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Issuer: World Precision Machinery Limited

Stock code: B49

Meeting details:

Date: 30 April 2021

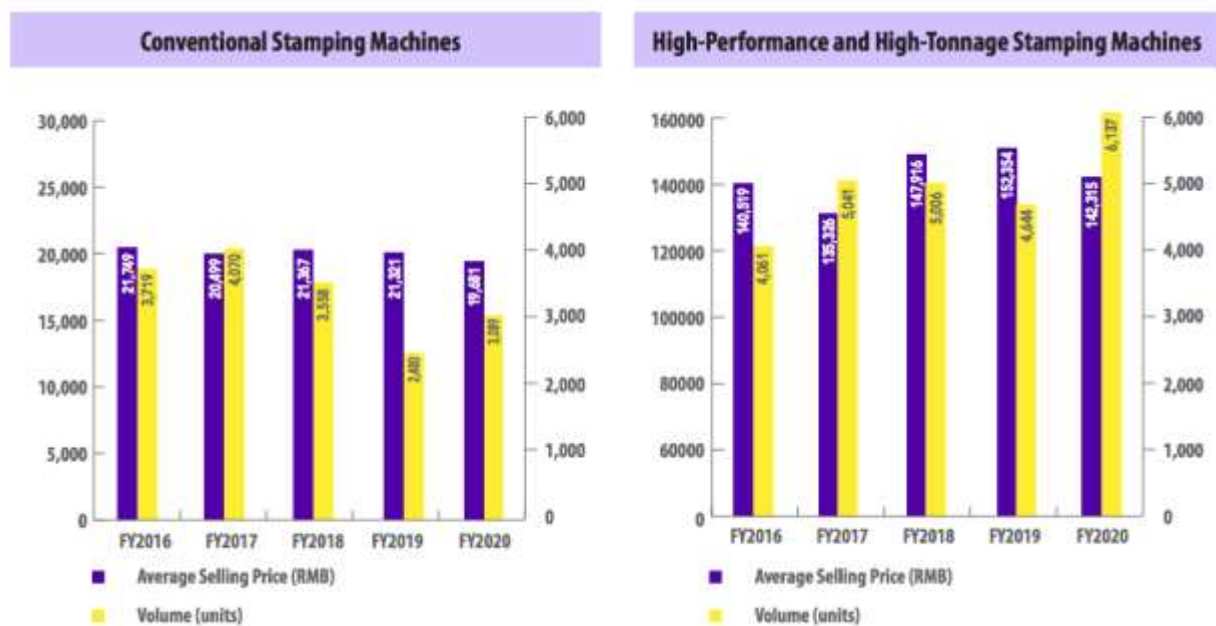
Time: 1.30 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. As noted in the corporate profile, the automotive, home appliances and consumer electronics sectors accounted for 50%, 30% and 15% of the group's overall revenue respectively. Despite the pandemic, the group's revenue increased by 22.9% to RMB1.03 billion from RMB837.2 million in FY2019 mainly due to the increase in sales volume of the group's conventional stamping machines and high performance and high tonnage (HPHT) stamping machines, partially offset by lower average selling prices.

The group's net profit attributable to equity holders increased by 101.4% year-on-year from RMB20.1 million for FY2019 to RMB40.4 million for FY2020 (earnings per share of 10 RMB cents).

The chairman also noted that there are tailwinds in all the 3 major sectors served by the group. The financial highlight is shown on page 17 of the annual report and the diagrams showing average selling prices and volumes of conventional stamping machines and HPHT stamping machines are reproduced below:



(Source: company annual report)

- (i) For the benefit of new shareholders, can management educate shareholders on the difference in applications (and output/products) of the HPHT stamping machines versus the conventional stamping machine?
- (ii) Who are the main users of the HPHT machines? What is the estimated breakdown by the number of units of HPHT sold to the automotive, home appliances and consumer electronics sectors?
- (iii) What is the group's estimated market share?

(iv) **Is the price of the HPHT machine more volatile than the price of the conventional stamping machines? If so, why is that?**

(v) **What are the utilisation rates of the group's own production facilities?**

Separately, personnel expenses increased by 37.8% to RMB 211.7 million in FY2020 (page 112 – Personnel expense), outpacing the increase in revenue (22.9%). This is primarily due to increases in sales commission, number of sales personnel and rebate to suppliers.

(vi) **Can management provide additional colour on the spike in personnel expenses? Will management be exercising prudence by aligning compensation that is commensurate to the group's growth?**

Q2. From Note 31 (page 125 – Capital management), the group has reported net debts of RMB 564.0 million and adjusted equity of RMB 895.3 million. The net debt to adjusted equity ratio is 0.63x as at 31 December 2020, up from 0.52x a year ago.

The group manages capital by monitoring the level of net debt and capital. Net debt is calculated as total liabilities less cash and cash equivalents while capital includes equity attributable to the equity holders of the company less the statutory reserves and capital reserve.

(i) **Has the board set an internal limit on the group's leverage?**

As can be seen from the statements of financial position (page 73), inventories remained steady at RMB 376-378 million despite the increase in revenue. Trade and other receivables increased significantly from RMB 195.5 million to RMB 330.8 million as at 31 December 2020. In Note 8 (page 102 – Trade and other receivables), it can be seen that bills receivables increased significantly from RMB 75.5 million to RMB 201.6 million (reproduced below).

8. Trade and other receivables

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	125,670	110,119	–	–
Less: allowance for expected credit losses	(29,413)	(21,920)	–	–
	96,257	88,199	–	–
Bills receivables	201,560	75,491	–	–

(Source: company annual report)

- (ii) **Can management help shareholders understand the reasons for the significant increase in bills receivables?** The increase is disproportionately larger than the increase in revenue.
- (iii) **Has management experienced slower collections due to the pandemic?**
- (iv) **What are management's efforts to improve on the collection of trade receivables and bill receivables?**

Q3. On 15 April 2021, the company announced that there are material variances between the unaudited financial statements and the audited financial statements for the financial year ended 31 December 2020 following the finalisation of audit.

The announcement on unaudited financial results for the financial year ended 31 December 2020 was first released via SGXNet on 1 March 2021. The announcement on material variance came more than 6 weeks after the company first announced the unaudited financial statements.

Some of the changes that were made following the finalisation of audit include:

- tax expense: from RMB(3.8) million (tax expense) to RMB47,000 (tax credit)
 - profit after tax: improved by RMB3.86 million
 - trade and other receivables: decreased by RMB(11.7) million
 - assets held for sale: increased by RMB11.8 million
 - reclassification of interest expense of RMB787,000 from financing activities to operating activities due to nature of activities
- (i) **What were the (human/organisation) factors in the financial reporting process that led to the material adjustments to the unaudited financial statements following the finalisation of audit?**
 - (ii) **Is the group and its officers familiar with the Singapore Financial Reporting Standards (International) (SFRS(I))?**
 - (iii) **How can shareholders get assurance from management that the financial statements are prepared in accordance with the relevant Act and financial reporting standards?**
 - (iv) **Has the audit committee (AC) evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?**
 - (v) **What changes have been made/will be made to the group's financial reporting systems and processes?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority (“ACRA”), the Monetary Authority of Singapore (“MAS”) and Singapore Exchange Regulation (“SGX RegCo”) published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can’t attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](#)

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[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
(<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)