

**沃得**  
WORLD



ANNUAL REPORT 2015



沃得  
WORLD

# 企业使命及愿景

Corporate mission and vision

**成为中国乃至世界最具影响力的锻压行业制造商**

To become the most influential stamping machine manufacturer in China and the world

**为客户创造价值 为员工搭建发展平台**

To create value for customers; To provide a development platform for employees

**成为客户的首选品牌**

To become the preferred brand of our customers

## Contents

Company Profile	1
About Us	2
Milestones	4
Message from Chairman and CEO	6
Operations Review	10
Board of Directors	12
Key Management	14
Financial Highlights	17
Events / IR Activities	18
Corporate Structure	20
<hr/>	
<b>Financial Statement</b>	
Report on Corporate Governance	21
Financial Contents	44
Shareholders' Information	90
Notice of Annual General Meeting	92
Proxy Form	
Corporate Information	



Incorporated in Singapore and based in Danyang City, Jiangsu Province, PRC, World Precision Machinery Limited (“World Precision”, and together with its subsidiaries, the “Group”) is a leading manufacturer of stamping machines and related metal components. The Group manufactures both standard and customised stamping machines to suit the needs of a myriad of industries including automotive, home appliances, electronics, and etc.

## COMPANY PROFILE

With vertically integrated facilities, customers are assured of quality products and timely reaction to changes in their demand. The Group has established its sales network and service centres in large and medium sized cities across the PRC and its products are even exported to Southeast Asia, Europe, South America and South Africa.

The Group currently manufactures around 149 models of stamping machines which are classified into around 19 product series. Its stamping machines are marketed under the “World” trademark, divided into conventional, high-performance and high-tonnage stamping machines. Its latest range of products includes bending, cutting and Computer Numeric Control (“CNC”) punching machines.

The Group has very strong in-house Research and Development (“R&D”) capabilities with a team of more than 200 R&D and technical staff. It is one of the few Chinese manufacturers to utilise high-precision machining equipments from PAMA Group of Italy. In 2010, it has entered into a technological alliance with Aida Engineering Ltd. (“Aida”), a global leader in

capital goods from Japan, and together, they have delivered a high-end 1,000 tonnes Ultra High-Speed stamping machine for Magna Cosma, a Fortune-500 automotive parts supplier. In 2011, the Group joined hands with Aida once again to set up one of the world’s fastest servo-press line in automotive industry for Honda. Going forward, the Group aims to consistently develop better and more sophisticated stamping machines for its clients.

The Group and its products have been widely recognised and have been awarded numerous awards. In particular, the Group’s wholly-owned subsidiary – World Precise Machinery (China) Co., Ltd. (“WPM (China)”) is accredited as “High Technology Enterprise” so as to enjoy three-year preferential tax rate of 15% instead of the standard tax rate of 25% from 2014-2016. Its products were recognised as “Jiangsu Renowned Products” since 2006. The Group has been accredited with ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 for its quality management, environmental management and occupational health safety management efforts since 2003.

## ABOUT US

### AUTOMOTIVE PARTS

According to China Association of Automobile Manufacturers (CAAM), China's automobile production and sales grew by 3.3% and 4.7% in 2015 year-on-year to 24.5 million units and 24.6 million units respectively. The car sales tax cut for the purchase of vehicles with engine sizes equal to or smaller than 1.6L in September 2015 and subsidies for rural Chinese who purchase a passenger vehicle will further boost auto sales in 2016.

For FY2015, the Group's revenue contributed by automotive sector was around RMB212.5 million and accounted for 38.0% of the Group's overall sales. With the optimism on the prospect of the auto parts industries, we expect a greater contribution from the automotive parts sector as domestic and foreign manufacturers expand and upgrade their manufacturing facilities.

### OUR BUSINESS: KEY SEGMENTS

During the year, there was a gradual trend towards high-end stamping machines in the Group's product mix, which was in line with the Group's strategy to move up the technology ladder and raise its market share in the premium segment





## HOME APPLIANCES

According to China Market Monitor Co. Ltd., a market researcher and information provider, home appliances will generate an annual sales of RMB2.2 trillion in China by 2020 as intelligent appliances become increasingly popular. The demand for intelligent appliances will reach RMB1.5 trillion over the next five years. This is largely due to higher household purchasing power and increasing demand for better standard of living from the urban and rural markets, albeit the rural market will see a more rapid growth.

Apart from domestic market, Chinese home appliances accounted for 60 percent of the global output. China's home appliance sales growth will be between 5% and 8% in the next 10 years. It is estimated that China will overtake Japan and South Korea to become the leader in the global home appliances industry by 2020.

For FY2015, the Group's revenue from home appliances sector was RMB139.8 million and accounted for 25.0% of the Group's overall sales.



## ELECTRONICS

Overall consumer electronics in China continued to grow, especially in new categories of smartphones, tablets, wearable electronics and LED TVs due to their innovation and smart functions. As the replacement cycle shortens due to accelerated product upgrades, the consumer electronics sector is expected to remain resilient in 2016.

Apart from the domestic market, Chinese consumer electronics brands have also witnessed increased popularity worldwide over the years due to rapid product innovation and lower cost. More than 1,000 Chinese companies exhibited at the Consumer Electronic Show 2016 held in Las Vegas in January 2016. This made up more than a quarter of exhibitors at the international trade fair. In April 2016, China will hold its first Consumer Electronics China (CE China) exhibition at the Shenzhen Convention and Exhibition Center.

The Group's revenue from this sector was RMB111.8 million and accounted for 20.0% of the Group's overall sales for FY2015.



## OTHERS

Others include railways industry, aeroplane industry, hardware industry, machinery industry and etc.

According to UBS' 2016 China Rail Outlook report, spending on urban rail transit during the 13th Five-Year Plan period will increase as China steps up fixed-asset investment to drive economic growth. The average annual investment for urban rail transit is forecasted at RMB701 billion from 2016 through 2020. Total operating length for urban rail systems specifically (mostly subways), can reach more than 9,400 kilometers by the year 2020. China is also investing in a new high-speed rail system in its effort to encourage public transportation and reduce greenhouse gas emissions.

In addition, in line with its "One Road, One Belt" economic project, China is in talks to export its high-speed rail technology and products to countries situated along the Silk Road Economic Belt, namely Central Asia, West Asia, the Middle East, and Europe.

For FY2015, the Group's revenue from this sector was RMB95.1 million and accounted for 17.0% of the Group's overall sales.

## MILESTONES



**1999**

**MARCH**

Jiangsu World Machine Tool Co., Ltd. ("JWMT") acquired the stamping machine manufacturing business from Jiangsu Danyang Stamping Machine Factory.

Established production area of approximately 6,600 sqm.

**2000**

**AUGUST**

Expanded production area to approximately 14,700 sqm.

**2002**

**AUGUST**

Expanded production area to approximately 36,800 sqm.

**2003**

**OCTOBER**

Obtained ISO 9001:2000 accreditation from China United Certification Center.

**2004**

**MAY**

Incorporation of new wholly-owned subsidiary - World Precise Machinery (China) Co., Ltd. ("WPM (China)") and acquisition of relevant business from JWMT.

**2005**

**FEBRUARY**

Acquisition of WPM (China).

**JUNE**

Expanded production area of approximately 130,000 sqm.

**2006**

**APRIL**

Listing of Bright World Precision Machinery Limited ("BWPM") on SGX-ST Mainboard.

Expanded production area by a further 100,000 sqm.

**2007**

**MARCH**

Incorporation of new wholly-owned subsidiary - Bright World Heavy Machine Tools (China) Co., Ltd. ("BWHM") to further our foray into the high-performance and high-tonnage stamping machines.

**AUGUST**

Joint venture and incorporation of new 60% owned subsidiary - Shanghai Shangduan Press Co., Ltd. ("SSP") to manufacture, conduct sales of high-tonnage stamping machines as well as research and development of high-tonnage stamping machines.

**2008**

China Holdings Acquisition Corp. proposed acquisition of the Group.

**2009**

**MARCH**

Incorporation of new wholly-owned subsidiary - Bright World CNC Machine Tool (Jiangsu) Co., Ltd. ("BWCNC") to manufacture, development and sale of CNC-based technology products.

**MAY**

Incorporation of new wholly-owned subsidiary - World Precise Machinery Marketing Company ("WPMM") to act as a sales platform for the Group (i.e. to manage all marketing and sales activities of the Group).

**2010****OCTOBER**

Incorporation of new wholly-owned subsidiary - World Precise Machinery (Shenyang) Co., Ltd. ("WPMS") to strategically increase activities in the proximity area and increase sales contributions from the region.

**2011****APRIL**

Proposed change of name from BWPM to World Precision Machinery Limited ("WPM") to better align the Company's name with the Group's brand of stamping machines marketed under "WORLD". This is to provide a clear identity for the Company and better reflect the Company's corporate profile going forward.

**MAY**

Company's wholly-owned subsidiary, WPMS, acquired a land use right over industrial land located at Xi He Jiu Bei Jie situated within the Shenyang Economic and Technological Zone (沈阳经济技术开发区细河九北街) with total land area of 364,922.74 sqm for a total consideration of RMB 123.3 million.

**OCTOBER**

Change of subsidiaries name - BWHM to World Heavy Machine Tools (China) Co., Ltd. ("WHMT") and BWCNC to World CNC Machine Tool (Jiangsu) Co. Ltd. ("WCNC").

**NOVEMBER**

Company's wholly-owned subsidiary, WPM (China), re-accredited as High/New Technology Enterprise.

**DECEMBER**

Increased investment in 60% owned subsidiary, SSP.

**2012****FEBRUARY**

Company's wholly-owned subsidiary, WCNC, accredited as High/New Technology Enterprise.

**JULY**

Increased investment in wholly-owned subsidiary, WHMT.

**SEPTEMBER**

Increased investment in wholly-owned subsidiary, WPMS.

**DECEMBER**

WPMS completing Phase 1 of its plant.

**2013****JANUARY**

WHMT spin-off of assets and liabilities of parts casting segment.

Incorporation of new wholly-owned subsidiary - World Precise Machinery Parts (Jiangsu) Co., Ltd. ("WPMP") to take over part casting segment from WHMT.

**FEBRUARY**

Increased investment in wholly-owned subsidiary, WHMT.

**MARCH**

Company's wholly-owned subsidiary, WHMT, accredited as High/New Technology Enterprise.

**APRIL**

Increased investment in wholly-owned subsidiary, WHMT, WPMP & WCNC.

New product launch, JX36-630.

**DECEMBER**

Divestment of SSP.

**2014****JANUARY**

New product launch, JS36-250.

**JUNE**

New product launch, JSG36-1000.

**2015****JANUARY**

New product launch, J31-1250.

**JUNE**

New product launch, JX36-1000.

**DECEMBER**

Amalgamation of PRC subsidiaries, WHMT, WCNC and WPMM amalgamated into WPM (China).

## MESSAGE FROM CHAIRMAN AND CEO

### Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the annual report of World Precision Machinery Limited ("World Precision" and together with its subsidiaries, the "Group") for the financial year ended 31 December 2015 ("FY2015").

### FY2015 AT A GLANCE

Global oil price continued its slide in 2015 from a high of US\$67 per barrel to a low of US\$36 per barrel before diving below US\$30 per barrel in January 2016. This is largely due to weak demand in many countries due to insipid economic growth, coupled with surging oil production from the United States and OPEC member countries. The slump has roiled oil producers and the effect has spilled into global financial markets and in turn depressed consumer confidence. As a result, the unstable global economy has weighed on the economy of China.

China's gross domestic product ("GDP") expanded at a rate of 6.9% in 2015, the slowest pace of GDP growth since 1990 as China attempts a structural transition toward being a consumption-driven economy, rather than supported by the heavy manufacturing and construction sectors. According to the National Bureau of Statistics, China's industrial output grew 5.9% in December 2015 from a year earlier, slowing from a 6.2% growth in November 2015. In line with the increasing downward pressure on the economy and uncertain international environment, the profits made by industrial enterprises above the designated size achieved RMB6,355.4 billion in 2015, a decrease of 2.3% over last year.

As a result, the Group recorded lower sales due to the decrease in sales volume and lower average selling price of stamping machines. Despite the challenging environment, the Group still managed to achieve profitability with a net profit attributable to equity holders of RMB21.7 million on the back of a turnover of RMB559.1 million for FY2015. This was translated into basic earnings per ordinary share of 5 Renminbi cents for our shareholders.

### REWARDING SHAREHOLDERS

The Group has built an eight-year track record of paying cash dividends since its listing on the SGX in 2006.

As an appreciation of our shareholders' long-term support, the Board has recommended a final one-tier tax exempt dividend of 12.5 Renminbi cents per share, taking our total dividend for FY2015 to 25 Renminbi cents per share. This represents a dividend payout of 461% of the Group's FY2015 net profit.

### MOVING AHEAD

We foresee more challenges up ahead in the coming year due to the subdued global oil price and uncertainties in the Chinese economy as it rebalances away from exports and towards consumption and investments. Despite the bleak macro outlook, certain sectors such as the domestic automobile and smart home appliance markets remain robust. This is supported by China's aim to double its 2010 GDP and per-capita income of both urban and rural residents by 2020 in the 13th Five-Year Plan ("13FYP"). Underpinned by growing real per capita disposable income, macro deceleration will eventually ease off as growing domestic consumption continues to drive





China's economy. Stimulus policies introduced by the central government such as the 10% purchase tax cut by half in September 2015 and subsidies for rural Chinese who purchase passenger vehicles will further boost auto sales in 2016. Meanwhile, sales of home appliances have been gaining momentum in 2015 and are expected to generate sales of RMB2.2 trillion by 2020 according to China Market Monitor. Intelligent appliances will become increasingly popular and its demand will reach RMB1.5 trillion during the 13FYP period.

While the above developments are set to reignite spending on capital goods, it will take some time before these opportunities are eventually translated into real business for the Group. Hence, in accordance with the expectation of growing demand in automobile sector and smart house appliance sector, we shall pave our way by continuously applying the following strategies in order to tap demands in these sectors.

Over the years, the Group has shown strong commitment in research and development ("R&D") investment to innovate our products and empower our products with better technology. Out of the total 2,000 workers of the Group, we maintain a strong R&D team with over 200 technical staff and allocate approximately 3% of annual sales for R&D. Currently, after the amalgamation of the Group's subsidiaries in December 2015, one of the Group's subsidiaries is accredited as "High/New Technology Enterprise" ("HNTE") by Jiangsu Ministry of Science and Technology Department. The subsidiary stands to enjoy a preferential tax rate of 15% instead of a standard tax rate of 25%. This is a testament to the Group's relentless focus in upholding product quality and standard. We shall continue to strive to maintain the HNTE status via sustainable and continuous investment in R&D.

Within domestic market, the Group has expanded its footprint in Jiangsu, Shanghai, Zhejiang, Guangdong, Liaoning and Bohai Rim. We will continue to leverage on markets in the region with potential customers and synergies such as Bohai Rim and Shenyang. With its abundance in raw materials, the Group could lower the material costs and transportation costs at Bohai Rim. At the same time, the Group is able to tap the huge market in Northern China. The existing 175 customers have contributed RMB68 million to our overall revenue in 2015.

On the other hand, our Shenyang plant is strategically situated close to many automobile manufacturers in China. This will enable the Group to tap the burgeoning automobile market more conveniently while keeping our transportation costs

in check. Phase I of the plant was completed and operational in June 2014 with a designed annual output value of RMB300 million.

This year, representatives of the Group have attended several domestic exhibitions, including those held in Nanjing, Shenzhen, Guangdong and Shenyang, as well as international exhibitions held in Indonesia, Russia and Turkey. In 2016, we will continue to participate in domestic and international trade exhibitions to broaden our customer base and improve our brand presence in the domestic and international market.

#### A WORD OF APPRECIATION

First and foremost, we would like to thank our customers for their unwavering supports in our products for the past one year.

Next, we would like to express our heartfelt gratitude to Mr Cheng Hong, who has just stepped down as an Independent Director with effect from 29 February 2016 due to personal work commitment, for his valuable contributions to the Group during his tenure. Following his resignation, Mr Cheng Hong had also stepped down as a member of the Audit Committee. In addition, we would like to express our heartfelt appreciation to Ms Jiang Hongdi who has recently stepped down from the Board on 31 March 2016 for her contributions. We look forward to her continuing contributions as our Group Finance Director.

Last but not least, we would like to extend our utmost appreciation to our management and staff, shareholders and business partners for their dedication and outstanding contribution. Without the relentless efforts and continued cooperation from them, the Group would not be able to achieve what it has done so far.

Thank you.

**Mr. Shao Jianjun**  
Executive Chairman

**Mr. Wu Yufang**  
Chief Executive Officer



### 亲爱的股东,

我们, 谨代表董事会, 很荣幸为您介绍沃得精机有限公司 (“沃得精机”, 连同其附属公司统称“本集团”) 截至2015年12月31日 (2015财年) 的年度报告。

### 2015财年回顾

国际原油价格于2015年继续下滑, 从每桶67美元的最高点跌至每桶36美元, 进一步于2016年1月份下滑至每桶30美元以下水平。这主要是因为许多国家经济增长平淡而对于原油的需求下滑, 再加上美国以及石油输出组织成员国继续提升石油产量所致。国际原油价格的暴跌严重打击石油生产者, 其影响也波及全球金融市场, 进而压低消费者的信心, 全球不稳定的经济走势也影响了中国的经济。

中国2015年全年GDP增长6.9%, 是自1990年以来GDP增幅最慢的一年。这主要是因为中国经济结构调整从出口转向消费和投资的过渡期所致。国家统计局数字显示2015年12月的工业生产增速从11月份的6.2%下滑至5.9%。在面对经济日益下行的压力和不确定性的国际环境, 2015年全国规模以上工业企业实现利润总额63,554亿元, 比上年下降2.3%。

基于冲床销售量下滑以及较低的平均单价, 导致集团于2015财年的营收同比下降。然而, 面对严峻的大环境, 集团于2015财年仍然保持盈利状态, 在人民币5.591亿营收的基础上取得人民币2,170万元的可归于股东的净利润, 相等于普通股每股收益人民币5分。

### 回报股东

本集团由2006年于新交所上市后已建立了八年的支付现金股利的记录。

为了感谢股东的长期支持, 董事会建议派发每股人民币12.5分的期末免税股息, 这将使2015年全年股息达到每股人民币25.0分, 全年派息率达462%。

### 展望未来

基于疲弱的原油价格以及中国经济从出口转向消费和投资的不确定性, 我们认为未来的一年还是充满挑战。尽管宏观经济前景黯淡, 但是因为中国于五中全会十三五规划中提出欲刺激内需消费以及要在2020年实现城乡居民人均收入比2010年翻一番, 某些行业如汽车和家电产业的市场表现仍然强劲。随着人均可支配收入增长的支撑, 宏观经济减速最终将缓解, 不断增长的国内消费也将继续推动中国经济。中央政府出台的一系列刺激政策, 如在2015年九月颁发汽车购置税减半措施以及配合新一轮汽车下乡补贴农民购置汽车, 将在2016年进一步推动汽车销售。于此同时, 家电的销售量在2015年也持续增加。研究机构China Market Monitor预测家电销售额在2020年将达到人民币2.2万亿, 而智能家电也将越来越受追捧, 预计在十三五期间需求将达人民币1.5万亿。

以上发展将提高资本品的投资, 但这些机会将需要一段时间才会转化为集团真正的商机。因此, 按照汽车行业和智能家用电器行业的需求增长的预期, 我们将通过以下战略挖掘这些行业的商机。



多年来, 集团已表明在研究和开发投资的坚定承诺, 以创新我们的产品和让我们的产品配备更好的技术。在集团目前的2000名员工当中, 大约有200名技术人员的强大研发团队, 集团也致力每年拨出不低于年销售额的3%作为研发经费。目前, 在2015年12月子公司合并后, 集团子公司“沃得精机(中国)有限公司”被江苏省科技厅授予“高新技术企业”的荣誉, 将享受15%的优惠税率, 而不是25%的标准税率。这是对于集团不懈地专注于坚持产品质量和标准的一种认可及鼓励。我们将继续努力, 持续不断的投资于研发, 以保持高新技术企业的地位。

在国内市场, 集团的足迹已遍布江苏、上海、浙江、广东、辽宁和渤海湾。我们将继续在渤海湾和沈阳等市场充分利用该区域开发潜在客户和协同效益。凭借其丰富的原材料资源, 集团在渤海湾地区设厂不仅能够降低原材料以及运输费用, 也可以开拓中国北部巨大的市场能量。集团在渤海湾地区现有的175个客户, 在2015财人对总销售额贡献了人民币合计6,800万元。另外, 集团在沈阳的新工厂战略性选址在汽车制造商集中的区域。这使得集团能够更方便的挖掘新兴的汽车市场, 同时保持具有竞争力的运输成本。该工厂的第一阶段已经完成, 并于2014年6月运营, 设计年产值达3亿元人民币。

集团的代表今年也参加了几项国内展会, 包括在南京、深圳、广东和沈阳召开的展会, 以及在印尼、俄罗斯及土耳其的国际展会。在2016年, 我们将继续参与类似于国内及国外召开的展会以扩大我们的客户群及提升集团在国内及国外的品牌形象。

### 致谢词

首先, 我们要感谢客户在过去一年对于我们产品的坚定支持。

接下来, 我们衷心感谢独立董事程宏先生在其任职期间对本集团所作出的宝贵贡献。程先生因为要专注于其个人工作而于2016年2月29日起卸任集团的独立董事, 同时也不再担任审计委员会的会员。此外, 我们衷心感谢蒋红娣女士在其任职期间对董事会作出的宝贵贡献。蒋女士在2016年3月31日卸任集团的执行董事。我们期待她, 身为集团财务董事, 继续为集团贡献。

最后, 我们希望借此机会对我们的董事、管理团队、员工、股东及业务伙伴这么多年来支持表示衷心的感谢。没有他们不懈的努力和合作, 本集团将无法实现今天的成就。

谢谢。

**邵建军**  
执行主席

**吴玉芳**  
行政总裁





“ the Group has shown strong commitment in research and development investment to innovate our products and empower our products with better technology ”

多年来，集团已表明在研究和开发投资的坚定承诺，以创新我们的产品和让我们的产品配备更好的技术

## OPERATIONS REVIEW



### EARNINGS

The Group recorded its revenue with a year-on-year ("yoy") decrease of 35.3% to RMB559.1 million for the fiscal year ended 31 December 2015 ("FY2015") from RMB864.3 million for the fiscal year ended 31 December 2014 ("FY2014"). The Group's overall sales dropped 35.3% largely due to the decrease in sales volume and lower average selling price ("ASP") of stamping machines.

