



Securities Investors Association (Singapore)

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: admin@sias.org.sg www.sias.org.sg

UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: World Precision Machinery Limited

Security: World Precision Machinery Limited

Meeting details:

Date: 29 April 2019

Time: 2.00 p.m.

Venue: Suntec City Convention Centre, Meeting Room 303, Level 3, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593

Company Description

World Precision Machinery Limited is an investment holding company. The Company operates in the manufacturing and selling of stamping, cutting and bending machines and metal parts segment. The Company, through its subsidiaries, is engaged in the manufacture and supply of stamping machines and metal parts; manufacture and supply of high performance stamping and complementary machines, and computer numeric control (CNC) stamping and complementary machines, and research, development and manufacturing of components of various types of precision machine tools. The Company manufactures both standard and customized stamping machines industries, including automotive parts, home appliances and electronics. Its subsidiaries include World Precise Machinery (China) Co., Ltd., World Precise Machinery (Shenyang) Co., Ltd. and World Precise Machinery Parts (Jiangsu) Co., Ltd. (Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=B49)

Q1. Would the board/management provide shareholders with better clarity of the following operational matters? Specifically:

- (i) **New products:** As shown on page 5 of the annual report (Milestones), the group launched 6 new products in the year, including JH28-160/200/400 and WD-F3015L. **Can management help shareholders understand how new products are designed/conceptualised? Are the new products launched with customers already identified?**
- (ii) **Raw material:** **How is management managing the risk of raw material price? Has management explored innovative/improved design that cuts down on the raw material needed for each stamping machine?**
- (iii) **Export market:** **Which key markets is the group exploring?**
- (iv) Related party transactions (RPTs): The group has a substantial amount of transactions with related parties, including sales of products, purchases of raw material and purchase of scrap material. The details of the RPTs are shown in Note 31 and reproduced below:

31. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following related party transactions took place between the Group and related parties during the financial year on terms agreed by the parties concerned:

	Group	
	2018	2017
	RMB'000	RMB'000
<i>Income</i>		
Lease of premises to a related party	7,619	7,619
Sales to related parties	56,385	26,775
Processing services to related parties	2,895	3,489
<i>Expenses</i>		
Lease of premises from a related party	686	685
Processing services from related parties	3,429	2,258
Purchases of machineries and parts from related parties	690	30,884
Purchases of raw materials from related parties	24,025	22,780
Purchases of scrap materials from related parties	<u>18,738</u>	<u>10,466</u>

Related parties comprise mainly entities which are effectively controlled by the Company's director, Mr. Wang Weiying and his spouse. Mr. Wang Weiying is also a controlling shareholder of the Company.

(Source: Company annual report)

Would the audit committee elaborate further on how it reviews the RPTs to ensure that such transactions are carried out on normal commercial terms? How does the audit committee satisfy itself that the terms of the sales, including prices, are fair and reasonable and are not prejudicial to the interests of the issuer and its minority shareholders?

Q2. On 1 March 2019, the company announced changes to the management team changes of its wholly owned subsidiary, World Precise Machinery (China) Co., Ltd. ("WPMC"), with effect from 1 March 2019:

Chief Deputy General Manager	<p>Mr Zhuang Guosheng has been appointed as the Chief Deputy General Manager of WPMC in place of Mr Wen Hui, who has resigned as the Chief Deputy General Manager of WPMC.</p> <p>Therefore, Mr Wen shall cease to be an executive officer of the Company and Mr Zhuang will be overall in charge of WPMC's production, technical, quality control, procurement and equipment departments.</p>
Deputy General Manager	<p>Mr Jin Zhaoguo has been appointed as the Deputy General Manager of WPMC in place of Mr Wang Yawei, who has resigned as the Deputy General Manager of WPMC. Therefore, Mr Wang shall cease to be an executive officer of the Company and Mr Jin will be overall in charge of WPMC's sales and market development.</p>

- (i) With top level management changes in WPMC, were the group's operations affected during this period?**
- (ii) Were there any other reasons for the departure of the former executives?**
- (iii) Have the new Chief Deputy General Manager and Deputy General Manager fully assumed their responsibilities and have hit the ground running?**
- (iv) With nearly two months into the group, has the new management team further finetuned the group's operations and strategic direction?**

Q3. The company has disclosed that it engaged Nexia TS Risk Advisory as its outsourced internal auditor. In addition, Nexia TS Risk Advisory has also been commissioned to assist management in the group's Enterprise Risk Management ("ERM") which will help the group to identify and manage strategic, operational, compliance and financial risks.

- (i) Can the audit committee (AC) confirm that Nexia has been tasked to (a) assist management to establish the group's ERM framework (including the risk register) and to (b) conduct the internal audit as the group's outsourced internal auditor?**
- (ii) Can the AC elaborate further on the scope of Nexia's work on the ERM?**
- (iii) Did the AC consider if there would be any threat of self review?**