with the listed company’s interested persons.
- 1.2 Except for any transaction which is below S\$100,000 in value and certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and hence are excluded from the ambit of Chapter 9, when this Chapter applies to a transaction with an interested person and the value of the transaction alone or in aggregation with other transactions conducted with the same interested person during the financial year reaches or exceeds certain materiality thresholds (which are based on the listed company’s latest audited consolidated net tangible assets (“**NTA**”)), the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders’ approval for the transaction. In particular, shareholders’ approval is required for an interested person transaction of a value equal to, or exceeding:
- (a) 5% of the listed company’s latest audited consolidated NTA; or
 - (b) 5% of the listed company’s latest audited consolidated NTA, when aggregated with the values of all other transactions entered into with the same interested person (as such term is construed under Chapter 9 of the Listing Manual) during the same financial year.
- 1.3 Based on the latest audited consolidated financial statements of World Precision Machinery Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) for the financial year ended 31 December 2019, the consolidated NTA of the Group was RMB1,050,603,000. Accordingly, in relation to the Company, for the purpose of Chapter 9 of the Listing Manual, in the current financial year and until such time as the audited consolidated financial statements of the Group for the financial year ending 31 December 2020 are published, 5% of the latest audited consolidated NTA of the Group would be RMB52,530,150.
- 1.4 Rule 920(1) of the Listing Manual, allows a listed company to seek a mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not for the purchase or sale of assets, undertakings or businesses) which may be carried out with the listed company’s interested persons. A general mandate is subject to annual renewal.
- 1.5 The information required by Rule 920(1)(b) of the Listing Manual are as follows:
- (a) the names of the interested persons with whom the entity at risk (as defined below) will be transacting;
 - (b) the nature of the transactions contemplated under the mandate;
 - (c) the rationale for and benefit to the entity at risk;
 - (d) the methods or procedures for determining transaction prices;
 - (e) the independent financial adviser’s opinion on whether the methods or procedures in (d) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the listed company and its minority shareholders;
 - (f) an opinion from the Audit Committee if it takes a different view to the independent financial adviser;
 - (g) a statement from the listed company that it will seek a fresh mandate from shareholders if the methods or procedures in (d) above become inappropriate; and
 - (h) a statement that the interested person will abstain, and has undertaken to ensure that its associates will abstain, from voting on the resolution approving the transaction.

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- 1.6 An independent financial adviser's opinion is not required for the renewal of a general mandate provided that the audit committee confirms that:
- (a) the methods or procedures for determining the transaction prices have not changed since last shareholder approval; and
 - (b) the methods or procedures in Rule 920(1)(c)(i) of the Listing Manual are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the listed company and its minority shareholders.
- 1.7 Under the Listing Manual:
- (a) an "**entity at risk**" means:
 - (i) the listed company;
 - (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
 - (iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the "**listed group**"), or the listed group and its interested person(s), has control over the associated company;
 - (b) in the case of a company, an "**interested person**" means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder;
 - (c) an "**associate**" in relation to an interested person who is a director, chief executive officer, substantial shareholder or controlling shareholder (being an individual), includes an immediate family member (that is, the spouse, child, adopted child, step-child, sibling or parent) of such director, chief executive officer, substantial shareholder or controlling shareholder, the trustees of any trust of which the director/his immediate family, the chief executive officer/his immediate family, the substantial shareholder/his immediate family or the controlling shareholder/his immediate family is a beneficiary, or in the case of a discretionary trust, is a discretionary object, and any company in which the director/his immediate family, the chief executive officer/his immediate family, the substantial shareholder/his immediate family or the controlling shareholder/his immediate family has or have an aggregate interest (directly or indirectly) of 30% or more, and, where a substantial shareholder or a controlling shareholder is a corporation, its subsidiary or holding company or fellow subsidiary or a company in which it and/or its subsidiary and/or its holding company and/or its fellow subsidiary have an aggregate interest (directly or indirectly) of 30% or more;
 - (d) an "**approved exchange**" means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles as Chapter 9 of the Listing Manual;
 - (e) an "**interested person transaction**" means a transaction between an entity at risk and an interested person; and
 - (f) a "**transaction**" includes the provision or receipt of financial assistance; the acquisition, disposal or leasing of assets; the provision or receipt of goods or services; the issuance or subscription of securities; the granting of or being granted options; and the establishment of joint ventures or joint investments, whether or not in the ordinary course of business, and whether or not entered into directly or indirectly.