Sales of conventional stamping machines decreased by 37.7% from 5,946 units for FY2014 to 4,102 units in FY2015 while its ASP fell 9.7% to RMB22,286 per unit for FY2015. Sales of high performance and high tonnage ("HPHT") stamping machines decreased by 39.3% from 4,840 units for FY2014 to 3,089 units in FY2015 while its ASP fell 4.9% to RMB135,974 per unit for FY2015. In terms of change in sales mix, sales of HPHT stamping machines over total Group's revenue declined by 5.0 percentage points to 75.1% this year. Of the remaining sales, 16.4% came from conventional stamping machines.

In tandem with the decrease in revenue, the gross profit for FY2015 decreased 34.3% to RMB174.2 million from RMB265.3 million for FY2014. The Group's gross profit margin increased by 0.5 percentage point to 31.2% for FY2015 mainly due to decrease in raw material cost, which was partially offset by lower average selling prices. In terms of the breakdown, gross profit margin for conventional stamping machines increased by 0.1 percentage point to 25.1% while that for HPHT stamping machines decreased by 0.2 percentage point to 30.9% for FY2015.

The Group's distribution and selling expenses decreased by 2.4% to RMB55.3 million for FY2015 from RMB56.7 million for FY2014. This decrease is mainly due to a decrease in transport expenses, travelling expenses, entertainment expenses and warranty services expenses which was partially offset by an upward revision of sales commission payable to the sales personnel.

The Group's administrative and other expenses increased by 5.2% to RMB76.8 million for FY2015 compared to RMB73.0 million for FY2014. The increase was mainly due to an increase in allowance for doubtful debts, foreign exchange loss, staff related costs and depreciation charged which was partially offset by a decrease in research and development costs for stamping machines.

For FY2015, the Group's finance expenses recorded an increase of 22.3% to RMB14.9 million for FY2015 from RMB12.1 million for FY2014 as no interest expenses relating to the Shenyang plant had been capitalised since it started its trial production in 2Q2014 and due to interest paid for early redemption of bill receivables. This was partially offset by a gradual decrease in interest expenses resulting from the gradual decrease in bank loans.

As a result of the above, the Group's net profit for FY2015 declined 79.9% from RMB108.0 million to RMB21.7 million. The Group's diluted earnings per ordinary share decreased 81.5% yoy to RMB0.05 for FY2015, from RMB0.27 for FY2014, on a consistent basis of 400,000,000 outstanding shares.



## FINANCIAL POSITION

Total assets were RMB1,526.4 million as at 31 December 2015, down RMB139.2 million yoy from the previous fiscal year. The Group's non-current assets decreased by around RMB42.1 million mainly due to the depreciation and amortisation charges net of the acquisition of property, plant and equipment and intangible assets in respect of its subsidiaries. The Group's total current assets decreased by approximately RMB97.2 million from RMB740.8 million as at 31 December 2014 to RMB643.7 million as at 31 December 2015. This was attributable to a decrease in trade receivables and cash and cash equivalent which were offset by an increase in inventories, other receivables and amounts due from related parties (trade-related).

Total liabilities stood at RMB483.7 million as at 31 December 2015, down RMB73.3 million yoy from the previous fiscal year. The Group's non-current liabilities decreased by RMB68.9 million mainly due to reclassification of RMB70.0 million long-term bank loans due within a year to current bank loans which was offset by an increase in deferred tax liability of RMB1.1 million. The bank loans were used to fund the acquisition of property, plant and equipment for its subsidiary in Shenyang, China. The Group's total current liabilities decreased by approximately RMB4.4 million from RMB424.8 million as at 31 December 2014 to RMB420.4 million as at 31 December 2015. The decrease was attributable to a decrease in other payables and accruals, short term bank loans, amounts due to related parties (non-trade related) and tax payable. Such decrease

was partially offset by an increase in trade payables and amounts due to related parties (trade-related).

The Group recorded a net current asset of RMB223.3 million as at 31 December 2015. Net asset value per ordinary share decreased from RMB2.77 per share as at 31 December 2014 to RMB2.61 per share as at 31 December 2015.

## CASH FLOW

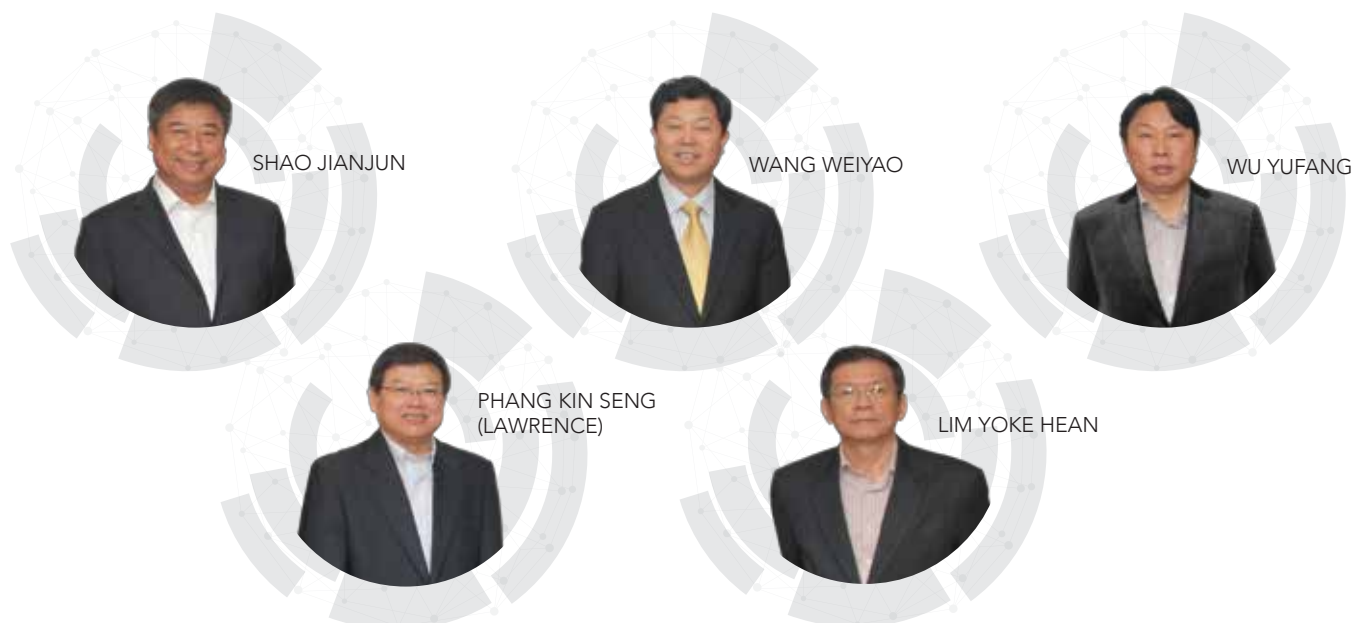
Cash and cash equivalents were RMB8.6 million as at 31 December 2015, compared with RMB48.9 million in the previous fiscal year.

Net cash generated from operating activities was RMB194.3 million in FY2015, compared to inflow of RMB221.6 million for FY2014.

Net cash used in investing activities was RMB56.1 million for FY2015. This was mainly due to the acquisition of property, plant and equipment and capitalisation of research and development cost, and was offset by the proceeds from the disposal of property, plant and equipment.

Net cash used in financing activities was RMB178.5 million for FY2015. This was mainly due to net repayment of bank loans, payment of bank loan interest and dividend.

## BOARD OF DIRECTORS



### MR. SHAO JIANJUN

*Executive Chairman*

Mr. Shao Jianjun was appointed as a director of the Company on 28 July 2004 and appointed as the Executive Chairman of the Company on 26 April 2013. He was last re-elected on 28 April 2015. Mr Shao is currently Executive Chairman of World Precise Machinery (China) Co., Ltd. ("WPM (China)"). Prior to that, he was the Chief Executive Officer ("CEO") of World Precise Machinery (China) Co., Ltd. ("WPM (China)") and is in charge of the overall operations of WPM (China). Mr. Shao joined Jiangsu Danyang Stamping Machine Factory ("DSMF") as a production line worker in April 1974. He had an illustrious career in DSMF and was promoted to the position of Technical Section Leader in 1979 and further promoted to the position of Deputy General Manager in 1984. He was subsequently transferred to JWMT when JWMT acquired the assets and business of DSMF relating to the manufacturing of stamping machines. On 18 June 1999, he was appointed as the General Manager of JWMT and continued to hold this position until he was transferred to WPM (China) in June 2004. He was subsequently appointed the CEO of WPM (China). Mr. Shao studied in Danyang Picheng Secondary School (High School) from 1971 to 1973 and was certified as a Senior Machinery Engineer by the Science and Technology Committee in 1995. Mr. Shao participated in the Senior Executive Programme conducted by the CEIBS from September 2006 to February 2007 and obtained an Executive Master of Business Administration degree from CEIBS in February 2007.

### MR. WANG WEIYAO

*Non-Executive and Non-Independent Director*

Mr. Wang Weiyao was appointed as a director of the Company on 28 July 2004 and was last re-elected on 29 April 2014. Mr. Wang relinquished his position as the Non-Executive Chairman on 26 April 2013 and remains as a Non-Executive and Non-Independent Director of the Company. Mr. Wang is currently the Chairman of Jiangsu World Machinery and Electronics Group Co., Ltd ("JWMEG") and Jiangsu World Machine Tool Co., Ltd ("JWMT"). During 1986 to 2000, Mr. Wang founded and served as the Chairman for Danyang Weaving Machine Accessories Factory, Danyang Fuhao Crankshaft Factory and Danyang Filter Equipment Factory. In each of the above mentioned companies which he had served or is serving as the Chairman, he is responsible for determining the overall strategic development direction, examining and approving the development plans of each functional department and assessing and implementing the important matters and major policies of the respective companies. Mr. Wang is a notable member of his community as evidenced by the awards which he has received, namely Danyang Top Ten Outstanding Youths, Jiangsu Top Ten Outstanding Youth Village and Town Entrepreneur as well as Zhenjiang Village and Town Entrepreneur in 2000, the 4th China Entrepreneur in 2001, Jiangsu Outstanding Youth Entrepreneur in 2004 and Zhenjiang Citizen Award in 2011. Mr. Wang participated in the CEO Programme conducted by the China Europe International Business School ("CEIBS") from September 2003 to February 2004 and obtained an Executive Master of Business Administration degree from CEIBS in February 2004.

**MR. WU YUFANG***Executive Director and Chief Executive Officer*

Mr. Wu Yufang was appointed as a director of the Company on 1 March 2013 and appointed as the CEO of the Company on 26 April 2013. He was last re-elected on 26 April 2013. Mr Wu who is not seeking re-election, will relinquish his position as an Executive Director at the conclusion of the Annual General Meeting on 28 April 2016. Mr. Wu, since February 2013, has been the CEO of WPM (China) and is in charge of overall operation of WPM (China). Mr. Wu, prior to February 2013, has been the General Manager of WPM (China) and World Heavy Machine Tools (China) Co., Ltd ("WHMT") and is in charge of overall operation of WPM (China) and WHMT. Prior to that, Mr. Wu was General Manager of WPM (China) and was in charge of overall operation of WPM (China). Mr. Wu joined DSMF as a Production Line Worker in 1986 and was promoted to the position of Production Line Supervisor in 1988. He was subsequently transferred to Jiangsu Fuhao Machinery Manufacturing Co., Ltd ("JFMM") as Production Line Supervisor in June 1998 and was promoted to the position of Engineering and Manufacturing Leader in June 2004. In June 2006, he was appointed as the Deputy General Manager of WPM (China) and was in charge of overall production of WPM (China). Subsequently, he was promoted to the position of General Manager of WPM (China) in January 2008. Mr. Wu studied in Danyang Picheng Secondary School (High School) from 1976 to 1978.

**MR. PHANG KIN SENG (LAWRENCE)***Lead Independent Director*

Mr. Phang Kin Seng (Lawrence) was appointed as Independent Director of the Company on 28 April 2010 and appointed as the Lead Independent Director of the Company on 26 April 2013. He was last re-elected on 28 April 2015. Mr. Phang is currently the Managing Director of Vineyard Investments Pte Ltd, a boutique investment and financial consulting company with particular emphasis on the PRC market. Between May 2005 and September 2006, Mr Phang was the Executive Vice President of Yanlord Land Group Limited, where he successfully led the IPO of this major PRC property developer on the SGX-ST. Mr. Phang was also Director of International Operations (China) for International Enterprise Singapore ("IE Singapore") between November 2001 and May 2005, where he was responsible for IE Singapore's operations in Southern and Western China, through its offices in Hong Kong, Guangzhou and Chengdu. Between August 1998 and August 2001, Mr. Phang was vice-president of the business development division of Singapore Technologies Telemedia Pte Ltd, where he explored investments in telecommunications projects in the Asia Pacific region. In 1982, Mr. Phang was awarded the Colombo Plan Scholarship by the Singapore government to attend the University of Melbourne, Australia, where he graduated with First Class Honours from the Faculty of Engineering in 1985. He was also awarded the FJ Leahy Prize for being the top student of his class in the same year. In 2005, Mr. Phang attended an Advanced Management Training Programme at Qinghua University, Beijing.

**MR. LIM YOKE HEAN***Independent Director*

Mr. Lim Yoke Hean was appointed as Independent Director of the Company on 2 July 2010 and was last re-elected on 29 April 2014. Prior to this, Mr. Lim has a 30 year-career in the financial sector which began as an Economist with the Monetary Authority of Singapore. He then became a Corporate Banker with DBS Bank before moving to the investment banking arena as a Senior Investment Manager with DBS Asset Management. Subsequently he spent 13 years with Merrill Lynch and left the global investment bank as one of its Managing Directors in the Global Markets and Investment Banking Division. For 6 years to 2010, he was a Dealing Director with OCBC Securities, responsible for corporate client businesses and capital market transactions. He then took up the position of executive director and chief executive officer of Pheim Asset Management (Asia) Pte Ltd. Currently he is the advisor and director of Aljo Consults (Singapore) Pte Ltd, a management consultancy firm incorporated in 2007. Mr. Lim graduated from Singapore University in 1979 with a 1st class honours in Bachelor of Science (Mathematics).

## KEY MANAGEMENT

### **MS. JIANG HONGDI**

*Finance Director*

Ms. Jiang Hongdi was appointed as a director of the Company on 28 April 2010. She has relinquished her position as an Executive Director on 31 March 2016. Currently, Ms. Jiang is the Group Finance Director and is responsible for directing, managing and controlling the full spectrum of accounting and financial functions of the Group's subsidiaries. Prior to that, she was the Deputy Finance Director of WPM (China). Ms. Jiang was the Group Finance Manager of JWMEG from January 2004 to August 2005 and Internal Audit Assistant Manager of JWMEG from April 2003 to January 2004. She was the Assistant Manager of finance in Jiangsu World Nongye Jixie Co., Ltd. from April 2002 to April 2003. She was the Finance Accountant in Jiangsu Fuhao Group from July 2000 to February 2002. Ms. Jiang has more than 10 years of experience in the field of accounting, internal auditing and extensive experience in manufacturing industry. Ms. Jiang graduated from the Jiangsu University of Science and Technology in July 2001 with a Bachelor in Accounting.

### **MR. GE MINGLEI**

*Chief Deputy General Manager of WPM (China)*

In 2016, Mr. Ge Minglei was promoted to Chief Deputy General Manager of WPM (China) and is in charge of technical, production, quality and after sales services of WPM (China). In 2015, Mr. Ge was Deputy General Manager of WPM (China) and was in charge of technical support for marketing, sales and after sales services of WPM (China). He first joined Jiangsu Changchai Lianhe Shougeji Company ("JCLS") in July 1999 as a member of its computer control room team. Mr. Ge was also a member of the technology department in JCLS from January 2002 to October 2003 before he joined JWMT as its Technology Department Deputy Head in November 2003. He was appointed as Technical Manager of WPM (China) in June 2004 and is responsible for the formulation of development plans for technology, as well as supervising its implementation. Mr. Ge graduated from the Jiangsu University of Science and Technology with a Bachelor in Machinery and Electronics Engineering in June 1999.

### **MR. TAO GUOYUAN**

*Chief Marketing Officer and Deputy General Manager of WPM (China)*

Mr. Tao Guoyuan is in charge of marketing and sales of the Group. Mr. Tao was re-designated from General Manager of World Precise Machinery Marketing Company ("WPMM") to Deputy General Manager of WPM (China). Mr. Tao, since March 2015, has been General Manager of WPMM and is in charge of overall operation of WPMM. Prior to that, he is Deputy General Manager of WPMM and in charge of sales and market development for WPMM. Mr. Tao held the positions of Deputy General Manager cum Jiangsu Province and Shanghai Regional Sales Manager (2010 to 2012) and Sales Department Head cum Jiangsu Province Regional Sales Manager for sales and marketing (2008 to 2009) in WPM (China). He was with JWMT from 2000 to 2004 and WPM (China) from 2004 to 2008 where he last held the position of Sales Executive. Mr. Ge graduated from Jiangsu University of Science and Technology with a Bachelor in Marketing Management in July 2000.



**MR. SHU JIANFEI**

*General Manager of World Precise Machinery Parts (Jiangsu) Co., Ltd.*

Mr. Shu Jianfei, since December 2012, has been the General Manager of World Precise Machinery Parts (Jiangsu) Co., Ltd. ("WPMP") and is in charge of overall operation of WPMP. Prior to that, Mr. Shu was the Casting Manager of WHMT and is in charge of overall casting operation of WHMT. Mr. Shu joined DSMF as a Foundry Wood Moulders in 1978 and was promoted to Foundry Supervisor in January 1993. He was transferred to JFMM as a Foundry Supervisor in June 1998 and was transferred to WPM (China) as a Deputy Casting Manager of WPM (China) in June 2004. He was subsequently transferred to WHMT as a Casting Manager of WHMT in January 2008. Mr. Shu studied in Danyang Picheng Secondary School (High School) from 1971 to 1973.

**MR. ZHU YUNTAO**

*General Manager of World Precise Machinery (Shenyang) Co., Ltd.*

In 2016, Mr. Zhu Yuntao was appointed as General Manager of World Precise Machinery (Shenyang) Co., Ltd. ("WPMS") and is in charge of overall operation of WPMS. In December 2015, Mr. Zhu was the Sales Department Head of WPM (China) and was in charge of sale and marketing of WPM (China). Mr. Zhu joined WPM (China) in March 2007 as Bohai Rim Regional Sales Manager. He was transferred to WPMM in May 2009 and promoted to Sales Department Head in June 2015. Mr. Zhu graduated from Nanjing University of Science and Technology with a Bachelor in E-commerce in July 2006.

**MR. GE BAOPING**

*Chief Procurement Officer and Deputy General Manager of WPM (China)*

Mr. Ge Baoping is in charge of overall procurement and fixed asset management of the Group. In 2015, Mr. Ge was promoted to Deputy General Manager of WPM (China) and Chief Procurement Officer of the Group. Mr. Ge, since March 2015, is in charge of purchasing of raw materials and machinery equipment of WPM (China). He was the director of the Company from August 2008 to April 2010. Prior to that, Mr. Ge was Chief Marketing Officer and General Manager of WPMM and was in charge of marketing and sales of the Group. Prior to May 2009, he was in charge of sales and market development for WPM (China) and WHMT. Mr. Ge held the positions of Deputy General Manager (2007 to 2008) and Regional Manager (Guangdong) for sales and marketing (2005 to 2006) in WPM (China). He was with JWMT from 1998 to 2004 where he last held the position of Regional Manager. Mr. Ge studied in Yangzhou City Secondary School from 1975 to 1979.

**MR. NG KEONG KHOON (SAMUEL)**

*Chief Financial Officer*

Mr. Ng Keong Khoon (Samuel) is the Chief Financial Officer of World Precision Machinery Limited and is responsible for directing, managing and controlling the full spectrum of accounting and financial functions of the Group. He was an Audit Assistant with K.S. Chin & Co, an audit firm, from September 2001 to May 2002 before he joined K. C. Lau & Co in June 2002 where he last held the post of Audit Senior. Mr. Ng was with Baker Tilly TFWLCL from January 2005 to June 2008 where his last designation was Audit Assistant Manager. Mr. Ng graduated from TAR College Kuala Lumpur, Malaysia in 2001 with Advance Diploma in Commerce (Financial Accounting) and also completed his Association of Chartered Certified Accountants examinations. Mr. Ng is a fellow member of The Association of Chartered Certified Accountants ("ACCA"), UK and a member of Institute of Singapore Chartered Accountants ("ISCA").

**MR. BAO GUOJUN**

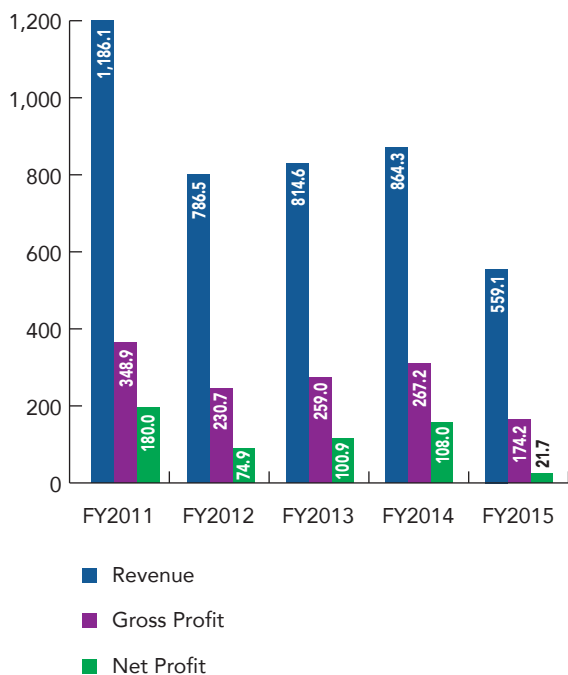
*Chief Technology Officer and Chief Engineer of WPM (China)*

Mr. Bao Guojun is in charge of technology and product development of the Group. In 2015, Mr. Bao was promoted to Chief Engineer of WPM (China) and Chief Technology Officer of the Group. He first started with JMMT in July 2000 as a Production Line Assistant Supervisor and was promoted to Deputy Production Manager in March 2003 in charge of production line of JMMT. Shortly after, he was transferred to WPM (China) as Technical manager in April 2004. He was promoted to the position of Technical Manager of WPM (China) and WHMT in December 2010 and was placed in charge of technology and product development of WPM (China) and WHMT. Mr. Bao graduated from Nanjing University of Science and Technology with a Bachelor in Mechanical Design and Manufacturing in July 2000.

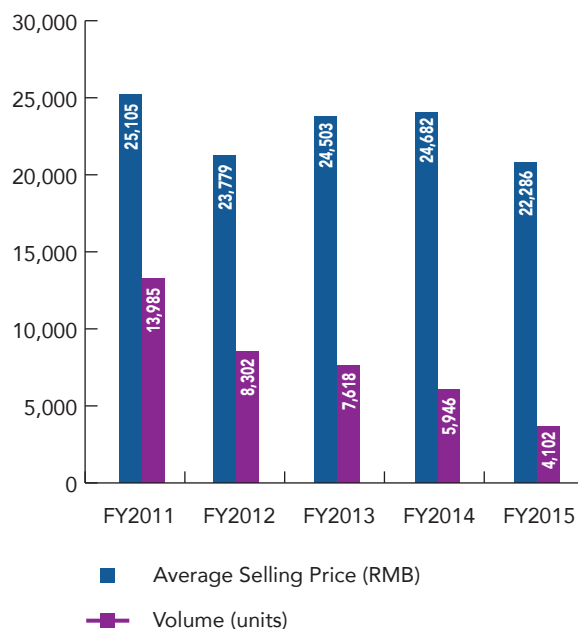


# FINANCIAL HIGHLIGHTS

Revenue, Gross Profit and Net Profit (RMB Million)



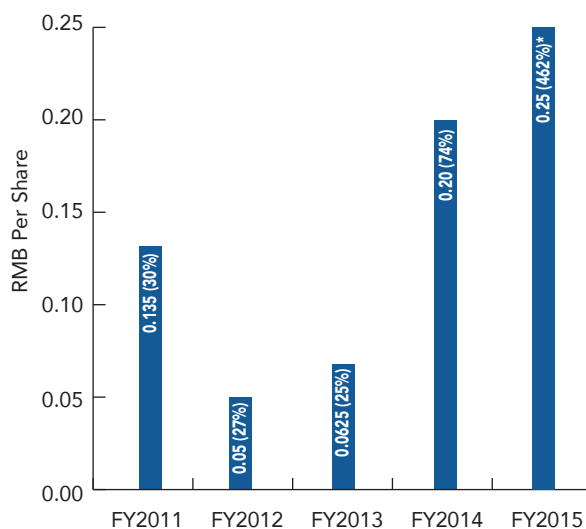
Conventional Stamping Machines



High-Performance / High-Tonnage Stamping Machines



Dividend Payout (RMB)



\* interim dividend RMB0.125 and proposed final dividend RMB0.125

## EVENTS / IR ACTIVITIES



World Precision seeks to enhance shareholder value not only through our focus on solid business performance and practices, but also through responsible and effective communication with its stakeholders.

World Precision has actively reached out to both individual and institutional investors through timely announcements and various investor conferences. We believe that such efforts will allow YOU, our stakeholders, to identify with our business, our people and our values, and share our growth story.

Our contact information is as follow:

### **World Precision Machinery Limited**

Samuel Ng

Chief Financial Officer

Tel: 65-81802482

Email: [saisamuelng@hotmail.com](mailto:saisamuelng@hotmail.com)

Website: [www.wpmlimited.com](http://www.wpmlimited.com)

**01/03/2015**

FY2014 Presentation Slides

**02/03/2015**

Change of Dividend Payment Date for Final Dividend

**23/03/2015**

Appointment and Cessation of Key Management

**23/03/2015**

Appointment of Chief Marketing Officer &amp; GM of WPM

**23/03/2015**

Appointment of Purchasing Manager of WPM (China)

**23/03/2015**

Cessation of General Manager of WHMT and WCNC

**09/04/2015**

Notice of AGM

**09/04/2015**

Notice of Book Closure and Dividend Payment Date

**09/04/2015**

Annual Report FY2014

**15/04/2015**

Date of Release of 1Q2015

**21/04/2015**

Proposed Amalgamation of the Company's Subsidiaries in the People's Republic of China

**28/04/2015**

Results of AGM

**29/04/2015**

1Q2015 Results &amp; Media Release &amp; PPT

**22/05/2015**

Registration of Amalgamation of the Company's Subsidiaries in the PRC

**28/07/2015**

Change of Address of Share Registrar and Place where Register of Members and Index Kept

**29/07/2015**

Date of Release of 2Q2015 and Half Year 2015 Results

**12/08/2015**

2Q2015 Results &amp; Media Release &amp; PPT

**13/08/2015**

Replacement Announcement: 2QFY2015 Results &amp; Media Release &amp; PPT

**02/10/2015**

IPTs between WPM &amp; Jiangsu World Machinery and Electronics Group of Companies

**28/10/2015**

Date of Release of 3QFY2015 Results

**04/11/2015**

IPTs between WPM &amp; Jiangsu World Machinery and Electronics Group of Companies

**13/11/2015**

Financial Statements and Related Announcement: Third Quarter Results

**13/11/2015**

Cash Dividend / Distribution: Mandatory

**03/12/2015**

Interested Person Transaction: IPTs between World Precision Machinery &amp; Jiangsu World Machinery and Electronics Group of Companies.

**10/12/2015**

Change – Change in Corporate Information: Completion of Amalgamation of the Company's subsidiaries in PRC and Changes to Key Management Team

**10/12/2015**

Change – Announcement of Appointment: Appointment of Chief Technology Officer

**05/01/2016**

General Announcement: Exchange Rate used in Determining Payment of Interim Dividend in Singapore Currency

**11/01/2016**

Interested Person Transaction: IPTs between World Precision Machinery and Jiangsu World Machinery and Electronics Group of Companies

**18/02/2016**

Financial Statements and Related Announcement: Notification of Results Release - Date of Release of 4QFY2015 Results

**27/02/2016**

Financial Statements and Related Announcement: Full Yearly Results

**29/02/2016**

General Announcement: Resignation of Independent Director and Changes to the Composition of the Audit Committee

**29/02/2016**

Change – Announcement of Cessation: Resignation of Independent Director and member of the Audit Committee

## CORPORATE STRUCTURE



**World Precision Machinery Limited**  
沃得精机有限公司

**100%**

World Precise Machinery  
(China) Co., Ltd.

沃得精机(中国)有限公司

**100%**

World Precise Machinery  
Parts (Jiangsu) Co., Ltd.

沃得精密机床部件(江苏)有限公司

**100%**

World Precise Machinery  
(Shenyang) Co., Ltd.

沃得精机(沈阳)有限公司

## REPORT ON CORPORATE GOVERNANCE

The Board of Directors ("Board") of World Precision Machinery Limited (the "Company") recognises that sound corporate governance practices are important to the proper functioning of the Company and its subsidiaries (the "Group") and enhances the interest of all shareholders.

This report sets out the corporate governance practices that have been adopted by the Company with specific reference to the principles of the Code of Corporate Governance 2012 (the "Code") which is effective in respect of the Company's Annual Report for the financial year ended 31 December 2015 ("FY2015"). Any deviations from the guidelines of the Code or areas of non-compliance have been explained accordingly. Save for the deviations disclosed below, the Board confirms that the Company has adhered to the principles and guidelines of the Code (where they are applicable, relevant and practicable to the Group).

### BOARD MATTERS

#### BOARD'S CONDUCT OF ITS AFFAIRS

PRINCIPLE 1: EVERY COMPANY SHOULD BE HEADED BY AN EFFECTIVE BOARD TO LEAD AND CONTROL THE COMPANY. THE BOARD IS COLLECTIVELY RESPONSIBLE FOR THE LONG-TERM SUCCESS OF THE COMPANY. THE BOARD WORKS WITH MANAGEMENT TO ACHIEVE THIS OBJECTIVE AND MANAGEMENT REMAINS ACCOUNTABLE TO THE BOARD.

The Board, in addition to its statutory responsibilities, has the duty to protect and enhance long-term shareholders' value. It sets the overall strategy for the Group, oversees the management of the Company ("Management") to ensure proper conduct of the business, performance and affairs of the Group, and sets the values and standards (including ethical standards) to ensure that obligations to shareholders and other stakeholders are understood and met. Board members are expected to act in good faith and exercise independent judgement in the best interests of the Group. To fulfill this role, the Board's responsibilities include:

1. Providing entrepreneurial leadership, guiding and setting strategic objectives and directions to ensure that the necessary financial and human resources are in place for the Group to achieve its objectives;
2. Approving annual budgets, key operational matters, major funding proposals, investment and divestment proposals, corporate or financial restructuring, material acquisitions and disposal of assets and interested person transactions of a material nature, dividend payment (if any) and convening of shareholders' meetings;
3. Reviewing the processes relating to risk management systems and adequacy and effectiveness of internal controls, including financial, operational, compliance and information controls, identified by the Audit Committee ("AC") that are required to be strengthened for assessment and its recommendations on actions to be taken to address and monitor the areas of concern;
4. Reviewing the performance of the Group towards achieving adequate shareholders' values, including but not limited to approving announcements relating to financial results of the Group and the audited financial statements, and timely announcements of material transactions;
5. Identifying key stakeholder groups and recognise that their perceptions affect the Group's reputation;
6. Advising Management on major policy initiatives and significant issues and approving board policies, strategies and financial objectives of the Company;
7. Evaluating the performance and compensation of directors and key management personnel;
8. Approving all Board appointments/re-appointments and appointments of key management personnel; and
9. Overseeing the proper conduct of the Company's business and assuming responsibility for corporate governance.

## REPORT ON CORPORATE GOVERNANCE

The Board will consider sustainability issues such as environmental and social factors as part of its strategic formulation in line with the recommendation of the Code. To assist the Board in the execution of its responsibilities and to enhance the Group's corporate governance framework, the Board delegates specific authority to three Board Committees which comprise the AC, the Nominating Committee ("NC") and the Remuneration Committee ("RC"). All Board Committees are chaired by an Independent Director and a majority of the members are Independent Directors. These Board Committees function within clearly defined terms of reference and operating procedures which are reviewed on a regular basis to ensure their continued relevance. The effectiveness of each committee is also constantly monitored. The Board accepts that while these Board Committees with the delegated power to make decisions, execute actions or make recommendations in their specific areas respectively and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility for the decisions and actions rests with the Board.

The Board had adopted a Corporate Disclosure Policy on 11 August 2011 ("Corporate Disclosure Policy") which covers disclosure to the investment community, the press, industry consultants and other audiences (collectively, the "Public"). The Corporate Disclosure Policy forms part of the Company's internal rules and regulations, and is applicable to all of its employees and officers. The purpose of this policy is to govern the disclosure of material, non-public information in a manner designed to provide broad, non-exclusionary distribution of information so that the Public has equal access to the information and to ensure that the Company complies with applicable laws and regulations in Singapore, including, but not limited to, the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST") governing disclosure of material, non-public information to the Public.

Only authorised spokespersons may discuss material information with the institutional and individual investment community. All meetings with members of the investment community are attended by the Chief Executive Officer ("CEO"), and/or the Chief Financial Officer ("CFO"), and/or the Lead Independent Director and/or if applicable, the representative from the investor relations company that the Company may engage from time to time. Exceptions to the Corporate Disclosure Policy must be authorised by the Board and/or any one of the authorised spokespersons.

Examples of the types of material transactions that require Board's approval pursuant to the Corporate Disclosure Policy include, but are not limited to, the following:

- Quarterly, Half year and Full year results or projections;
- Long term strategic and financial plan;
- <sup>1</sup>Joint venture, merger, acquisition, divestment, liquidation or other changes in the Company's assets;
- Management changes or changes in effective control of the Company;
- Declaration or omission of dividends or determination of earnings;
- Firm evidence of significant improvement or deterioration in near term earnings prospects;
- Subdivision of shares or stock dividends;
- Acquisition or loss of significant contract;
- Material orders that are above a certain threshold limit of RMB10 million or less than and equal to 3 accumulated orders above RMB10 million;
- Significant new product or discovery;
- Public or private sale of significant amount of additional securities of the Company;
- <sup>2</sup>Changes in directors and substantial shareholdings' interests – this includes becoming a substantial shareholder and cessation;
- Share Buyback;
- Share Option or share schemes;
- Scrip Dividend Scheme;
- <sup>3</sup>Interested Person Transactions;
- Call of securities for redemption;
- Borrowing of a significant amount of funds;
- Occurrence of an event of default under debt or other securities or financing or sale agreements;
- Significant litigation;
- Significant change in capital investment plans e.g. building of factories, increasing plant and machinery and increasing production lines;
- Significant dispute/s with sub-contractors, customers or suppliers, or with any parties;



## REPORT ON CORPORATE GOVERNANCE

- Material financial loss/damage caused by disaster and/or loss of credibility arising from corporate scandals and other fraudulent activities pursuant to any reports received under the Whistle Blowing Policy adopted by the Company;
- Tender offer for another company's securities; and
- Valuation of the real assets of the Group that has a significant impact on the Group's financial position and/or performance. A copy of the valuation report must be made available for inspection at the Company's registered office during normal business hours for 3 months from the date of announcement.

<sup>1</sup> The Company has adopted an Investment Policy on 11 August 2011, wherein an Investment Committee would be formed to look into any investment/divestment to be undertaken by the Company, carry out all activities of the acquisition/divestment and submit its recommendation to the Board for approval.

<sup>2</sup> The Company has adopted a policy for announcement of changes in shareholdings on 6 November 2009 to receive, track and announce information in a timely manner.

<sup>3</sup> The Company has adopted a Written Policies and Procedures for Interested Person Transaction on 11 August 2011 which was amended and adopted on 26 February 2016, to ensure that all transactions with an interested person are on arms' length and on terms generally available to an unaffiliated third party under the same or similar circumstances.

References are also made to Practice Note 7.1 Continuing Disclosure of the SGX-ST Listing Manual for the Board's guidance on particular situations and issues.

The Investment Policy, Policy for Announcement of Changes in Shareholdings and Written Policies and Procedures for Interested Person Transaction were also updated to be in line with the Code in November 2014. The Corporate Disclosure Policy was also amended to be in line with applicable laws and regulations in November 2014.

The Board meets on a quarterly basis and ad-hoc Board meetings will be convened when they are deemed necessary. These meetings are scheduled in advance to facilitate the individual Director's planning in view of their ongoing commitments. In place of physical meetings, the Board and Board Committees also circulate written resolutions for approval by the relevant members of the Board and Board Committees. The Company's Constitution allow a Board meeting to be conducted by way of teleconference and video conference, audio visual, or other similar means of communications.

Directors may request further explanations, briefing or discussion on any aspect of the Group's operations or business from Management. When circumstances require, Board members exchange views outside the formal environment of Board meetings. The Board conducts an annual review of its processes to ensure that it is able to carry out its functions in the most effective manner.

The approval of the Board is required for any matters which are likely to have a material impact on the Group's operating units and/or financial positions as well as matters other than in the ordinary course of business as outlined above. The Board believes that when taking decisions, all directors of the Board discharge their duties and responsibilities at all times as fiduciaries and act objectively in the interests of the Company.

### DIRECTORS' MEETINGS HELD IN 2015

Details of Directors' attendance at Board and Board committee meetings held for the financial year ended 31 December 2015 ("FY2015") are summarised in the table below.

## REPORT ON CORPORATE GOVERNANCE

### DIRECTORS' ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

Meeting(s) of	Board	AC	NC	RC
<b>Total held in FY2015</b>	4	4	1	1
<b>Names of Directors</b>				
Shao Jianjun	4	N.A.	N.A.	N.A.
<sup>1</sup> Wu Yufang	4	N.A.	N.A.	N.A.
<sup>2</sup> Wang Weiyao	1	N.A.	0	0
<sup>3</sup> Jiang Hongdi	4	N.A.	N.A.	N.A.
Phang Kin Seng (Lawrence)	4	4	1	1
Lim Yoke Hean	4	4	1	1
<sup>2</sup> Cheng Hong	4	4	N.A.	N.A.

<sup>1</sup> Mr Wu Yufang (Executive Director and CEO) will be retiring pursuant to Article 89 of the Company's Constitution at the forthcoming Annual General Meeting to be held on 28 April 2016, will not be seeking re-election and will hence retire as an Executive Director of the Company at the conclusion of the Annual General Meeting. He shall remain as the CEO and an executive officer of the Company as defined under the Listing Manual of the SGX-ST.