APPENDIX A

2. Scope and Validity Period of the IPT Mandate

- 2.1 It is anticipated that the Group would in the ordinary course of its business, enter into transactions with the Company's interested persons set out in paragraph 3 below (the "Interested Persons") that are necessary for the day-to-day operations of the Group. In view that such transactions will be recurring transactions that are likely to occur with some degree of frequency and arise at any time and from time to time, the directors of the Company (the "Directors") propose that a general mandate be approved by shareholders of the Company (the "Shareholders") for the Group to enter in the ordinary course of business into various types of transactions set out in paragraph 4 below (the "Interested Person Transactions") with the Interested Persons, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such transactions.
- 2.2 The IPT Mandate describes the review procedures for ensuring that such transactions will be entered into with Interested Persons on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.
- 2.3 The IPT Mandate will not cover any Interested Person Transaction which has a value below S\$100,000 as the threshold and aggregation requirements of Chapter 9 of the Listing Manual do not apply to such transactions.
- 2.4 Transactions with interested persons which do not come within the ambit of the IPT Mandate (including any renewal thereof) will be subject to applicable provisions of Chapter 9 of the Listing Manual and/or other applicable provisions of the Listing Manual.
- 2.5 The IPT Mandate will take effect from the passing of Resolution 8, being the ordinary resolution relating to the renewal of the IPT Mandate to be proposed at the 2020 AGM, and will continue in force (unless earlier revoked or varied by the Company in general meeting) until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting is required to be held, whichever is earlier. It is intended that approval from shareholders for a renewal of the IPT Mandate will be sought at each subsequent annual general meeting of the Company, subject to satisfactory review by the Audit Committee of its continued application to the Interested Person Transactions.

3. Names of Interested Persons

- 3.1 The IPT Mandate applies to the Group's transactions with the following companies which are either subsidiaries of World Sharehold International Limited (沃得国际控股有限公司), True Merit Group Limited (真绩集团有限公司) or Danyang World Industrial Development Co., Ltd. (丹阳市沃得实业发展有限公司), or where Mr. Wang Weiyao and his immediate family, together (directly or indirectly) have an interest of 30% or more:
- (a) Jiangsu World Machinery & Electronics Group Co., Ltd. (江苏沃得机电集团有限公司);
 - (b) Jiangsu World Plant-Protecting Machinery Co., Ltd. (江苏沃得植保机械有限公司);
 - (c) Jiangsu World Agriculture Machinery Co., Ltd. (江苏沃得农业机械股份有限公司);
 - (d) Jiangsu World Agriculture Machinery & Parts Manufacturing Co., Ltd. (江苏沃得农业机械配件制造有限公司);
 - (e) World Agriculture (Shenyang) Co., Ltd. (沃得农机(沈阳)有限公司);
 - (f) World Heavy Industry (China) Co., Ltd. (沃得重工(中国)有限公司);
 - (g) Jiangsu World Crane Co., Ltd. (江苏沃得起重机有限公司);
 - (h) Jiangsu World Precise Machinery Co., Ltd. (江苏沃得机床有限公司);
 - (i) Jiangsu Tengyue Heavy Machine Engineering Co., Ltd. (江苏腾跃重型工程机械有限公司);
 - (j) Jiangsu World Furniture Co., Ltd. (江苏沃得家俬有限公司); and
 - (k) Jiangsu World High End Agriculture Equipment Co., Ltd. (江苏沃得高新农业装备有限公司).

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- 3.2 Mr. Wang Weiyao, a Non-Executive Director of the Company, holds 100% shareholding interest in World Sharehold International Limited and True Merit Group Limited. Mr. Wang Weiyao is also a controlling shareholder of the Company, through his 100% shareholding interest in World Sharehold Limited.