<sup>2</sup> Mr Wang Weiyao, a Non-Executive and Non-Independent Director of the Company, was appointed as a member of the AC of the Company in place of Mr Cheng Hong who resigned as an Independent Director of the Company and an AC member with effect from 29 February 2016.

<sup>3</sup> Ms Jiang Hongdi resigned as an Executive Director of the Company with effect from 31 March 2016. She remains as the Group Finance Director and an executive officer of the Company as defined under the Listing Manual of the SGX-ST.

### BOARD COMPOSITION AND BALANCE

PRINCIPLE 2: THERE SHOULD BE A STRONG AND INDEPENDENT ELEMENT ON THE BOARD, WHICH IS ABLE TO EXERCISE OBJECTIVE JUDGEMENT ON CORPORATE AFFAIRS INDEPENDENTLY, IN PARTICULAR, FROM MANAGEMENT AND 10% SHAREHOLDERS. NO INDIVIDUAL OR SMALL GROUP OF INDIVIDUALS SHOULD BE ALLOWED TO DOMINATE THE BOARD'S DECISION MAKING.

The composition of the Directors in the Board and Board Committees is as follows:

Name of Director	AC	RC	NC
Shao Jianjun (Executive Chairman)	–	–	–
Wu Yufang (Executive Director and Chief Executive Officer)	–	–	–
Wang Weiyao (Non-Executive and Non-Independent Director)	M	M	M
Phang Kin Seng (Lawrence) (Lead Independent Director)	C	M	M
Lim Yoke Hean (Independent Director)	M	C	C

C – Chairman

M – Member

## REPORT ON CORPORATE GOVERNANCE

During the year, the Nominating Committee, with the concurrence of the Board, had reviewed the composition of the Board in accordance with Guideline 2.2 of the Code of Corporate Governance 2012 which provides that the Independent Directors should make up at least half of the Board where *inter alia* the Chairman is part of management team and is not an Independent Director. Accordingly, following the re-composition of the Board and the retirement of Mr Wu Yufang, who is not seeking re-election pursuant to Article 89 of the Company's Constitution at the conclusion of the forthcoming Annual General Meeting, the Board will comprise one Executive Director (i.e. the Executive Chairman) and three Non-Executive Directors, two of whom are independent. Consequently, pursuant to Guideline 2.2 of the Code, at least half of the Board is made up of Independent Directors.

The size and composition of the Board is reviewed annually by the NC to ensure that the size of the Board is appropriate so as to facilitate effective decision making. The review will ensure that there is an appropriate mix of expertise and experience, which the Group may tap on for assistance in furthering its business objectives and shaping its business strategies. The NC, with the concurrence of the Board, is of the view that the current Board size of four members is adequate, taking into account the nature and size of the Group's operations, and the requirements of the business.

Together, the Board and Board Committees comprise Directors who as a group provide an appropriate balance and diversity of skills, experience and knowledge of the Company. They also provide core competencies such as accounting and finance, business experience, industry knowledge, strategic planning experience and customer-based experience and knowledge. The diversity of the directors' background allows for the useful exchange of ideas and views.

Non-Executive Directors contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide alternative perspectives to the Group's business. When challenging Management proposals or decisions, they bring independent judgement to bear on business activities and transactions involving conflicts of interest and other complexities.

Key information regarding the Directors is set out on pages 12 and 13 of the Annual Report.

### ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

PRINCIPLE 3: THERE SHOULD BE A CLEAR DIVISION OF RESPONSIBILITIES BETWEEN THE LEADERSHIP OF THE BOARD AND THE EXECUTIVES RESPONSIBLE FOR MANAGING THE COMPANY'S BUSINESS. NO ONE INDIVIDUAL SHOULD REPRESENT A CONSIDERABLE CONCENTRATION OF POWER.

Different individuals assume the roles of the Chairman of the Board and the CEO respectively. The separation of the roles of the Chairman and CEO ensures a balance of power and authority such that no one individual represents a considerable concentration of power. Mr. Shao Jianjun has been appointed as Executive Chairman and Mr. Wu Yufang, an Executive Director, has been appointed as the CEO since 26 April 2013 respectively.

Mr. Shao and Mr. Wu are not related to each other.

As Chairman of the Board, Mr. Shao bears responsibility for the effectiveness of the Board. He is responsible for, amongst others, setting agenda, in particular, strategic issues and ensuring that adequate time is available for discussion of all agenda items and ensuring that the Directors receive complete and adequate, timely and clear information. In addition to making sure that effective communication is achieved with the shareholders, he acts as facilitator to non-executive directors for them to effectively contribute to the Group. He is also responsible for encouraging constructive relations within the Board and between Management and the Board. The Company Secretary and/or his representative(s) assist(s) the Chairman in scheduling the Board and Board Committees' meetings with the CFO.

Mr. Shao is also responsible for promoting high standards of corporate governance.

## REPORT ON CORPORATE GOVERNANCE

As the CEO, Mr. Wu Yufang is responsible for the day-to-day operations of the Group and the execution of the strategic plans set out by the Board and ensures that the Directors are kept updated and informed of the Group's business.

The above is not an exhaustive description of the current or future roles of the Chairman and CEO. The roles of the Chairman and CEO may change in line with any developments that affect the Group.

As the Chairman is part of the management team and not an independent director, pursuant to the recommendations of the Code, Mr. Phang Kin Seng (Lawrence), an Independent Director and the Chairman of the Audit Committee, was appointed as the Lead Independent Director on 26 April 2013. Mr. Phang, being one of the key contacts listed in the Group's Whistle Blowing Policy, is available to shareholders and any other persons where they have concerns and for which contact through the normal channels of the Chairman, the CEO or the CFO has failed to resolve or is inappropriate.

The Independent Directors are in frequent contact with one another outside the Board and Board Committees' meetings and hold constant informal discussions amongst themselves. For FY2015, the Independent Directors have met periodically without the presence of other Directors and the Lead Independent Director had at each Board meeting, provided feedback of such meetings to the Chairman so as to facilitate effective discussion with the Chairman and between the Board, on strategic issues and any other issues that may arise.

### BOARD MEMBERSHIP

PRINCIPLE 4: THERE SHOULD BE A FORMAL AND TRANSPARENT PROCESS FOR THE APPOINTMENT AND RE- APPOINTMENT OF DIRECTORS TO THE BOARD.

#### NOMINATING COMMITTEE ("NC")

The NC is regulated by a set of written terms of reference which are in line with the Code.

The NC comprises three members, two of whom are Independent Directors, as set out below:-

Mr. Lim Yoke Hean (Independent Director)	– NC Chairman
Mr. Phang Kin Seng (Lawrence) (Lead Independent Director)	– NC Member
Mr. Wang Weiyao (Non-Executive Director)	– NC Member

The NC is responsible for, including but not limited to, the following key terms of reference:

- (a) to make recommendations to the Board on all Board appointments and re-appointments (including Alternate Directors, if applicable), or re-elections, having regard to the directors' competencies, commitment, contribution and performance;
- (b) to regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- (c) to determine annually, on a discretionary basis, whether or not a director is independent, bearing in mind the circumstances set forth in the Code and any other salient factors;
- (d) in respect of a director who has multiple board representations on various companies, to decide whether or not such director is able to and has been adequately carrying out his/her duties as a director, having regard to the competing time commitments that are faced when serving on multiple boards of listed companies and other principal commitments and to recommend to the Board guidelines to address competing time commitments faced by Directors, if any, who serve on multiple boards;

## REPORT ON CORPORATE GOVERNANCE

- (e) to determine the process for search, nomination, selection and appointment of new Board members and assess nominees or candidates for appointment or election to the Board, determining whether or not such nominee has the requisite qualifications and whether or not he is independent, including disclosure on the search and nomination process;
- (f) to review Board succession plans for Directors, in particular, the Chairman and CEO and progressive renewal of the Board by considering each Director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an Independent Director;
- (g) to determine how the Board's performance may be evaluated and propose objective performance criteria, as approved by the Board, that allows comparison with its industry peers, and address how the Board has enhanced long term shareholders' value;
- (h) to assess the effectiveness of the Board as a whole and its Board Committees and to assess the contribution by the Chairman and each individual Director to the effectiveness of the Board; and
- (i) to review training and professional development programs for the Board.

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.

The NC in consultation with Management and the Board as appropriate, determines the qualification, skill set, competency and expertise required or expected of a new Board member taking into account the size, structure and composition of the Board. Recommendations from Board members, business associates, advisors, professional bodies and other industry players are reviewed by the NC. The criteria for assessing the suitability of any nominee or candidate are determined by the NC.

The NC would review the Curriculum Vitae and other particulars/information of the nominee or candidate. The NC, in evaluating the suitability of the nominee or candidate, will take into account his qualifications, business and related experience and ability to contribute effectively to the Board process. The NC will also determine if the nominee or candidate would be able to commit time to his appointment having regard to his other Board appointments, and if he/she is independent. The evaluation process would involve an interview or meeting with the nominee or candidate. Appropriate background and confidential searches would also be made.

Recommendations of the NC are then put to the Board for consideration. The Board will review the recommendation and approve the appointment as appropriate. Any appointments to Board Committees would be reviewed and approved at the same time. The appointments would be formalized by a Board resolution and the requisite announcement and notification to the authorities.

Where and when required, the Company may also appoint professional search firms and recruitment consultants to assist in the selection and evaluation process if the appointment involves specific skill sets or industry specialization.

Newly appointed Directors are provided with background information about the history, Group structure, business operations, vision and values, strategic direction, policies and governance practices. They will also have the opportunity to visit the Group's operational facilities and to meet with Management so as to gain a better understanding of the Group's business operations. Directors who do not have prior experience or are not familiar with the duties and obligations required of a Director of a listed company in Singapore, will undergo the necessary trainings and briefings. The Board is also updated on amendments and requirements of the SGX-ST and other statutory and regulatory requirements from time to time.

Directors may also attend relevant courses, conferences, seminars, workshops or training programs at the Company's expense to enable them to effectively discharge their duties as a Director, if required, from time to time.

## REPORT ON CORPORATE GOVERNANCE

The Company will provide a formal letter of appointment to newly appointed Non-Executive Directors, setting out the Director's duties and obligations and terms of appointment whereas Executive Directors will be provided with Service Agreements setting out their terms of office and terms and conditions of appointment.

The NC, which is responsible for reviewing the independence of each Director on an annual basis, has adopted the Code's definition of what constitutes an independent director and guidelines as to relationships which would deem a director not to be independent. In addition, the NC requires each Non-Executive Director to assess his own independence by completing a Confirmation of Independence form which is drawn up in accordance with the guidelines of the Code and state whether he considers himself independent despite having any of the relationships identified in the Code which would deem him not to be independent, if any.

The NC had reviewed the independence of Board members with reference to the guidelines set out in the Code. Mr. Wang Weiyao, who is the controlling shareholder of the Company, is considered not independent of the Company's Management as contemplated by the Code. Both the NC and the Board had noted Mr. Wang's declaration and concluded that he is to be considered a Non-Executive and Non-Independent Director.

Save as disclosed, none of the other Non-Executive Directors are related and do not have any relationship with the Company, its related corporations, its substantial shareholder with a shareholding of 10% or more, or its officers or are in any circumstances that could interfere or be reasonably perceived to interfere, with the exercise of their independent business judgement with a view to the best interests of the Company.

The Board, with the concurrence of the NC, having considered the Confirmation of Independence forms for FY2015 submitted by Messrs. Phang Kin Seng (Lawrence), Lim Yoke Hean and Cheng Hong, concluded that they are independent and free from any relationships outlined in the Code. None of the Independent Directors has served on the Board beyond nine years from the date of his first appointment.

Pursuant to its Terms of Reference, the NC is required to determine if a director has been adequately carrying out his duties as a director of the Company, particularly if he has multiple Board representations in listed companies and other principal commitments. In view of this, the NC, having considered the confirmations received from Messrs. Phang Kin Seng (Lawrence) and Lim Yoke Hean, Cheng Hong, concluded that such multiple Board representation (where applicable) do not hinder each Director from carrying out his duties as Director of the Company. The NC is satisfied that sufficient time and attention have been accorded by these Directors to the affairs of the Company. The Board concurred with the NC's views.

In determining whether each Director is able to devote sufficient time to discharge his duty, the NC has taken cognizance of the Code requirement, but is of the view that its assessment should not be restricted to the number of board representations of each Director and his respective principal commitments per se. The contributions by Directors to and during meetings of the Board and Board Committees as well as their attendance at such meetings, in addition to each of their principal commitments, should also be taken into account. The NC and the Board will review the number of listed company board representations of the Directors on an annual basis or from time to time when the need arises.

## REPORT ON CORPORATE GOVERNANCE

Directorships or chairmanships held by the Company's Directors in other listed companies are as follows:

Name of Director <sup>(1)</sup>	Date of first appointment / last re-election	Directorships in other listed companies	
		Current	Past 3 Years
Mr. Shao Jianjun (Executive Chairman)	28 Jul 2004 / 28 April 2015	Nil	Nil
Mr. Wu Yufang (Chief Executive Director and Executive Director)	1 March 2013 / 26 April 2013	Nil	Nil
Mr. Wang Weiyao (Non-Executive and Non-Independent Director)	28 Jul 2004 / 29 April 2014	Nil	Nil
Mr. Phang Kin Seng (Lawrence) (Lead Independent Director)	28 Apr 2010 / 28 April 2015	Nil	Nil
Mr. Lim Yoke Hean (Independent Director)	2 July 2010 / 29 April 2014	Nil	China Fibretech Ltd

<sup>(1)</sup> The principal commitment of the Directors, if any, is set out in the "Board of Directors" section in this Annual Report

All the directors submit themselves for re-election at regular intervals of at least once every three years. Article 89 of the Constitution of the Company requires one-third of the Board (other than the Managing Director) to retire by rotation at every Annual General Meeting. Article 88 of the Constitution of the Company requires any person appointed as a director of the Company to hold office only until the next Annual General Meeting following their appointment. The retiring Directors are eligible to offer themselves for re-election.

The NC, having considered the attendance and participation of the following Directors at Board and Board Committees meetings, in particular, their contributions to the business and operations of the Company as well as Board processes, had recommended to the Board the re-election of Mr. Wang Weiyao who will be retiring pursuant to Article 89 at the forthcoming Annual General Meeting. Mr. Wu Yufang, who will be retiring pursuant to Article 89, has indicated that he will not be seeking re-election and will hence retire as an Executive Director at the conclusion of the forthcoming Annual General Meeting.

Mr. Wang Weiyao has consented to continue in office and the Board had accepted the recommendation of the NC and accordingly, Mr. Wang Weiyao will be offering himself for re-election.

Each member of the NC had abstained from voting on any resolution and making any recommendation and/or participate in respect of his re-election, if any, as Director.

### BOARD PERFORMANCE

PRINCIPLE 5: THERE SHOULD BE A FORMAL ANNUAL ASSESSMENT OF THE EFFECTIVENESS OF THE BOARD AS A WHOLE AND ITS BOARD COMMITTEES AND THE CONTRIBUTION BY EACH DIRECTOR TO THE EFFECTIVENESS OF THE BOARD.

The Company acknowledges the importance of a formal assessment of Board performance and has adopted a formal system of evaluating Board performance as a whole.

Currently, the Board does not assess the performance of each Director or at the Board Committees' level. The Board is of the view that given the Board's size, cohesiveness of Board members and attendance of Directors at Board Committees' meetings, there is no value-add in having assessments of Board Committees and individual Board members. To-date, no external facilitator has been used.

## REPORT ON CORPORATE GOVERNANCE

An evaluation of Board performance is conducted annually by the NC as a form of good Board management practice.

Each Director is required to complete a questionnaire approved by the Board, the contents of which are as follows:

- Board composition;
- Information to the Board;
- Board procedures;
- Board accountability;
- Matters concerning the CEO/Management; and
- Standard of conduct.

During the year, an evaluation of the Board performance had been conducted. The evaluation exercise provided feedback from each director, his views on the Board process and procedures as well as the effectiveness of the Board as a whole. The results of the Board performance evaluation were collated and presented to the NC for discussion with comparatives from the previous year's results.

The NC was generally satisfied with the results of the Board performance evaluation for FY2015, which indicated areas of strengths and those that could be improved further. No significant problems were identified. The NC had discussed the results with Board members who agreed to work on those areas that could be improved further. The NC would continue to evaluate the process for such review and its effectiveness from time to time.

### ACCESS TO INFORMATION

**PRINCIPLE 6: IN ORDER TO FULFILL THEIR RESPONSIBILITIES, DIRECTORS SHOULD BE PROVIDED WITH COMPLETE, ADEQUATE AND TIMELY INFORMATION PRIOR TO BOARD MEETINGS AND ON AN ON-GOING BASIS SO AS TO ENABLE THEM TO MAKE INFORMED DECISIONS TO DISCHARGE THEIR DUTIES AND RESPONSIBILITIES.**

Management is required to provide complete, adequate and timely information to the Board on Board affairs and issues that require the Board's decision. Information provided included background or explanations relating to matters to be brought before the Board and copies of disclosure documents, budgets, forecasts and internal financial statements. In respect of budgets, any material variance between the projection and actual results were also disclosed and explained.

The CEO keeps Board members abreast of key developments affecting the Group as well as material transactions in order that the Board is fully aware of the affairs of the Group. Management provides reports and financial statements to the Board on a regular basis. Board and Board Committees' papers are sent to Directors at least three working days before such meeting so that the Directors may have a better understanding of the matters prior to the meeting and discussions may be focused on questions that the Directors have on these matters. Financial highlights of the Group's performance and developments are presented on a quarterly basis at Board meetings. The CEO and Management are present at these presentations to address any queries which the Board may have. All Directors have separate and independent access to Management and Company Secretary and/or his representative(s) at all times. Directors are entitled to request from Management and be provided with additional timely information as needed in order for them to make informed decisions.

The Company Secretary and/or his representative(s) attend(s) all Board and Board Committees' meetings and assist the Board and Board Committees in ensuring that Board and Board Committees' procedures and all other rules and regulations applicable to the Company are complied with. The Company Secretary also follow the direction of the Chairman to ensure that there is sufficient/pertinent information flow within the Board and its committees and between Management and Non-Executive Directors, as well as to facilitate orientation and assist with professional development when required to do so. The appointment and removal of the Company Secretary are subject to approval by the Board.



## REPORT ON CORPORATE GOVERNANCE

The Company has in place a procedure to enable the Directors, whether as a group or individually, to obtain independent professional advice as and when necessary in furtherance of their duties at the Company's expense.

The appointment of such independent professional advisor is subject to approval by the Board.

### REMUNERATION MATTERS

#### PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

PRINCIPLE 7: THERE SHOULD BE A FORMAL AND TRANSPARENT PROCEDURE FOR DEVELOPING POLICY ON EXECUTIVE REMUNERATION AND FOR FIXING THE REMUNERATION PACKAGES OF INDIVIDUAL DIRECTORS. NO DIRECTOR SHOULD BE INVOLVED IN DECIDING HIS OWN REMUNERATION.

#### REMUNERATION COMMITTEE ("RC")

The RC ensures the appropriateness, transparency and accountability to shareholders on issues of remuneration of the Directors and Management.

The RC is regulated by a set of written terms of reference, which are in line with the Code.

The RC comprises three members, two of whom are independent directors, as set out below:

Mr. Lim Yoke Hean (Independent Director)	– RC Chairman
Mr. Phang Kin Seng (Lawrence) (Lead Independent Director)	– RC Member
Mr. Wang Weiyao (Non-Executive Director)	– RC Member

The RC is responsible for, including but not limited to, the following key terms of reference:

- (a) to review and recommend to the Board a general framework of remuneration for the Board and key management personnel;
- (b) to review and recommend to the Board the specific remuneration packages and terms of employment for each Executive Director and key management personnel of the Group and employees related to the Directors or, controlling shareholders of the Group.

Such remuneration package for the Executive Director and key management personnel of the Group should be aligned with the long-term interest and risk policies of the Company and should be appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company and key management personnel to successfully manage the Company. It should also be performance-related and aligned with the interests of shareholders and promote the long-term success of the Company, symmetric with risk outcomes and be sensitive to the time horizon of risks, comparable within the industry and with comparable companies and appropriate and meaningful as measures of assessing the performance of Executive Directors and key management personnel. A significant and appropriate proportion of the remuneration of Executive Directors and key management personnel should be structured so as to link rewards to corporate and individual performance.

The remuneration package of employees related to Directors or controlling shareholders of the Group should be in line with the Group's staff remuneration guidelines and commensurates with their respective job scopes and levels of responsibility;

## REPORT ON CORPORATE GOVERNANCE

The service contracts of the Executive Directors and key management personnel should contain the following contractual provisions:

- (i) to allow the Group to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatements of financial results or of misconduct resulting in financial loss of the Group; and
  - (ii) to consider what compensation commitments the Executive Directors and key management personnel's contracts of service, if any, would entail in the event of termination with a view to be fair and reasonable, not overly generous and avoid rewarding poor performance.
- (c) to recommend the appropriate remuneration of the Non-Executive Directors to the level of their contribution, taking into account factors such as effort and time spent, and their responsibilities and that they should not be overly compensated to the extent that their independence may be compromised;

The RC may consider implementing schemes to encourage Non-Executive Directors to hold shares in the Company so as to better align their interests with the interests of the shareholders;

- (d) to review whether the Executive Directors and key management personnel should be eligible for benefits under any long-term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith; and
- (e) to administer the performance based Bonus scheme and any other share option scheme or share plan established from time to time for the Directors and key management personnel.

The recommendation of the RC for the remuneration of Directors would be submitted for endorsement by the Board and should cover all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits in kind. No Director or member of the RC is involved in deciding his own remuneration.

The Company did not appoint any remuneration consultant. If required, the RC will seek expert advice inside and/or outside the Company on remuneration of all Directors and key management personnel.

### LEVEL AND MIX OF REMUNERATION

PRINCIPLE 8: THE LEVEL OF REMUNERATION SHOULD BE ALIGNED WITH THE LONG-TERM INTEREST AND RISK POLICIES OF THE COMPANY, AND SHOULD BE APPROPRIATE TO ATTRACT, RETAIN AND MOTIVATE (A) THE DIRECTORS TO PROVIDE GOOD STEWARDSHIP OF THE COMPANY, AND (B) KEY MANAGEMENT PERSONNEL TO SUCCESSFULLY MANAGE THE COMPANY. HOWEVER, COMPANIES SHOULD AVOID PAYING MORE THAN IS NECESSARY FOR THIS PURPOSE.

The remuneration packages are set such that the Directors are adequately but not excessively remunerated compared to other comparable companies in the industry in view of present market conditions. The remuneration policy adopted takes into account the individual's and the Company's performance.

Mr. Shao Jianjun, Executive Chairman, had entered into a service agreement with the Company which is subject to review and renewal upon expiry unless terminated during such term either as provided in the service agreements or by either party giving to the other not less than three months' written notice.

Ms. Jiang Hongdi and Mr. Wu Yufang, key management personnel of the Company, had each entered into a service agreement with the Company which is subject to review and renewal upon expiry unless terminated during such term either as provided in the service agreements or by either party giving to the other not less than three months' written notice.

There are no onerous compensation commitments on the part of the Company or its subsidiary in the event of an early termination of the service of an Executive Director.

## REPORT ON CORPORATE GOVERNANCE

Although there is no contractual provisions in the service agreements of the Executive Directors and key management personnel to allow the Company to reclaim incentive components of remuneration where there have been exceptional circumstances of misconduct or misstatement of financial results in loss to the Company, the Company retains half of their bonus in the Company for a period of 1 year, which would be forfeited in the event of such breach of their duties.

The RC will carry out an annual review of the Executive Directors and key management personnel's remuneration packages to ensure that their remuneration commensurate with their performance, giving due regard to the financial health and business needs of the Group. For FY2015, the RC is satisfied with the Executive Directors and key management personnel's remuneration packages and recommended the same for Board approval. The Board had approved the RC's recommendation accordingly.

The RC, with the concurrence of the Board, is of the view that the current remuneration of the Non-Executive Directors is appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors. Other than directors' fees, which have to be approved by shareholders at every Annual General Meeting, the Independent Directors do not receive any other forms of remuneration from the Company.

Directors' fees amounting to S\$200,000 for the financial year ending 31 December 2016 have been proposed for payment in arrears on a quarterly basis. This recommendation has been endorsed by the Board and will be tabled at the forthcoming Annual General Meeting for shareholders' approval.

No Director is involved in deciding his or her own remuneration.

Presently, the Company does not have any share option or long term incentive scheme in place.

### DISCLOSURE ON REMUNERATION

PRINCIPLE 9: EVERY COMPANY SHOULD PROVIDE CLEAR DISCLOSURE OF ITS REMUNERATION POLICIES, LEVEL AND MIX OF REMUNERATION, AND THE PROCEDURE FOR SETTING REMUNERATION IN THE COMPANY'S ANNUAL REPORT. IT SHOULD PROVIDE DISCLOSURE IN RELATION TO ITS REMUNERATION POLICIES TO ENABLE INVESTORS TO UNDERSTAND THE LINK BETWEEN REMUNERATION PAID TO DIRECTORS AND KEY MANAGEMENT PERSONNEL, AND PERFORMANCE.

#### Directors

A breakdown of the level and mix of the remuneration of the Directors for the financial year ended 31 December 2015 is as follows:

	Salary %	Variable/ Performance-related Income/Bonus %	Benefits in Kind %	Fees %	Total %
<b>Below S\$250,000:</b>					
Shao Jianjun	100	–	–	–	100
Wu Yufang	90	10	–	–	100
Jiang Hongdi	51	49	–	–	100
Wang Weiyao	–	–	–	100	100
Phang Kin Seng (Lawrence)	–	–	–	100	100
Lim Yoke Hean	–	–	–	100	100
Cheng Hong	–	–	–	100	100

## REPORT ON CORPORATE GOVERNANCE

### Key management personnel

The top five key management personnel of the Group (in terms of remuneration) for FY2015 are Messrs. Ge Baoping, Tao Guoyuan, Ge Minglei, Shu Jianfei and Ng Keong Khoon (Samuel).

A breakdown of the level and mix of the remuneration of each of the key management personnel for FY2015 is as follows:-

	Salary %	Variable/ Performance-related Income/Bonus %	Benefits in Kind %	Total %
<b>Below S\$250,000:</b>				
Ge Baoping	34	66	–	100
Tao Guoyuan	24	76	–	100
Ge Minglei	27	73	–	100
Shu Jianfei	41	59	–	100
Ng Keong Khoon (Samuel)	100	–	–	100

The aggregate remuneration paid to the top five key management personnel is approximately RMB1.99 million.

There are no termination, retirement and post-employment benefits that may be granted to Directors, the CEO and the top five key management personnel. Due to the confidentiality and commercial sensitivity attached to remuneration matters, in particular those of our top five key management personnel, given the highly competitive environment the Group operates in, the Company does not fully disclose the remuneration of each individual director and the key management personnel. Instead, the disclosures had been provided in applicable bands of S\$250,000 as above, with a breakdown in percentage of the remuneration earned through fees, variable or performance-related income/bonus and/or benefits in kind.

The immediate family members of the CEO and/or the Executive Directors are:

Name	Immediate family member of:	Designation
Li Wenjuan	Daughter-in-law of Mr. Shao Jianjun	Deputy Finance Manager of World Precision Machinery Limited since August 2015.
Ge Minglei	Husband of Ms. Jiang Hongdi	Chief Deputy General Manager of World Precise Machinery (China) Co., Ltd. since March 2016.
Wu Xiaofang	Brother of Mr. Wu Yufang	Regional Sales Manager of World Precise Machinery (China) Co., Ltd. since November 2015.

## REPORT ON CORPORATE GOVERNANCE

Save as disclosed below, none of the remuneration of the employee (who is an immediate family member of a Director or the CEO of the Company) exceeded \$50,000 for the financial year ended 31 December 2015:-

Name	Relationship with Director or the CEO
\$50,000 to below \$100,000	
Li Wenjuan (Deputy Finance Manager of World Precision Machinery Limited)	Daughter-in-law of Mr. Shao Jianjun
Ge Minglei (Chief Deputy General Manager of World Precise Machinery (China) Co., Ltd.)	Husband of Ms. Jiang Hongdi
Wu Xiaofang (Regional Sales Manager of World Precise Machinery (China) Co., Ltd.)	Brother of Mr. Wu Yufang

### ACCOUNTABILITY AND AUDIT

#### Accountability

PRINCIPLE 10: THE BOARD SHOULD PRESENT A BALANCED AND UNDERSTANDABLE ASSESSMENT OF THE COMPANY'S PERFORMANCE, POSITION AND PROSPECTS.

In presenting the annual financial statements and quarterly announcements to shareholders, it is the aim of the Board to provide the shareholders with a balanced and understandable assessment of the Group's financial position and prospects, with detailed analysis and explanations.

In line with the requirements of the SGX-ST, negative assurance statements were issued by the Board to accompany the Group's quarterly financial results announcements, confirming to the best of the Board's knowledge that nothing had come to the Board's attention which could render the Company's results announcements to be false and misleading. The Company is not required to issue negative assurance statements for its full year results announcement.

### RISK MANAGEMENT AND INTERNAL CONTROLS

PRINCIPLE 11: THE BOARD IS RESPONSIBLE FOR THE GOVERNANCE OF RISK. THE BOARD SHOULD ENSURE THAT MANAGEMENT MAINTAINS A SOUND SYSTEM OF RISK MANAGEMENT AND INTERNAL CONTROLS TO SAFEGUARD SHAREHOLDERS' INTERESTS AND THE COMPANY'S ASSETS, AND SHOULD DETERMINE THE NATURE AND EXTENT OF THE SIGNIFICANT RISKS WHICH THE BOARD IS WILLING TO TAKE IN ACHIEVING ITS STRATEGIC OBJECTIVES.

The Board acknowledges that it is responsible for the overall internal control framework and maintains a sound system of internal controls to safeguard the shareholders' interests and the Company's assets.

Management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant control policies and procedures and highlights all significant matters to the Directors and AC. To assist the Board in carrying out its responsibility of overseeing the Group's risk management framework, processes and policies, it has delegated the authority to the AC for overseeing the Risk Management Committee ("RMC") established by Management with effect from FY2015. For the purpose of the RMC, the head of Finance has been appointed as the Risk Compliance Officer. He will work with Nexia TS Risk Advisory Pte. Ltd. ("Nexia TS Risk Advisory") on their findings and report any risk matters to the CEO. The RMC comprises the CEO, CFO and the Risk Compliance Officer.

## REPORT ON CORPORATE GOVERNANCE

For FY2015, the RMC, had reported to the AC on a quarterly basis, and the AC had in turn reported its finding(s) and/or recommendation(s) to the Board for its information and/or approval, if required. No known significant deficiencies or lapses in risk management and internal controls systems were noted in FY2015.

The Company has outsourced its internal audit function to Nexia TS Risk Advisory. In addition, Nexia TS Risk Advisory has also been commissioned to assist Management in the Group's Enterprise Risk Management ("ERM") to complement the Group's existing internal audit plan and thereafter to follow up with an annual Control Self Assessment ("CSA") based on the risks identified from the ERM exercise. The objectives of the ERM and CSA services are to identify and manage strategic, operational, compliance and financial risks related to the achievement of the Group's objectives and to better respond to the changing business environment. The process encourages increased risk awareness and enhanced risk understanding among both the participants and the recipients of the assessment. A report which documents the Group's risk management profile summarising the material risks faced by the Group and the countermeasures in place to manage or mitigate those risks is submitted to the RMC and AC on an annual basis.

The AC, with the assistance of the Internal and External Auditors, reviews the adequacy and effectiveness of the Company's internal financial controls, operational, information technology and compliance controls, and risk management policies and internal controls systems established by Management on an annual basis.

The Internal and External Auditors have, during the course of their audits, carried out a review of the effectiveness of key internal controls within the scope of their audit. Material non-compliance and internal control weaknesses noted during their respective audits and their recommendations are reported to the AC. The AC has reviewed the CSA report and Internal and External Auditors' comments to ensure that there are adequate internal controls in the Group and follow up actions from the last audit reviews have been implemented. The AC will ensure that recommendations by the CSA report and Internal and External Auditors, arising from the FY2015 audits be followed up and implemented by Management at the next audit reviews or within the timeline stipulated in the respect audit reports for FY2016.

In line with the Code, the AC, with the concurrence of the Board, had adopted a Management Assurance Confirmation Statement ("Management Assurance Statement") in May 2013. For FY2015, the CEO and CFO had provided a Management Assurance Statement confirming that:

- (i) Management is aware of their responsibilities for establishing, maintaining and evaluating the effectiveness of the risk management and internal control systems of the Company;
- (ii) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances;
- (iii) to the best of their knowledge, nothing has come to their attention as Management, which would render the interim financial statements to be false or misleading in any material aspect; and
- (iv) Management has updated the AC that there are no known significant deficiencies or lapses in risk management and internal controls systems relating to the Company's financial, operational, compliance and information technology controls which could adversely affect the Company's ability to record, process, summarise or report financial data, or any fraud, whether material or not that involves Management or other employees who have a significant role in the Company's internal controls.

The Board recognises that no internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The review of the Group's internal control system is a concerted and continuing process.

As recommended by the SGX-ST, an opinion of the Board with the concurrence of the AC on the adequacy and effectiveness of the internal controls, addressing financial, operational, compliance and information technology risks, and risk management policies is set out in the Directors' Statement under page 46 of the Annual Report.

The Group's financial risk management is disclosed under Note 33(b) of the Notes to the Financial Statements on pages 85 to 88 of this Annual Report.

## REPORT ON CORPORATE GOVERNANCE

### AUDIT COMMITTEE ("AC")

PRINCIPLE 12: THE BOARD SHOULD ESTABLISH AN AUDIT COMMITTEE ("AC") WITH WRITTEN TERMS OF REFERENCE WHICH CLEARLY SET OUT ITS AUTHORITY AND DUTIES.

The AC is regulated by a set of written terms of reference, which are in line with the Code.

The AC comprises three members, majority of them including the AC Chairman are independent directors, as set out below:

Mr. Phang Kin Seng (Lawrence) (Lead Independent Director)	– AC Chairman
Mr. Lim Yoke Hean (Independent Director)	– AC Member
*Mr. Wang Weiyao (Non-Executive and Non-Independent Director)	– AC Member

\* *Mr Wang Weiyao, a Non-Executive and Non-Independent Director of the Company, was appointed as a member of the AC of the Company in place of Mr Cheng Hong who resigned as an Independent Director of the Company and an AC member with effect from 29 February 2016.*

The Board is of the view that the members of the AC are appropriately qualified, having the necessary recent and relevant accounting and/or related financial management expertise or experience as the Board interprets such qualification in its business judgement, to discharge their responsibilities.

The AC meets at least four times a year to discuss and review the following where applicable, on the following key terms of reference:

- (a) with the Internal and External Auditors the audit plans, their evaluation of the system of internal controls, audit reports, letters to Management and Management's response respectively;
- (b) the quarterly and annual financial statements and balance sheet and profit and loss accounts before submission to the Board for approval so as to ensure the integrity of the Company's financial statements, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;
- (c) annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls and risk management policies;
- (d) where deficiencies in internal controls have been identified, to ensure that appropriate and prompt remedial attention is taken by Management;
- (e) the internal controls and procedures to ensure co-ordination between the Internal and External Auditors and co-operation from Management and assistance given to facilitate their audit and problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of Management where necessary);
- (f) with the External Auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and Management's response;
- (g) the scope and results of the internal audit programme/procedures and review at least annually the adequacy of effectiveness of the Company's internal audit function including ensuring it is staffed with persons with the relevant qualifications and experience and has appropriate standing within the Company;
- (h) annually the scope and results of the audit and its cost effectiveness as well as independence and objective of the External Auditors;

## REPORT ON CORPORATE GOVERNANCE

- (i) co-ordination between the Internal and External Auditors;
- (j) the appointment or re-appointment of the Internal and External Auditors and matters relating to resignation or dismissal of the auditors;
- (k) arrangements by which staff of the Group and any other persons may in confidence, raise concerns about possible improprieties in financial reporting or, other matters;
- (l) interested person transactions falling within the scope of Chapter 9 of the SGX-ST Listing Manual on a quarterly basis;
- (m) potential conflicts of interests, if any; and
- (n) such other reviews and projects as may be requested by the Board and will report to the Board its findings from time to time on matters arising and requiring the attention of the AC and generally undertake such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.

The AC has the explicit powers to conduct or authorise investigations into any of the abovementioned matters. The AC has full access to and co-operation by Management and also full discretion to invite any Director or executive officer to attend its meetings as well as reasonable resources to enable it to discharge its function properly.

The AC meets with the Group's Internal and External Auditors and Management to review accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained in the Group. For FY2015, the AC has:

- (i) met up with the Internal and External Auditors, without the presence of Management, to discuss their findings set out in their respective reports to the AC. Both the Internal and External Auditors had confirmed that they had received the full co-operation of Management and no restrictions were placed on the scope of the respective audits;
- (ii) conducted a review of the non-audit services provided by the External Auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the External Auditors as well as the cost effectiveness of the audit before confirming their re-nomination. The following fees amounting to S\$141,500 were approved:

Audit fees	S\$140,000
Non-Audit fees	S\$1,500

The External Auditors had also confirmed their independence in this respect;

- (iii) confirmed that Company had complied with Rule 712 of the SGX-ST Listing Manual in relation to the appointment of a suitable auditing firm to meet its audit obligations. Messrs. Baker Tilly TFW LLP, the appointed auditors of the Group, is registered with the Accounting and Corporate Regulatory Authority in Singapore.

Together with the audit engagement partner and his team assigned to the audit of the Group, the AC was satisfied that the resources and experience of Messrs. Baker Tilly TFW LLP, the Audit Engagement Partner and his team assigned to the audit were adequate to meet their audit obligations, given the size, nature, operations and complexity of the Group;

- (iv) confirmed that the Company had complied with Rule 715 of the SGX-ST Listing Manual in relation to the appointment of the same auditing firm based in Singapore to audit its accounts, and its foreign-incorporated subsidiaries. The Group's subsidiaries are disclosed under Note 12 of the Notes to the Financial Statements on pages 72 and 73 of this Annual Report.



## REPORT ON CORPORATE GOVERNANCE

The AC, with the concurrence of the Board, had recommended the re-appointment of Messrs. Baker Tilly TFW LLP as External Auditors for FY2016 at the forthcoming Annual General Meeting, based on their performance and quality of their audit.

The External Auditors and/or the CFO will update the AC on the changes to accounting standards and issues which have a direct impact on financial statements from time to time. In addition, the AC is entitled to seek clarification from Management, the External Auditor and/or the Internal Auditor or independent professional advice, or attend relevant seminars, informative talks at the Company's expense from time to time to apprise themselves of accounting standards/financial updates.

The Company has put in place a Whistle Blowing Policy which provides well-defined and accessible channels in the Group through which staff may in confidence, raise their concerns about possible improprieties, fraudulent activities, malpractices within the Group in a responsible and effective manner in matters of financial reporting or other matters. The Whistle Blowing Policy was updated in line with the Code to extend the policy to "any other persons" in addition to the Group's employees. The objective of the Policy is to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. No reports on whistle-blowing incidents were received in FY2015.

### INTERNAL AUDIT

PRINCIPLE 13: THE BOARD SHOULD ESTABLISH AN EFFECTIVE INTERNAL AUDIT FUNCTION THAT IS ADEQUATELY RESOURCED AND INDEPENDENT OF THE ACTIVITIES IT AUDITS.

The Group has also outsourced its internal audit function to Nexia TS Risk Advisory as its Internal Auditors. The Internal Auditors reports directly to the AC on internal audit matters and to the CEO on administrative matters.

The role of the Internal Auditors is to support the AC in ensuring that the Group maintains a sound system of internal controls by monitoring and assessing the effectiveness of key controls and procedures, conducting in-depth audits of high risk areas and undertaking investigations as directed by the AC.

The AC will review the adequacy of the internal audit function annually to ensure that the internal audit function is sufficiently resourced and is able to perform its function effectively and objectively. For FY2015, the AC is satisfied that Nexia TS Risk Advisory has adequate resources and experience to meet its internal audit obligations.

### SHAREHOLDER RIGHTS AND COMMUNICATION WITH SHAREHOLDERS

PRINCIPLE 14: COMPANIES SHOULD TREAT ALL SHAREHOLDERS FAIRLY AND EQUITABLY, AND SHOULD RECOGNISE, PROTECT AND FACILITATE THE EXERCISE OF SHAREHOLDERS' RIGHTS, AND CONTINUALLY REVIEW AND UPDATE SUCH GOVERNANCE ARRANGEMENTS.