World Sharehold International Limited holds approximately 42% shareholding interest in World Heavy Industry (China) Co., Ltd. (“**WHIC**”). WHIC holds approximately 65% shareholding interest in Jiangsu World Machinery & Electronics Group Co., Ltd. (“**JWEG**”) and JWEG in turn holds approximately 58% shareholding interest in WHIC. JWEG also holds 100% shareholding interest in Jiangsu Tengyue Heavy Machine Engineering Co., Ltd., approximately 35% shareholding interest in Jiangsu World Precise Machinery Co., Ltd. and approximately 6% shareholding interest in Jiangsu World Plant-Protecting Machinery Co., Ltd.

True Merit Group Limited holds 25% shareholding interest in Jiangsu World Precise Machinery Co., Ltd. and approximately 94% shareholding interest in Jiangsu World Plant-Protecting Machinery Co., Ltd.

Mr. Wang Weiyao and his wife, Mdm. Zhang Amei hold 80% and 20% shareholding interest in Danyang World Industrial Development Co., Ltd. respectively, which in turn holds approximately 74% shareholding interest in Jiangsu World Agriculture Machinery Co., Ltd. (“**JWAM**”). JWAM is the holding company of Jiangsu World Agriculture Machinery & Parts Manufacturing Co., Ltd., World Agriculture (Shenyang) Co., Ltd. and Jiangsu World High End Agriculture Equipment Co., Ltd.

World Sharehold International Limited and Jiangsu Tengyue Heavy Machine Engineering Co., Ltd. hold approximately 64% and 36% shareholding interest in Jiangsu World Crane Co., Ltd. respectively.

Mr. Wang Weiyao's son, Mr. Wang Dong, holds 60% shareholding interest in Jiangsu World Furniture Co., Ltd.

For purposes of this Circular, the companies listed above which are either subsidiaries of World Sharehold International Limited, or effectively controlled by World Sharehold International Limited are deemed to be the same interested person within the meaning defined in Chapter 9 of the Listing Manual.

- 3.3 The principal activities of each of the interested persons are as follows:

Jiangsu World Machinery & Electronics Group Co., Ltd.	: manufacturing of crankshaft
Jiangsu World Plant-Protecting Machinery Co., Ltd.	: manufacturing of lawnmowers
Jiangsu World Agriculture Machinery Co., Ltd.	: manufacturing of agricultural machines
Jiangsu World Agriculture Machinery & Parts Manufacturing Co., Ltd.	: manufacturing of agricultural machine parts
World Agriculture (Shenyang) Co., Ltd.	: manufacturing of agricultural machines
World Heavy Industry (China) Co., Ltd.	: manufacturing of infrastructural machines
Jiangsu World Crane Co., Ltd.	: manufacturing of cranes
Jiangsu World Precise Machinery Co., Ltd.	: owns real estates
Jiangsu Tengyue Heavy Machine Engineering Co., Ltd.	: manufacturing of infrastructural machines
Jiangsu World Furniture Co., Ltd.	: manufacturing of home furniture
Jiangsu World High End Agriculture Equipment Co., Ltd.	: manufacturing of agricultural equipment and parts

- 3.4 Transactions with the Interested Persons which do not fall within the ambit of the IPT Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Manual and/or any other applicable provisions of the Listing Manual.

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4. Categories of Interested Person Transactions

- 4.1 The transactions with the Interested Persons which are covered by the IPT Mandate are as follows:
- (a) provision of service;
 - (b) sale and purchase of raw materials;
 - (c) sale and purchase of parts;
 - (d) sale of machinery;
 - (e) sale and purchase of scrap materials;
 - (f) sale and purchase of equipment; and
 - (g) rental of real estate.
- 4.2 The sale of machinery is in the Company's ordinary course of business while the sale and purchase of equipment relates to obsolete and unused equipment that are meant to be disposed. Since some of these obsolete and unused equipment are reusable, those equipment that are reusable are sold to or purchased from interested persons instead.
- 4.3 The Company owns a factory in Shenyang that manufactures stamping machines but rents out a majority of the factory space to interested persons to generate rental income as the market is not doing well and the capacity utilisation of the factory in Shenyang is low.
- 4.4 The Company pays rental to interested persons for the land in Danyang on which they built their factory to manufacture stamping machines.