PRINCIPLE 15: COMPANIES SHOULD ENCOURAGE GREATER SHAREHOLDER PARTICIPATION AT ANNUAL GENERAL MEETINGS, AND ALLOW SHAREHOLDERS THE OPPORTUNITY TO COMMUNICATE THEIR VIEWS ON VARIOUS MATTERS AFFECTING THE COMPANY.

In line with continuous disclosure obligations of the Company and pursuant to the SGX-ST's Listing Manual, the Board's policy is that shareholders are informed of all major developments that impact the Group. The Company is mindful of the need for regular and proactive communication with its shareholders. In conjunction with this purpose, the Board has adopted a Corporate Disclosure Policy as mentioned in Principle 1 of this Corporate Governance Report.

## REPORT ON CORPORATE GOVERNANCE

Information is communicated to shareholders on a timely basis. Communication is made through annual reports or circulars that are prepared and issued to all shareholders as well as quarterly and full year announcements, containing a summary of the financial information and affairs of the Group for the period, notices and explanatory notes of Annual General Meetings and Extraordinary General Meetings, other announcements and press releases that are issued via SGXNET. Shareholder can also access the Group's website at [www.wpmlimited.com](http://www.wpmlimited.com) for the aforementioned information on the Group.

The Board has also taken steps to solicit and understand the views of the shareholders through results briefings from time to time. In addition, shareholders are encouraged to attend the Annual General Meeting to ensure a high level of accountability and to stay informed of the Group's strategy and goals. Shareholders may vote in person or in absentia by way of proxy forms deposited, in person or by mail, at the registered address of the Company at least 48 hours before the meetings.

Currently, the Board has not implemented any voting methods to allow shareholders to vote by way of electronic mail or facsimile. However, pursuant to Article 73 of the Constitution of the Company, the Directors may, at their sole discretion, approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow shareholders who are unable to vote in person at any general meeting the option to vote in absentia, including but not limited to voting by electronic mail or facsimile. A member, who is not a relevant intermediary (the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.), is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting. A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

The Company would conduct its votings in general meetings by poll where shareholders are accorded rights proportionate to the shareholding and all votes are counted. The Board believes that this will enhance transparency of the voting process and encourage greater shareholder participation.

The Annual General Meeting is the principal forum for dialogue with shareholders. The Board welcomes questions from shareholders who have an opportunity to raise issues or seek clarifications either informally or formally before or at the Annual General Meeting.

The notice of the Annual General Meeting is despatched to shareholders, together with explanatory notes or a circular on items of special business, at least 14 days before the meeting for ordinary resolutions and 21 days before the meeting for special resolutions. There are separate resolutions on each distinct issue. The Chairmen of the AC, NC and RC will normally be available at the shareholders' meetings to answer those questions relating to the work of these committees. The External Auditors of the Company will also normally be present to address shareholders' queries about the conduct of audit and the preparation and content of the auditor's report.

Other than communicating with Shareholders at Annual General Meetings, the shareholders may contact the Company's CFO on any investor relations matters. His contact details are set out in the Company's media releases which were released to the SGX-ST.

The Company does not have a policy on payments of dividends. The form, frequency and amount of dividends declared each year will take into consideration the group's profit growth, cash position, positive cash generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. The Company endeavours to pay dividend and where dividends are not paid, the Company will disclose its reason(s) accordingly. For FY2015, the Company had paid an interim dividend of RMB0.125 and the Board has recommended the payment of a final Tax-Exempt (One-Tier) dividend of RMB0.125 per share, subject to the shareholders' approval at the forthcoming Annual General Meeting to be held on 28 April 2016.

## REPORT ON CORPORATE GOVERNANCE

### Securities Transactions

The Group has adopted a set of Code of Conduct to provide guidance to its officers regarding dealings in the Company's securities, in compliance with Rule 1207(19) of the SGX-ST Listing Manual. In accordance with the said rule, the officers of the Company shall not deal in the Company's securities during the period commencing 2 weeks or 1 month before the date of announcement of the Company's quarterly or full year results respectively and ending on the date of announcement of the relevant results. In addition, the Directors, key officers and employees of the Group are discouraged from dealing in the Company's securities on short-term considerations and when they are in possession of any unpublished material price-sensitive information of the Group.

### Interested Person Transactions

The Company has adopted an internal policy governing procedures for the identification, approval and monitoring of interested person transactions. All interested person transactions are subject to review by the AC at its quarterly meetings. When a potential conflict of interest arises, the Director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

The aggregate value of interested person transactions entered into during the financial year under review is as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$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 S\$100,000)
	RMB'000	RMB'000
Jiangsu World Machinery and Electronics Group Co., Ltd. Processing fees received and sale of raw materials.	185	–
Jiangsu World Machinery and Electronics Group Co., Ltd. Processing fees paid and purchase of scrap materials.	3,755	–
Jiangsu World Plant-Protecting Machinery Co., Ltd. Processing fees received, sale of raw materials and parts.	440	–
Jiangsu World Plant-Protecting Machinery Co., Ltd. Purchase of raw materials and scrap materials.	1,736	–
Jiangsu World Agriculture Machinery Co., Ltd. Processing fees received, sale of raw materials, parts and machineries.	14,149	–

## REPORT ON CORPORATE GOVERNANCE

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$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 S\$100,000)
	RMB'000	RMB'000
Jiangsu World Agriculture Machinery Co., Ltd. Purchase of scrap materials.	1,727	–
Jiangsu World Agriculture Machinery & Parts Manufacturing Co., Ltd. Processing fees received, sale of raw materials, parts and machineries.	11,309	–
Jiangsu World Agriculture Machinery & Parts Manufacturing Co., Ltd. Processing fees paid, purchase of raw materials, parts and scrap materials.	7,203	–
World Agriculture (Shenyang) Co., Ltd. Sales of raw materials and rental income.	8,004	–
World Heavy Industry (China) Co., Ltd. Sale of raw materials and parts.	4,871	–
World Heavy Industry (China) Co., Ltd. Purchase of scrap materials and equipment.	1,091	–
Jiangsu World Crane Co., Ltd Purchase of equipment.	2	–
Jiangsu World Precise Machinery Co., Ltd. Land rental paid.	804	–
Jiangsu World Furniture Co., Ltd. Processing fee received and sale of parts.	43	–

## REPORT ON CORPORATE GOVERNANCE

The abovenamed interested persons are effectively controlled by Mr. Wang Weiyao through World Sharehold International Limited (“**WSIL**”) and/or True Merit Group Limited (“**TMGL**”) and/or his associates.

Mr. Wang Weiyao, the Non-Executive and Non-Independent Director of the Company, has 100% shareholding interest in WSIL and TMGL. Mr. Wang Weiyao is also a controlling shareholder of the Company, through his 100% shareholding interest in World Sharehold Limited.

Accordingly, all the companies listed above which are effectively controlled by Mr. Wang Weiyao through World Sharehold International Limited and/or True Merit Group Limited and/or his associates are deemed to be the same interested person within the meaning defined in Chapter 9 of the SGX-ST Listing Manual.

Separately, all interested person transactions during the financial year under review (excluding transactions less than S\$100,000) had been announced by the Company via SGXNET on 27 February 2016.

The Company would be holding an Extraordinary General Meeting to obtain a general mandate from shareholders pursuant to Rule 920 of the SGX-ST Listing Manual.

### Material Contracts

Save for the following, there were no material contracts still subsisting during the financial year as required to be reported under Rule 1207(8):

- (i) Service Agreement entered with Mr. Shao Jianjun (as disclosed in the Company’s Prospectus dated 19 April 2006) which was renewed for another three (3) years, expiring 26 April 2018;
- (ii) Service Agreement entered with Ms. Jiang Hongdi on 28 April 2010 for a period of three (3) years, expiring 27 April 2013. A Supplemental Agreement was entered with Ms. Jiang on 28 February 2013 for a further three (3) years which will expire on 27 April 2016;
- (iii) Service Agreement entered with Mr. Wu Yufang for a period of three (3) years commencing 1 March 2013. A Supplemental Agreement was entered with Mr. Wu on 26 February 2016 for a further three (3) years which will expire on 28 February 2019;
- (iv) Purchase Agreement dated 30 December 2006 in relation to the acquisition of the land-use rights for the setting up of a new production facility in Danyang, China; and
- (v) Purchase Agreement dated 26 May 2011 in relation to the acquisition of the land-use rights for the setting up of a new production facility in Shenyang, China.



## FINANCIAL CONTENTS

Directors' Statement	45
Independent Auditor's Report	48
Consolidated Statement of Profit or Loss and Other Comprehensive Income	49
Statements of Financial Position	50
Consolidated Statement of Changes in Equity	51
Statement of Changes in Equity	52
Consolidated Statement of Cash Flows	53
Notes to the Financial Statements	55

## DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of World Precision Machinery Limited (the "Company") and its subsidiary corporations (the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2015.

### Opinion of the directors

In the opinion of the directors:

- (i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 6 to 42 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended in accordance with the provisions of the Companies Act, Chap. 50 (the "Act") and Singapore Financial Reporting Standards; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

### Directors

The directors of the Company in office at the date of this statement are:

Shao Jianjun	(Executive Chairman)
Wu Yufang	(Executive Director & CEO)
Jiang Hongdi	(Executive Director)
Wang Weiyao	(Non-Executive and Non-Independent Director)
Phang Kin Seng (Lawrence)	(Lead Independent Director)
Lim Yoke Hean	(Independent Director)

### Arrangements to enable directors to acquire benefits

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### Directors' interests in shares and debentures

The directors of the Company holding office at the end of financial year had no interest in the shares and debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Act except as follows:

Name of directors	Number of ordinary shares					
	Shareholdings registered in their own names			Shareholdings in which a director is deemed to have an interest		
	At 1 January 2015	At 31 December 2015	At 21 January 2016	At 1 January 2015	At 31 December 2015	At 21 January 2016
<b>The Company</b>						
Wang Weiyao	200,000	200,000	200,000	295,391,000	295,391,000	295,391,000
Shao Jianjun	–	–	–	54,100,000	54,100,000	54,100,000
Jiang Hongdi	648,000	648,000	648,000	–	–	–
Lim Yoke Hean	–	–	–	200,000	200,000	200,000
Cheng Hong (Resigned on 29 February 2016)	88,000	88,000	88,000	51,000	51,000	51,000

## DIRECTORS' STATEMENT

The director, Wang Weiyao, by virtue of Section 7(4) of the Act is deemed to have an interest in the shares held by the Company in its subsidiary corporations.

### Share options

No option to take up unissued shares of the Company or its subsidiary corporations was granted during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations whether granted before or during the financial year.

There were no unissued shares of the Company or its subsidiary corporations under option at the end of the financial year.

### Audit Committee

The members of the Audit Committee, comprises three non-executive directors, majority of which are independent, as follows:

Phang Kin Seng (Lawrence)	(Chairman)
Lim Yoke Hean	(Member)
Wang Weiyao	(Member, appointed on 29 February 2016)
Cheng Hong	(Member, resigned on 29 February 2016)

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Act. Their functions are detailed in the Report on Corporate Governance in the Annual Report 2015.

The Audit Committee is satisfied with the independence and objectivity of the independent auditor and has nominated Baker Tilly TFW LLP for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting.

### Compliance with Rule 1207(10) of the Listing Manual of the Singapore Exchange Securities Trading Limited

Nexia TS Risk Advisory Pte. Ltd., the Internal Auditors of the Group, has been commissioned to assist Management in the Group's Enterprise Risk Management ("ERM") to complement the Group's existing internal audit plan and thereafter to follow up with an annual Control Self-Assessment ("CSA") based on the risks identified from ERM exercise. The Audit Committee ("AC") has reviewed the overall scope of the internal and external audits and the assistance given by Management to the Internal and External Auditors. The AC had also met once with the Company's Internal and External Auditors for the financial year ended 31 December 2015 ("FY2015") to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls without the presence of Management. Details on the duties and functions carried out by the AC, adequacy of the internal controls and internal audit during FY2015 are set out under the Report on Corporate Governance in the Annual Report 2015.

Based on the review of the key risks identified through the ERM process, internal controls established and maintained by the Group, work performed by the Internal and External Auditors, assurances from the CEO and CFO and reviews carried out by Management, various Board Committees and the Board, the AC and the Board are of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology risks, and risk management systems, were adequate and effective as at 31 December 2015.



## DIRECTORS' STATEMENT

### Independent auditor

The independent auditor, Baker Tilly TFW LLP, has expressed its willingness to accept re-appointment.

On behalf of the Directors

Wu Yufang  
Director

Jiang Hongdi  
Director

25 March 2016

## INDEPENDENT AUDITOR'S REPORT

To the Members of World Precision Machinery Limited

### Report on the Financial Statements

We have audited the accompanying financial statements of World Precision Machinery Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 6 to 42, which comprise the statements of financial position of the Group and the Company as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

### Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Baker Tilly TFW LLP  
Public Accountants and  
Chartered Accountants  
Singapore

25 March 2016

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
<b>Revenue</b>	4	<b>559,121</b>	864,303
Cost of sales		<b>(384,889)</b>	(599,004)
<b>Gross profit</b>		<b>174,232</b>	265,299
Other income and gains	5	<b>13,377</b>	11,007
Distribution and selling expenses		<b>(55,326)</b>	(56,715)
Administrative and other expenses		<b>(76,778)</b>	(72,960)
Finance expenses	6	<b>(14,853)</b>	(12,147)
<b>Profit before tax</b>	7	<b>40,652</b>	134,484
Tax expense	9	<b>(18,985)</b>	(26,467)
<b>Profit for the year</b>		<b>21,667</b>	108,017
<b>Other comprehensive income:</b>			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Currency translation differences arising on consolidation		<b>2,369</b>	84
<b>Total comprehensive income for the year</b>		<b>24,036</b>	108,101
<b>Profit attributable to:</b>			
Equity holders of the Company		<b>21,667</b>	108,017
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		<b>24,036</b>	108,101
<b>Earnings per share for profit attributable to equity holders of the Company</b>			
Basic and diluted (RMB per share)	10	<b>0.05</b>	0.27

The accompanying notes form an integral part of these financial statements.

## STATEMENTS OF FINANCIAL POSITION

At 31 December 2015

	Note	Group		Company	
		2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
<b>Non-current assets</b>					
Property, plant and equipment	11	<b>716,413</b>	764,895	-	-
Investments in subsidiaries	12	-	-	<b>722,792</b>	730,845
Land use rights	13	<b>131,403</b>	134,656	-	-
Intangible assets	14	<b>34,865</b>	25,181	-	-
		<b>882,681</b>	924,732	<b>722,792</b>	730,845
<b>Current assets</b>					
Inventories	15	<b>382,856</b>	347,792	-	-
Land use rights	13	<b>3,003</b>	3,003	-	-
Trade receivables	16	<b>220,086</b>	312,966	-	-
Other receivables	17	<b>27,130</b>	26,162	<b>2,817</b>	13
Due from subsidiaries (non-trade)	18	-	-	<b>48,567</b>	74
Cash and cash equivalents	19	<b>10,601</b>	50,916	<b>1,066</b>	4,946
		<b>643,676</b>	740,839	<b>52,450</b>	5,033
<b>Total assets</b>		<b>1,526,357</b>	1,665,571	<b>775,242</b>	735,878
<b>Non-current liabilities</b>					
Borrowings	20	<b>60,000</b>	130,000	-	-
Deferred tax liability	21	<b>3,300</b>	2,160	-	-
		<b>63,300</b>	132,160	-	-
<b>Current liabilities</b>					
Trade payables	22	<b>179,837</b>	168,003	-	-
Bills payables	23	<b>31,130</b>	20,000	-	-
Other payables	24	<b>118,456</b>	126,686	<b>914</b>	1,138
Due to related parties (non-trade)	18	<b>540</b>	731	-	-
Due to a subsidiary (non-trade)	18	-	-	-	5,401
Income tax payables		<b>429</b>	4,362	-	-
Borrowings	20	<b>90,000</b>	105,000	-	-
		<b>420,392</b>	424,782	<b>914</b>	6,539
<b>Total liabilities</b>		<b>483,692</b>	556,942	<b>914</b>	6,539
<b>Net assets</b>		<b>1,042,665</b>	1,108,629	<b>774,328</b>	729,339
<b>Equity</b>					
Share capital	25	<b>250,660</b>	250,660	<b>250,660</b>	250,660
Retained earnings		<b>568,130</b>	701,575	<b>575,975</b>	525,303
Currency translation reserve	26	<b>8,011</b>	5,642	<b>(52,307)</b>	(46,624)
Statutory reserves	27	<b>118,767</b>	150,752	-	-
Capital reserve	28	<b>97,097</b>	-	-	-
<b>Total equity</b>		<b>1,042,665</b>	1,108,629	<b>774,328</b>	729,339

The accompanying notes form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the financial year ended 31 December 2015

	Share capital	Retained earnings	Currency translation reserve	Statutory reserves	Capital reserve	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Group</b>						
Balance at 1.1.2014	250,660	671,500	5,558	137,810	–	1,065,528
Profit for the year	–	108,017	–	–	–	108,017
<i>Other comprehensive income</i>						
Currency translation differences arising on consolidation	–	–	84	–	–	84
Total comprehensive income for the year	–	108,017	84	–	–	108,101
Transfer to statutory reserve fund	–	(12,942)	–	12,942	–	–
Dividends (Note 29)	–	(65,000)	–	–	–	(65,000)
Balance at 31.12.2014	250,660	701,575	5,642	150,752	–	1,108,629
Profit for the year	–	21,667	–	–	–	21,667
<i>Other comprehensive income</i>						
Currency translation differences arising on consolidation	–	–	2,369	–	–	2,369
Total comprehensive income for the year	–	21,667	2,369	–	–	24,036
Transfer to statutory reserve fund	–	(5,650)	–	5,650	–	–
Transfer to capital reserve	–	(59,462)	–	(37,635)	97,097	–
Dividends (Note 29)	–	(90,000)	–	–	–	(90,000)
<b>Balance at 31.12.2015</b>	<b>250,660</b>	<b>568,130</b>	<b>8,011</b>	<b>118,767</b>	<b>97,097</b>	<b>1,042,665</b>

The accompanying notes form an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

	Share capital RMB'000	Retained earnings RMB'000	Currency translation reserve RMB'000	Total equity RMB'000
<b>Company</b>				
Balance at 1.1.2014	250,660	524,586	(18,659)	756,587
Profit for the year	–	65,717	–	65,717
<i>Other comprehensive loss</i>				
Currency translation differences arising on consolidation	–	–	(27,965)	(27,965)
Total comprehensive income for the year	–	65,717	(27,965)	37,752
Dividends (Note 29)	–	(65,000)	–	(65,000)
Balance at 31.12.2014	250,660	525,303	(46,624)	729,339
Profit for the year	–	140,672	–	140,672
<i>Other comprehensive loss</i>				
Currency translation differences arising on consolidation	–	–	(5,683)	(5,683)
Total comprehensive income for the year	–	140,672	(5,683)	134,989
Dividends (Note 29)	–	(90,000)	–	(90,000)
<b>Balance at 31.12.2015</b>	<b>250,660</b>	<b>575,975</b>	<b>(52,307)</b>	<b>774,328</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
<b>Cash flows from operating activities</b>			
Profit before tax		40,652	134,484
Adjustments for:			
Depreciation of property, plant and equipment		54,874	53,774
Amortisation of intangible assets		5,879	1,196
Amortisation of land use rights		3,253	2,788
Interest expense		14,620	11,735
Interest income		(248)	(242)
Property, plant and equipment written off		297	29
Gain on disposals of property, plant and equipment		(186)	(170)
Operating cash flow before working capital changes		119,141	203,594
Inventories		(35,064)	92,235
Receivables		84,909	(52,309)
Payables		36,849	3,358
Currency translation adjustments		2,369	86
Cash generated from operations		208,204	246,964
Interest received		248	242
Income tax paid		(14,189)	(25,597)
<b>Net cash from operating activities</b>		<b>194,263</b>	<b>221,609</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	A	(41,700)	(35,364)
Addition of intangible assets		(14,693)	(13,771)
Proceeds from disposals of property, plant and equipment		305	1,918
<b>Net cash used in investing activities</b>		<b>(56,088)</b>	<b>(47,217)</b>
<b>Cash flows from financing activities</b>			
Repayments of bank loans		(115,000)	(95,000)
Proceeds from bank loans		30,000	30,000
Bank deposits released from pledge		2,000	3,588
Bank deposits pledged		(2,000)	(2,000)
Interest paid		(14,620)	(17,759)
Dividends paid		(90,000)	(65,000)
Increase/(decrease) in bills payables to bank		11,130	(11,000)
<b>Net cash used in financing activities</b>		<b>(178,490)</b>	<b>(157,171)</b>

The accompanying notes form an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2015

		2015	2014
	Note	RMB'000	RMB'000
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(40,315)</b>	17,221
Cash and cash equivalents at beginning of the year		<b>48,916</b>	31,697
Effect of exchange rate changes on cash and cash equivalents		-	(2)
<b>Cash and cash equivalents at end of the year</b>	19	<b>8,601</b>	48,916
<b>Note A:</b>			
Total additions to property, plant and equipment	11	<b>7,678</b>	11,948
Add: payables		<b>33,436</b>	29,428
Add: prepayments		<b>586</b>	12
Less: interest capitalised	11(a)	-	(6,024)
Purchases of property, plant and equipment per consolidated statement of cash flows		<b>41,700</b>	35,364



# STATEMENTS OF FINANCIAL POSITION

At 31 December 2015

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1. Corporate information

World Precision Machinery Limited (the "Company") (Co. Reg. No: 200409453N) is domiciled and incorporated in Singapore and listed on the Main Board of the Singapore Exchange Securities Trading Limited.

The principal place of business of the Group is at Picheng Town, Danyang City, Jiangsu Province, People's Republic of China ("PRC") and the registered address of the Company is at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623.

The immediate and ultimate holding company of the Company is World Sharehold Limited, incorporated in the British Virgin Islands. The ultimate controlling party of the Group is Mr. Wang Weiyao.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are disclosed in Note 12.

## 2. Summary of significant accounting policies

### (a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The financial statements are presented in Chinese Renminbi ("RMB") and all financial information presented in RMB are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

The preparation of financial statements in conformity with FRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgment in applying accounting policies, or areas where assumptions and estimates are significant risk of resulting in material adjustment within the next financial year are disclosed in Note 3.

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 2. Significant accounting policies (cont'd)

#### (a) Basis of preparation (cont'd)

In the current financial year, the Group and the Company adopted all the new and revised FRS and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for the current financial year. Changes to the Group's and the Company's accounting policies have been made as required in accordance with the transitional provisions in the respective FRS and INT FRS. The adoption of these new and revised FRS and INT FRS did not have any material effect on the financial results or position of the Group and the Company.

New standards, amendments to standards and interpretations that have been issued at the end of the reporting period but are not yet effective for the financial year ended 31 December 2015 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company except as disclosed below.

#### *FRS 115 Revenue from Contracts with Customers*

FRS 115 replaces FRS 18 'Revenue', FRS 11 'Construction contracts' and other revenue-related interpretations. It applies to all contracts with customers, except for leases, financial instruments, insurance contracts and certain guarantee contracts and non-monetary exchange contracts. FRS 115 provides a single, principle-based model to be applied to all contracts with customers. It provides guidance on whether revenue should be recognised at a point in time or over time, replacing the previous distinction between goods and services. The standard introduces new guidance on specific circumstances where cost should be capitalised and new requirements for disclosure of revenue in the financial statements. The standard is effective for annual periods beginning on or after 1 January 2018. The Group will reassess its contracts with customers in accordance with FRS 115.

#### *FRS 109 Financial Instruments*

FRS 109 includes guidance on (i) the classification and measurement of financial assets and financial liabilities; (ii) impairment requirements for financial assets; and (iii) general hedge accounting. FRS 109, when effective, will replace FRS 39 Financial Instruments: Recognition and Measurement. This standard is effective for annual periods beginning on or after 1 January 2018. The Group will reassess the potential impact of FRS 109 and plans to adopt the standard on the required effective date.

#### (b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at end of the reporting period. Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 2. Significant accounting policies (cont'd)

#### (b) Basis of consolidation (cont'd)

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the date of acquisition.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amount of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to owners of the Company.

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific FRS.

Any retained equity interest in the previous subsidiary is remeasured at fair value at the date that control is lost. The difference between the carrying amount of the retained interest at the date control is lost, and its fair value is recognised in profit or loss.

Consolidation of the subsidiary in the PRC is based on the subsidiary's financial statements prepared in accordance with FRS. Profits reflected in the financial statements prepared in accordance with FRS may differ from those reflected in the PRC statutory financial statements of the subsidiary, prepared for PRC reporting purposes. In accordance with the relevant laws and regulations, profits available for distribution by the PRC subsidiary is based on the amounts stated in the PRC statutory financial statements.

#### (c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses, if any. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 2. Significant accounting policies (cont'd)

#### (d) Revenue

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and rendering of services, net of sales related taxes, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group, and the amount of revenue and related cost can be reliably measured.

##### *Sales of goods*

Revenue from sales of goods is recognised when a Group entity has delivered the products to the customer and significant risks and rewards of ownership of the goods have been passed to the customer.

##### *Rendering of services*

Revenue from services is recognised during the financial year in which the services are rendered.

##### *Interest income*

Interest income is recognised on a time proportion basis using the effective interest method.

##### *Rental income*

Rental income from operating leases are recognised on a straight-line basis over the lease term.

#### (e) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to the profit or loss over the expected useful life of the relevant asset by equal annual instalments.

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

#### (f) Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in the profit or loss using the effective interest method.

#### (g) Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) taken to profit or loss on a straight-line basis over the period of the lease. Contingent rents, if any, are charged as expenses in the period in which they are incurred.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 2. Significant accounting policies (cont'd)

#### (h) Employee benefits

##### *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities, and will have no legal or constructive obligation to pay further contributions once the contributions have been paid. The Group participates in the national pension scheme as defined by the laws of the countries in which it has operations. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

##### *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

#### (i) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the end of the reporting date, and any adjustment to tax payable or recoverable in respect of previous years.

Deferred income tax is provided using the liability method, on all temporary differences at the end of the reporting date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the end of the reporting period.

Deferred income tax is measured based on the tax consequence that will follow the manner in which the Group expects, at the end of the reporting period to recover or settle the carrying amounts of its assets and liabilities.

Deferred tax are charged or credited to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 2. Significant accounting policies (cont'd)

#### (j) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any impairment in value. The cost of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised.

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the profit or loss.

Depreciation is calculated on a straight-line basis to write off the depreciable amount of property, plant and equipment less any estimated residual value over their expected useful lives. The estimated useful lives as follows:

	<b>Number of years</b>
Leasehold buildings	20 - 25
Plant and machinery	10 - 20
Electrical fittings	3 - 5
Tools and equipment	5
Motor vehicles	5

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are recognised in the profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

Properties in the course of construction for production, or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss until construction or development is completed. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policies. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

#### (k) Intangible assets

##### *Research and development costs*

Research and development costs are expensed as incurred, except for development costs which relate to the design and testing of new or improved materials, products or processes which are recognised as an asset to the extent that it is expected that such assets will generate future economic benefits.

Deferred development costs are amortised from the date of commercial production of the product or from the date the process is put into use. Such costs are currently being amortised on a straight-line basis over their useful lives, not exceeding 5 years.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 2. Significant accounting policies (cont'd)

#### (l) Land use rights

Leases of land under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases. Lease prepayment for land use rights are initially measured at cost and subsequently carried at cost less accumulated amortisation and any impairment in value. The land use rights are amortised over its lease term of 50 years.

#### (m) Impairment of non-financial assets

At each reporting date, the Group assesses the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A previously recognised impairment loss for an asset other than goodwill is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in profit or loss.

#### (n) Financial assets

##### **Classification**

The Group's only financial assets are loans and receivables. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the end of the reporting period which are classified as non-current assets. Loans and receivables are presented as "trade receivables", "other receivables" (excluding prepayments, advance payments and tax recoverable), "due from subsidiaries (non-trade)" and "cash and cash equivalents" on the statements of financial position.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 2. Significant accounting policies (cont'd)

#### (n) Financial assets (cont'd)

##### ***Recognition and derecognition***

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss.

##### ***Initial measurement***

Loans and receivables are initially recognised at fair value plus transaction costs.

##### ***Subsequent measurement***

Loans and receivables are carried at amortised cost using the effective interest method, less impairment.

Interest income on financial assets are recognised separately in profit or loss.

##### ***Impairment***

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account, and the amount of the loss is recognised in profit or loss. The allowance amount is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

If in subsequent periods, the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the assets does not exceed the amortised cost at the reversal date.

#### (o) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and exclude pledged deposits.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 2. Significant accounting policies (cont'd)

#### (p) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related overheads based on normal operating capacity but excluded borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

#### (q) Financial liabilities

Financial liabilities include trade and other payables (excluding advance payments), and borrowings. Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. Financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

#### (r) Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at their fair values plus transaction costs. Financial guarantees are classified as financial liabilities.

Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the expected amount payable to the holder. Financial guarantee contracts are amortised in profit or loss over the period of the guarantee.

#### (s) Provisions for other liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

#### (t) Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 2. Significant accounting policies (cont'd)

#### (u) Foreign currencies

##### *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Singapore dollar. The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in RMB, which is the functional currency of the principal entities in the PRC.

##### *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for currency translation differences on net investment in foreign operations and borrowings and other currency instruments qualifying as net investment hedges for foreign operations, which are recognised in other comprehensive income and accumulated in currency translation reserve within equity in the consolidated financial statements. The currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

##### *Translation of Group entities' financial statements*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing rates at the end of the reporting date;
- (ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the date of the transactions); and
- (iii) All resulting exchange differences are recognised in other comprehensive income and accumulated in currency translation reserve within equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On disposal of a foreign group entity, the cumulative amount of the currency translation reserve relating to that particular foreign entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 2. Significant accounting policies (cont'd)

#### (v) Dividends

Interim dividends are recorded during the financial year in which they are declared payable.

Final dividends are recorded in the Group's financial statements in the period in which they are approved by the Company's shareholders.

#### (w) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

### 3. Critical accounting judgments and key sources of estimation uncertainty

Estimates, assumptions concerning the future and judgments are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### ***Critical judgments made in applying accounting policies***

In the process of applying the Group's accounting policies, which are described in Note 2, management has made the following judgment that has the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below):

#### *Functional currency*

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgment is required by management to determine the primary economic environment in which the entities operate, the entities' process of determining sales prices and the currency of the country whose competitive forces and regulations mainly influences the prices of its goods and services. Management has assessed that prices are mainly denominated and settled in the respective local currency of the entities of the Group. In addition, most of the entities' cost base is mainly denominated in their respective local currency. Therefore, management concluded that the functional currency of the entities is their respective local currency.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 3. Critical accounting judgments and key sources of estimation uncertainty (cont'd)

#### *Key sources of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

#### *Allowance for doubtful receivables*

An allowance is provided for doubtful accounts on the estimated losses resulting from the subsequent inability of the Group's debtors to make required payments. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management specifically analyses accounts receivables and analyses historical bad debts, debtor creditworthiness, current economic trends and changes in customer payment terms when making a judgment to evaluate the adequacy of the allowance for doubtful receivables. The carrying amount of the Group's trade receivables and other receivables at the end of the reporting date are disclosed in Notes 16 and 17 respectively.

#### *Property, plant and equipment*

The Group reviews the useful lives and residual values of property, plant and equipment at each reporting date in accordance with accounting policies in Note 2(j). The estimation of useful lives and residual amounts involves assumptions concerning the future and estimations of the assets common life expectancies and expected level of usage. The carrying amount of the Group's property, plant and equipment at 31 December 2015 and the annual depreciation charge for the financial year ended 31 December 2015 are disclosed in Note 11.

Any changes in the expected useful lives of these assets would affect the net carrying amount of property, plant and equipment, and the depreciation charge for the financial year.

#### *Provision for product warranties*

The Group generally provides one-year warranties to its customers on certain of its products, under which faulty products are repaired and replaced. Currently, warranty expenses is recognised based on actual costs incurred and no provision for product warranties has been recognised as the estimated financial impact is not significant.

#### *Income taxes*

The Group has exposure to income taxes in Singapore and the PRC. Significant judgment is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payables at the end of the reporting period is RMB429,000 (2014: RMB4,362,000).

### 4. Revenue

Revenue comprises the sales of stamping, cutting and bending machines and metal parts.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 5. Other income and gains

	Group	
	2015 RMB'000	2014 RMB'000
Sale of parts	<b>1,327</b>	1,358
Cost of parts sold	<b>(1,358)</b>	(1,105)
	<b>(31)</b>	253
Gain on disposals of property, plant and equipment	<b>186</b>	170
Government grants and subsidies	<b>1,695</b>	1,700
Income from disposals of scrap metals	<b>435</b>	232
Insurance claim received	<b>741</b>	329
Interest income on bank deposits	<b>198</b>	141
Interest income on amounts due from employees	<b>50</b>	101
Others	<b>830</b>	1,864
Penalty income	<b>537</b>	394
Processing income	<b>4,506</b>	1,187
Rental income	<b>4,230</b>	4,636
	<b>13,377</b>	11,007

### 6. Finance expenses

	Group	
	2015 RMB'000	2014 RMB'000
Finance expenses:		
- interest expense on bank loans	<b>13,658</b>	10,327
- interest expense on discounting of bills	<b>962</b>	1,408
- others	<b>233</b>	412
	<b>14,853</b>	12,147

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 7. Profit before tax

This is determined after charging/(crediting) the following:

	Group	
	2015 RMB'000	2014 RMB'000
Allowance for doubtful debts written back (trade) (Note 16)	<b>(2,260)</b>	(1,062)
Allowance for doubtful debts written back (non-trade) (Note 17)	<b>(1,325)</b>	–
Allowance for doubtful debts (trade) (Note 16)	<b>6,722</b>	5,632
Allowance for doubtful debts (non-trade) (Note 17)	<b>5,998</b>	254
Amortisation of intangible assets (Note 14)	<b>5,879</b>	1,196
Amortisation of land use rights (Note 13)	<b>3,253</b>	2,788
Bad trade debts written off	<b>586</b>	1,277
Depreciation of property, plant and equipment	<b>54,874</b>	53,774
Directors' fees payable/paid to directors of the Company	<b>1,750</b>	1,818
Fees payable/paid to auditor of the Company		
- Audit	<b>393</b>	657
- Non-audit services	<b>7</b>	4
Fees payable/paid to other auditors		
- Audit	<b>240</b>	–
Foreign currency exchange loss/(gain)	<b>2,104</b>	(398)
Operating lease expense	<b>1,033</b>	917
Personnel expenses (Note 8)	<b>136,518</b>	126,428
Property, plant and equipment written off	<b>297</b>	29

### 8. Personnel expenses

	Group	
	2015 RMB'000	2014 RMB'000
Wages, salaries and bonuses	<b>122,489</b>	112,905
Defined contribution benefits	<b>8,678</b>	8,273
Other personnel expenses	<b>5,351</b>	5,250
	<b>136,518</b>	126,428

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 9. Tax expense

Tax expense attributable to profits is made up of:

	Group	
	2015	2014
	RMB'000	RMB'000
Income tax		
- current year	<b>11,349</b>	22,760
- over provision in respect of prior years	<b>(1,093)</b>	(696)
Withholding tax	<b>7,589</b>	3,720
Deferred tax expenses arising from net distributable earnings	<b>1,140</b>	683
	<b>18,985</b>	26,467

The income tax expense on the results of the financial year differs from the amount of income tax determined by applying the domestic rates applicable to profits in the countries where the Group operates due to the following factors:

	Group	
	2015	2014
	RMB'000	RMB'000
Profit before income tax	<b>40,652</b>	134,484
Tax at domestic rates applicable to profits in countries where the group entities operate	<b>3,458</b>	20,139
Expenses not deductible for tax purposes	<b>2,040</b>	1,939
Effect of tax incentives	<b>(748)</b>	(2,583)
Withholding tax	<b>7,589</b>	3,720
Over provision in respect of prior years	<b>(1,093)</b>	(696)
Net distributable earnings of subsidiaries	<b>1,140</b>	683
Deferred tax assets not recognised	<b>2,156</b>	2,229
Tax losses forfeited due to amalgamation of subsidiaries	<b>2,645</b>	-
Others	<b>1,798</b>	1,036
	<b>18,985</b>	26,467

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 9. Tax expense (cont'd)

#### *The Company*

The Company has no taxable income during the financial year. The statutory income tax rate applicable to the Company is 17%.

#### *The subsidiaries*

*World Precise Machinery (China) Co., Ltd. ("WPM (China)")*

WPM (China) enjoys preferential income tax rate of 15% as it has been regarded as high-tech enterprise.

The statutory income tax rate applicable to other PRC subsidiaries is 25%.

As the end of the reporting period, the Group has unutilised tax losses of RMB26,113,000 (2014: RMB23,886,000) that are available for carry forward up to five years from the year of loss against future taxable income, subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation in the PRC. No deferred tax asset has been recognised as it is not probable that future taxable profits will be sufficient to allow the related tax benefits to be realised.

### 10. Earnings per share

Basic earnings per share is calculated based on the Group's profit for the financial year attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the financial year.

	<b>Group</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
Profit for the year attributable to equity holders of the Company	<b>21,667</b>	108,017
Weighted average number of shares ('000)	<b>400,000</b>	400,000

Diluted earnings per share is same as basic earnings per share as there were no potential dilutive ordinary shares for the financial years ended 31 December 2015 and 31 December 2014.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 11. Property, plant and equipment

	Leasehold buildings RMB'000	Plant and machinery RMB'000	Electrical fittings RMB'000	Tools & equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Group</b>							
<b>2015</b>							
<b>Cost</b>							
At 1.1.2015	452,258	537,408	7,096	81,651	10,509	8,890	1,097,812
Additions	66	665	62	5,401	1,179	305	7,678
Reclassification	5,275	(7,784)	–	2,270	–	239	–
Disposals	–	(330)	–	(5)	(758)	–	(1,093)
Write-offs	–	(488)	–	(232)	–	–	(720)
At 31.12.2015	<b>457,599</b>	<b>529,471</b>	<b>7,158</b>	<b>89,085</b>	<b>10,930</b>	<b>9,434</b>	<b>1,103,677</b>
<b>Accumulated depreciation</b>							
At 1.1.2015	53,429	206,890	5,662	59,105	7,831	–	332,917
Charge for the year	12,332	35,728	502	6,209	973	–	55,744
Disposals	–	(330)	–	(5)	(639)	–	(974)
Write-offs	–	(353)	–	(70)	–	–	(423)
At 31.12.2015	<b>65,761</b>	<b>241,935</b>	<b>6,164</b>	<b>65,239</b>	<b>8,165</b>	<b>–</b>	<b>387,264</b>
<b>Net carrying value</b>							
At 31.12.2015	<b>391,838</b>	<b>287,536</b>	<b>994</b>	<b>23,846</b>	<b>2,765</b>	<b>9,434</b>	<b>716,413</b>
<b>2014</b>							
<b>Cost</b>							
At 1.1.2014	177,404	455,320	6,668	75,651	9,478	367,747	1,092,268
Additions	2,289	2,549	414	2,650	1,980	2,066	11,948
Reclassification	272,565	84,695	14	3,448	–	(360,722)	–
Transfer to inventories	–	(630)	–	(46)	–	–	(676)
Disposals	–	(4,470)	–	(52)	(949)	(201)	(5,672)
Write-offs	–	(56)	–	–	–	–	(56)
At 31.12.2014	452,258	537,408	7,096	81,651	10,509	8,890	1,097,812
<b>Accumulated depreciation</b>							
At 1.1.2014	43,780	175,010	5,077	51,699	6,884	–	282,450
Charge for the year	9,649	35,681	585	7,457	1,046	–	54,418
Disposals	–	(3,774)	–	(51)	(99)	–	(3,924)
Write-offs	–	(27)	–	–	–	–	(27)
At 31.12.2014	53,429	206,890	5,662	59,105	7,831	–	332,917
<b>Net carrying value</b>							
At 31.12.2014	<b>398,829</b>	<b>330,518</b>	<b>1,434</b>	<b>22,546</b>	<b>2,678</b>	<b>8,890</b>	<b>764,895</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 11. Property, plant and equipment (cont'd)

- (a) The Group's property, plant and equipment include borrowing costs arising on bank loans borrowed specifically for the purpose of the construction. In 2014, the borrowing costs capitalised as cost of property, plant and equipment amounted to RMB6,024,000. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was at 6.12% per annum.
- (b) During the financial year, the depreciation charge of plant and equipment capitalised as development costs amounted to RMB870,000 (2014: RMB644,000) (Note 14).
- (c) Bank borrowings are secured on leasehold building of the Group with a net carrying value of RMB269,859,000 (2014: RMB269,878,000) (Note 20).