5. Rationale and Benefits to Shareholders

- 5.1 The Directors believe that the Group will benefit from the adoption of the IPT Mandate and the renewal of the IPT Mandate on an annual basis thereafter as this eliminates the need to convene separate special general meetings from time to time to seek shareholders' approval as and when potential Interested Person Transactions with the Interested Persons arise or prior to implementing any Interested Person Transactions with the Interested Persons, thereby reducing substantially the administrative time and expenses in convening such meetings, without compromising the Group's corporate objectives or adversely affecting the business opportunities available to the Group.
- 5.2 The IPT Mandate is intended to facilitate transactions in the normal course of business and/or which are necessary for the Group's day-to-day operations which are transacted from time to time with the Interested Persons, provided that they are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

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6. Review Procedures for Interested Person Transactions

6.1 The Group has an internal control system in place to ensure that Interested Person Transactions with the Interested Persons are undertaken on an arm's length basis, supported by independent valuation where appropriate and on normal commercial terms consistent with the usual business practices and policies of the Group, which are generally no more favourable to the Interested Persons than those extended to unrelated third parties.

In particular, the following review procedures have been put in place.

(a) Provision of Services or Sale of Products

The review procedures are:

- (i) all contracts entered into or transactions with Interested Persons are to be carried out at the prevailing market rates or prices of the service or product providers, on terms which are no more favourable to the Interested Persons than the usual commercial terms extended to unrelated third parties (including, where applicable, preferential rates/prices/discounts accorded to corporate customers or for bulk purchases) or otherwise in accordance with applicable industry norms; and
- (ii) in the limited circumstances where the prevailing market rates or prices are not available due to the nature of service to be provided or the product to be sold, the Group's pricing for such services to be provided or products to be sold to Interested Persons is determined in accordance with the Group's usual business practices and pricing policies, consistent with the usual margin to be obtained by the Group for the same or substantially similar type of contract or transaction with unrelated third parties. In determining the transaction price payable by the Interested Persons for such services or products, factors such as, but not limited to, manufacturing services fees, cost of materials, book value, and applicable taxes will be taken into account.

(b) Obtaining of Services or Purchasing of Products

The review procedures are:

- (i) to obtain three quotations (wherever possible or available) from other unrelated third party suppliers for similar quantities and/or quality of services or products, prior to the entry into the contract or transaction with the Interested Person, as a basis for comparison to determine whether the price and terms offered by the Interested Person are fair and reasonable and comparable to those offered by other unrelated third parties for the same or substantially similar type of services or products. In determining whether the price and terms offered by the Interested Person are fair and reasonable, qualitative and quantitative factors such as, but not limited to, delivery costs, delivery schedules, specification compliance, track record, experience and expertise will also be taken into account in deciding whether or not to accept a particular quotation, as it is not commercially viable, and therefore not beneficial to the Company, to transact solely on the basis of quantitative factors (such as price) alone; and
- (ii) in the limited circumstance where such competitive quotations cannot be obtained (for instance, if there are no unrelated third party vendors of similar products or services), the senior management staff, which includes the Chief Executive Officer, the General Manager, the Procurement Manager and Technical Manager, of the relevant entity in the Group (with no interest, direct or indirect in the transaction), will determine whether the price and terms offered by the Interested Person are fair and reasonable, having regard to the costs and benefits of entering into the transactions, as well as factors including, but not limited to, delivery costs, delivery schedules, specification compliance, track record, experience and expertise, manufacturing services fees, cost of materials, and book value.

(c) Rental of real estate

The review procedures are:

- (i) all contracts entered into with Interested Persons for the rental of real estate to and/or from the Group will be carried out at the prevailing market rates, based on the market reference price determined by the local government. In determining whether the price and terms are fair and reasonable, factors such as, but not limited to, depreciation value, and applicable taxes will be taken into account.

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(d) Threshold Limits

In addition to the above review procedures, the following review and approval procedures will apply to all Interested Person Transactions:

- (i) all transactions will be tabled for review by the Audit Committee on a quarterly basis;
- (ii) transactions equal to or exceeding \$100,000 but when aggregated with previous transactions of the same kind in any particular financial year, does not exceed 3% of the Company's audited consolidated net tangible assets (the "**Financial Limit**"), will be reviewed and approved prior to their entry by the chief executive officer or such other senior executive(s) of the Company designated by the Audit Committee from time to time for such purpose;
- (iii) transactions equal to or exceeding the Financial Limit each in value will be reviewed and approved by the Audit Committee and the board of Directors (the "**Board**") prior to their entry;
- (iv) where the value of a transaction, when aggregated with previous transactions of the same kind in any particular financial year, is equal to or exceeds the Financial Limit, such transaction, and all future transactions of the same kind in that particular financial year will be reviewed and approved by the Audit Committee and the Board prior to their entry; and
- (v) the chief executive officer or other senior executive(s) of the Company designated by the Audit Committee from time to time for such purpose, the Audit Committee, and the Board, may, as he/it deems fit, request for additional information pertaining to the transaction under review from independent sources or advisers, including the obtaining of valuations from independent professional valuers.

(e) Other review procedures

The following will apply to the review and approval process for all categories of Interested Person Transactions:

- (i) the Company will maintain a register of Interested Person Transactions carried out with Interested Persons (recording the basis, including the quotations obtained to support such basis, on which they are entered into), and the Company's annual internal audit plan will incorporate a review of the Interested Person Transactions recorded in the register to ascertain that the guidelines and review procedures for Interested Person Transactions have been complied with;
- (ii) the Audit Committee and the Board will review the internal audit reports on an annual basis to ascertain that the guidelines and review procedures for Interested Person Transactions have been complied with;
- (iii) in the event that the chief executive officer or other senior executive(s) of the Company designated by the Audit Committee from time to time for such purpose has a conflict of interest in relation to any Interested Person Transaction, he will abstain from reviewing that particular transaction. In such instances, an alternative senior executive(s) of the Company designated by the Audit Committee will be responsible for reviewing the transaction;
- (iv) in the event that a director has a conflict of interest in relation to any Interested Person Transaction, he will not participate in any discussion with regard to such Interested Person Transaction and will abstain from voting on such Interested Person Transaction;
- (v) the Board will also ensure that all disclosure requirements on Interested Person Transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with;

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- (vi) if during any of the reviews by the Audit Committee, the Audit Committee is of the view that the guidelines and review procedures for Interested Person Transactions have become inappropriate or insufficient in the event of changes to the nature of, or manner in which, the business activities of the Group or the Interested Persons are conducted, the Company will revert to shareholders for a fresh general mandate based on new guidelines and review procedures so that Interested Person Transactions will be carried out at arm's length, on commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders; and
- (vii) the Board shall have overall responsibility for the determination of the review procedures with the authority to sub-delegate to individuals or committees within the Company as it deems appropriate.

7. Disclosures

- 7.1 The Company will announce the aggregate value of transactions conducted with Interested Persons pursuant to the IPT Mandate for the financial periods that it is required to report on pursuant to Rule 705 of the Listing Manual within the time required for the announcement of such report.
- 7.2 The Company will disclose in the Company's annual report the aggregate value of transactions conducted with Interested Persons pursuant to the IPT Mandate during the current financial year (as well as in the annual reports for subsequent financial years that the IPT Mandate continues in force), in accordance with the requirements of Chapter 9 of the Listing Manual.
- 7.3 The name of the interested persons, nature of relationship and the corresponding aggregate value of the Interested Person Transactions will be presented in the following format pursuant to Rule 907 of the Listing Manual:

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than \$100,000)