### 12. Investments in subsidiaries

	Group	
	2015 RMB'000	2014 RMB'000
Unquoted equity shares, at cost	<b>788,584</b>	788,584
Translation differences	<b>(65,792)</b>	(57,739)
	<b>722,792</b>	730,845

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 12. Investments in subsidiaries (cont'd)

Name of company	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group	
			2015 %	2014 %
<i>Held by the Company</i>				
World Precise Machinery (China) Co., Ltd. ("WPM (China)")*	Manufacture and supply of stamping machines and metal parts	PRC	<b>100</b>	100
World Heavy Machine Tools (China) Co., Ltd. ("WHMT")	Manufacture and supply of high performance stamping and complementary machines	PRC	–	100
World CNC Machine Tool (Jiangsu) Co., Ltd. ("WCNC")	Manufacture and supply of CNC stamping and complementary machines	PRC	–	100
World Precise Machinery Marketing Company ("WPMM")	Distribution and sales of various type of stamping and complementary machines	PRC	–	100
World Precise Machinery (Shenyang) Co., Ltd. ("WPMS")*	Manufactures and supply of stamping machines and metal parts	PRC	<b>100</b>	100
World Precise Machinery Parts (Jiangsu) Co., Ltd. ("WPMP")*	Research and development, and manufacturing of key components of all types of precision machine tools	PRC	<b>100</b>	100

\* Audited by independent member firm of Baker Tilly International.

On 1 December 2015, WHMT, WCNC and WPMM were amalgamated into WPM (China). As a result, the retained earnings and statutory reserves of WHMT, WCNC and WPMM were transferred to capital reserve (Note 28) in accordance with the local laws in the PRC.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 13. Land use rights

	Group	
	2015 RMB'000	2014 RMB'000
<b>Cost</b>		
At 1 January and 31 December	<b>150,130</b>	150,130
<b>Accumulated amortisation</b>		
At 1 January	<b>12,471</b>	9,683
Charge for the year	<b>3,253</b>	2,788
At 31 December	<b>15,724</b>	12,471
<b>Net carrying value</b>		
At 31 December	<b>134,406</b>	137,659
Amount to be amortised:		
- Not later than one year, current portion	<b>3,003</b>	3,003
- Later than one year but not later than five years	<b>12,010</b>	12,010
- Later than five years	<b>119,393</b>	122,646
Non-current portion	<b>131,403</b>	134,656

The Group has land use rights over the state-owned land in PRC where the Group's PRC manufacturing and storage facilities reside. The land use rights have a remaining tenure of 41 to 45 years.

Bank borrowings are secured on land use right of the Group with a net carrying value of RMB116,575,000 (2014: RMB119,355,000) (Note 20).

### 14. Intangible assets

	Group	
	2015 RMB'000	2014 RMB'000
<b>Development costs</b>		
<b>Cost</b>		
At 1 January	<b>26,377</b>	11,962
Additions	<b>15,563</b>	14,415
At 31 December	<b>41,940</b>	26,377
<b>Amortisation</b>		
At 1 January	<b>1,196</b>	-
Amortisation charge	<b>5,879</b>	1,196
At 31 December	<b>7,075</b>	1,196
<b>Net carrying amount</b>		
At 31 December	<b>34,865</b>	25,181

During the financial year, the depreciation charge of plant and equipment capitalised as development costs amounted RMB870,000 (2014: RMB644,000) (Note 11).

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 15. Inventories

	Group	
	2015 RMB'000	2014 RMB'000
Finished goods	<b>75,137</b>	50,397
Work-in-progress and parts	<b>262,432</b>	257,166
Raw materials	<b>45,287</b>	40,229
	<b>382,856</b>	347,792

Raw materials, consumables and changes in finished goods and work-in-progress included as cost of sales amounted to RMB217,280,000 (2014: RMB425,246,000) during the financial year.

### 16. Trade receivables

	Group	
	2015 RMB'000	2014 RMB'000
Trade receivables	<b>178,489</b>	254,108
Less: allowance for doubtful receivables	<b>(11,823)</b>	(8,995)
	<b>166,666</b>	245,113
Bills receivables	<b>23,296</b>	55,867
Due from related parties	<b>30,124</b>	11,986
	<b>220,086</b>	312,966

Movements in allowance for doubtful receivables during the financial year are as follows:

	RMB'000	RMB'000
At beginning of the year	<b>8,995</b>	5,949
Allowance made during the year	<b>6,722</b>	5,632
Allowance written back	<b>(2,260)</b>	(1,062)
Allowance written off	<b>(1,634)</b>	(1,524)
At end of the year	<b>11,823</b>	8,995

Trade receivables are non-interest bearing and have no fixed credit terms. The credit period varies from customers to customers after taking into consideration their payment track record, financial background, length of business relationship and size of transactions.

Trade receivables that are individually determined to be impaired at the end of the reporting date and those relating to receivables that are in significant financial difficulties, have defaulted on payments, or are disputing the amount due will be provided for doubtful receivables.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 16. Trade receivables (cont'd)

The table below is an analysis of trade receivables at end of the reporting date:

	Group	
	2015 RMB'000	2014 RMB'000
Not past due and not impaired	<b>144,001</b>	280,561
Past due but not impaired	<b>74,716</b>	30,082
Past due and impaired	<b>13,192</b>	11,318
	<b>231,909</b>	321,961
Less: allowance for doubtful receivables	<b>(11,823)</b>	(8,995)
	<b>220,086</b>	312,966

The Group has trade receivables amounting to RMB74,716,000 (2014: RMB31,303,000) that are past due at the end of the reporting date but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting date are as follows:

	RMB'000	RMB'000
Trade receivables past due:		
< 6 months	<b>43,551</b>	15,781
> 6 months	<b>31,165</b>	14,301
	<b>74,716</b>	30,082

The carrying amount of trade receivables individually determined to be impaired and the related allowance for impairment are as follows:

	RMB'000	RMB'000
Gross amount	<b>13,192</b>	11,318
Less: Allowance for impairment	<b>(11,823)</b>	(8,995)
	<b>1,369</b>	2,323

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties or have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

At 31 December 2015, the Group endorsed certain bills receivables in the PRC (the "Derecognised Bills") with a carrying amount in aggregate of RMB137,470,000 (2014: RMB18,138,000) to certain of its suppliers in order to settle the trade payables due to such suppliers. The Derecognised Bills have a maturity period of one to six months at the balance sheet date. In accordance with the laws in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default. In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, the Group has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the continuing involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's continuing involvement in the Derecognised Bills are not significant.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 17. Other receivables

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Advance payments to suppliers	10,914	10,822	–	–
Due from employees	14,466	15,728	–	–
Deposits	3,068	–	–	–
Other receivables	3,676	3,053	–	–
Other prepayments	359	629	13	13
Prepayments for property, plant and equipment	849	263	–	–
Tax recoverable	2,804	–	2,804	–
	<b>36,136</b>	30,495	<b>2,817</b>	13
Less: allowance for amounts due from employees	(9,006)	(4,333)	–	–
	<b>27,130</b>	26,162	<b>2,817</b>	13

Included in other prepayments is an amount of RMB46,000 (2014: RMB46,000) paid to a related party for rental of premises.

Due from employees are unsecured, interest-free and repayable on demand, except for an amount of RMB512,000 (2014: RMB576,000) which bears interest at 8% (2014: 8%) per annum.

The movements in allowance for amounts due from employees are as follows:

	Group	
	2015 RMB'000	2014 RMB'000
At 1 January	4,333	4,079
Allowance made during the year	5,998	254
Allowance written back	(1,325)	–
At 31 December	<b>9,006</b>	4,333

### 18. Due from/(to) subsidiaries/related parties (non-trade)

These non-trade balances are unsecured, interest-free and repayable on demand.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 19. Cash and cash equivalents

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Cash at banks and on hand	<b>8,601</b>	48,916	<b>1,066</b>	4,946
Bank deposit	<b>2,000</b>	2,000	–	–
	<b>10,601</b>	50,916	<b>1,066</b>	4,946

For the purposes of the consolidated statement of cash flows, the consolidated cash and cash equivalents comprise the following:

	Group	
	2015 RMB'000	2014 RMB'000
Cash and bank balances	<b>10,601</b>	50,916
Less: bank deposit pledged	<b>(2,000)</b>	(2,000)
Cash and cash equivalents per consolidated statement of cash flows	<b>8,601</b>	48,916

The Group's deposit with financial institution matures on varying dates within 6 months (2014: 6 months) from the financial year end.

Bank deposit include amounts of RMB2,000,000 (2014: RMB2,000,000) that is pledged as securities for bills payables (Note 23).

Cash and cash equivalents of RMB9,535,518 (2014: RMB45,032,000) are held in the People's Republic of China and are subject to local exchange control regulations. These regulations place restrictions on the amount of currency being exported from the country, other than through dividends.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 20. Borrowings

	Group	
	2015 RMB'000	2014 RMB'000
<i>Secured</i>		
Short term bank loans	<b>90,000</b>	105,000
Long term bank loans	<b>60,000</b>	130,000

#### Group

The bank loans at the end of the reporting period are secured by:

- i) corporate guarantee from a subsidiary, WPM (China);
- ii) personal guarantee by a director of the Company and his spouse; and
- iii) the Group's leasehold building (Note 11) and land use rights (Note 13).

In addition to the above, the bank loans at the end of the previous reporting period was secured by corporate guarantee from the Company and a related party, Jiangsu World Agricultural Machinery Co., Ltd. (江苏沃得农业机械有限公司), a company in which a director/shareholder of the Company has controlling interest.

At the end of the reporting period, the bank loans of the Group bear interests ranging from 4.85% to 6.12% (2014: 5.61% to 6.4%) per annum and is repayable within 4 to 21 months.

### 21. Deferred tax liability

The PRC subsidiaries' distributable earnings generated from 1 January 2008 are subjected to withholding tax when the subsidiary declares dividend to its foreign investor. The Group recognised deferred tax liabilities based on the PRC subsidiaries' earnings that are expected to be distributed to the Company in the foreseeable future, based on the forecasted cash flow requirements of the Company. At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is Nil (2014: RMB190,657,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

### 22. Trade payables

	Group	
	2015 RMB'000	2014 RMB'000
Trade payables	<b>177,192</b>	165,455
Due to related parties	<b>2,645</b>	2,548
	<b>179,837</b>	168,003

Trade payables are non-interest bearing and the credit periods range from 3 to 6 months (2014: 3 to 6 months).

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 23. Bills payables

Bills payables have an average maturity period of 6 months (2014: 6 months). The bills payables are secured by certain bank deposits as disclosed in Note 19.

### 24. Other payables

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Advance payments from customers	35,114	15,578	–	–
Accrued operating expenses	44,419	50,190	112	275
Other payables	28,852	17,411	802	863
Payables relating to property, plant and equipment	10,071	43,507	–	–
	<b>118,456</b>	<b>126,686</b>	<b>914</b>	<b>1,138</b>

### 25. Share capital

	Group and Company			
	2015		2014	
	No. of shares ('000)	RMB'000	No. of shares ('000)	RMB'000
Issued and fully paid				
At 1 January and 31 December	<b>400,000</b>	<b>250,660</b>	400,000	250,660

All issued shares are fully paid ordinary shares with no par value.

The holders of the ordinary shares are entitled to receive dividend as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

### 26. Currency translation reserve

Currency translation reserve arises from the translation of the financial statements of entities within the Group whose functional currency are different from that of the Group's presentation currency.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 27. Statutory reserves

	Group	
	2015 RMB'000	2014 RMB'000
Statutory reserve fund (a)	<b>98,257</b>	130,242
Staff welfare fund (b)	<b>20,510</b>	20,510
	<b>118,767</b>	150,752

The non-distributable statutory reserves represent amounts set aside in compliance with the local laws in the PRC where the subsidiaries operate. The subsidiaries are considered a foreign investment enterprise and the percentage of appropriation from the net profit after tax to the various reserve funds are determined by the Board of Directors of the subsidiaries.

#### a) Statutory reserve fund

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the PRC, the subsidiaries are required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations should be allocated to the SRF until the cumulative total of SRF reached 50% of the registered capital of the respective subsidiaries.

#### b) Staff welfare fund

The PRC subsidiaries have in previous years appropriated a portion of its profit after tax to the staff welfare fund on a voluntary basis as allowed by its respective Articles of Association. The staff welfare fund would be used for the collective welfare of the employees.

The total statutory reserves may be used to offset accumulated losses or increase the registered capital of the company, subject to approval from relevant PRC authorities and are not available for dividend distribution to the shareholders. PRC enterprises are prohibited from distributing dividends unless the losses (if any) of prior years have been made good.

### 28. Capital reserve

Capital reserve arose from the amalgamation of certain subsidiaries (Note 12) during the year. This reserve is non-distributable.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 29. Dividends

	Group and Company	
	2015	2014
	RMB'000	RMB'000
<i>Ordinary dividend paid</i>		
Interim tax exempt dividend of RMB0.125 (2014: RMB0.10) per share paid in respect of the current financial year	<b>50,000</b>	40,000
Final tax exempt dividend of RMB0.10 (2014: RMB0.0625) per share paid in respect of the previous financial year	<b>40,000</b>	25,000
	<b>90,000</b>	65,000

The Board of Directors has proposed a final tax exempt dividend in respect of financial year ended 31 December 2015 of RMB0.125 per share amounting to a total of RMB50,000,000. These financial statements do not reflect this dividend payable, which if approved at the forthcoming Annual General Meeting of the Company, will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2016.

### 30. Commitments

#### *Capital commitments*

Capital commitments contracted for at the end of the reporting date but not recognised in the financial statements are as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Capital commitments in respect of property, plant and equipment	-	621
<i>Operating lease commitments</i>		

The Group leases various premises from related and non-related parties under non-cancellable operating lease arrangements. The leases have renewal rights.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 30. Commitments (cont'd)

#### *Operating lease commitments (cont'd)*

Commitments in relation to non-cancellable operating leases contracted for at the end of the reporting date, but not recognised as liabilities, are payable as follows:

	<b>Group</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
Not later than one financial year	<b>229</b>	229
Later than one financial year but not later than five financial years	<b>916</b>	916
Later than five financial years	<b>8,246</b>	8,475
	<b>9,391</b>	9,620

Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

### 31. Contingent liabilities

	<b>Company</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
Guarantee issued for bank facilities granted to a subsidiary	<b>130,000</b>	185,000
Amounts utilised by a subsidiary	<b>–</b>	25,000

The directors have assessed the fair values of these financial guarantees to have no material financial impact on the results for the financial year ended 31 December 2015 and 31 December 2014.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 32. 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	
	2015 RMB'000	2014 RMB'000
<i>Income</i>		
Lease of premises to a related party	8,000	6,000
Sales to related parties	24,787	6,321
Processing services to related parties	6,214	858
Utilities charged to a related party	-	2,280
<i>Expenses</i>		
Lease of premises from a related party	804	720
Processing services from a related party	123	655
Purchases of machineries and parts from related parties	895	310
Purchases of raw materials from related parties	1,435	2,771
Purchases of scrap materials from related parties	13,061	10,922
Payment of salary expenses on behalf by a related party	-	124

The related parties as disclosed above and in Notes 16, 18 and 22 are either subsidiaries of World Sharehold International Limited ("WSIL") and/or True Merit Group Limited ("TMGL"), or effectively controlled by Mr. Wang Weiyao and his spouse. Mr. Wang Weiyao, the Non-Executive Director of the Company, has 100% shareholding interest in WSIL and TMGL. Mr. Wang Weiyao is also a controlling shareholder of the Company, through his 100% (2014: 100%) shareholding interest in World Sharehold Limited. Accordingly, WSIL and/or TMGL together with its subsidiaries or effectively controlled companies are considered as related parties of the Group.

#### Key management personnel compensation

Key management personnel compensation is analysed as follows:

	Group	
	2015 RMB'000	2014 RMB'000
Directors of the Company:		
- short-term employee benefits	1,203	2,064
- defined contribution benefits	43	42
- directors' fees	1,750	1,818
	<b>2,996</b>	<b>3,924</b>
Other key management personnel:		
- short-term employee benefits	2,818	2,967
- defined contribution benefits	90	88
	<b>2,908</b>	<b>3,055</b>
	<b>5,904</b>	<b>6,979</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 33. Financial instruments

#### (a) Categories of financial instruments

Financial instruments at their carrying amounts as at the end of reporting period are as follows:

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
<i>Financial assets</i>				
Loans and receivables	<b>242,891</b>	378,320	<b>49,633</b>	5,020
<i>Financial liabilities</i>				
Financial liabilities at amortised cost	<b>444,849</b>	534,842	<b>914</b>	6,539

#### (b) Financial risk management

The Group's and the Company's overall risk management policy is to ensure adequate financial resources are available for the development of the Group's and the Company's businesses whilst managing its foreign currency, credit, interest rate and liquidity and cash flow risks. The Group's and the Company's overall risk management is determined and carried out by the Board of Directors. The policies for managing each of these risks are summarised as follows:

##### **Foreign currency risk**

The Group's and the Company's currency exposure based on information provided to key management is as follows:

	2015		2014	
	SGD RMB'000	USD RMB'000	SGD RMB'000	USD RMB'000
<b>Group</b>				
Cash and cash equivalents	-	<b>686</b>		936
Due from subsidiaries	<b>48,567</b>	-	74	-
Due to a subsidiary	-	-	(5,401)	-
Net financial assets/(liabilities) denominated in foreign currency	<b>48,567</b>	<b>686</b>	(5,327)	936
<b>Company</b>				
Due from subsidiaries	<b>48,567</b>	-	74	-
Due to a subsidiary	-	-	(5,401)	-
Net financial assets/(liabilities) denominated in foreign currency	<b>48,567</b>	-	(5,327)	-

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 33. Financial instruments (cont'd)

#### (b) Financial risk management (cont'd)

##### *Foreign currency risk (cont'd)*

The following table demonstrates the sensitivity to a reasonably possible change in the RMB exchange rate against the respective functional currencies of the Group's entities, with all other variables held constant, of the Group's profit after tax:

	<b>Group/Company increase/(decrease) In profit after tax</b>	
	<b>2015 RMB'000</b>	<b>2014 RMB'000</b>
RMB/SGD		
- strengthened 3% (2014: 3%)	<b>1,209</b>	(133)
- weakened 3% (2014: 3%)	<b>(1,209)</b>	133

A 3% fluctuation in the USD exchange rate against RMB, with all other variables held constant, will not have a significant impact on the Group's profit for the current and previous financial years.

##### **Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposures to credit risk arises primarily from trade and other receivables. For other financial assets including cash and cash equivalents, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. For customers who wish to trade on credit terms, the Group will take into account the quantity of the customer order, background and creditworthiness of the customer, level of risk involved, payment history of the customer and relationship with the customer. In addition, receivable balances are monitored on an ongoing basis.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position, except as follows:

	<b>Company</b>	
	<b>2015 RMB'000</b>	<b>2014 RMB'000</b>
Nominal amount of corporate guarantees provided to banks on a subsidiary's bank loans	<b>130,000</b>	185,000



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 33. Financial instruments (cont'd)

#### (b) Financial risk management (cont'd)

##### **Credit risk (cont'd)**

##### *Financial assets that are neither past due nor impaired*

Trade and other receivables that are neither past due nor impaired are creditworthy receivables with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

##### *Financial assets that are either past due or impaired*

There is no other class of financial assets that is past due or impaired except for trade and other receivables. Information regarding financial assets that are either past due or impaired is disclosed in Notes 16 and 17.

##### **Interest rate risk**

The Group's and the Company's exposures to the risk of changes in interest rates relate primarily to the Group's and the Company's debt obligations and deposits placed with financial institutions. The Group and the Company mainly maintain its borrowings in variable rate instruments. The Group and the Company manage its interest rate risk on its interest income by placing the surplus funds in fixed deposits of varying maturities and interest rate terms.

The Group's borrowings at variable rates on which effective hedges have not been entered into, are denominated in RMB. If the RMB interest rates increase/decrease by 75 (2014: 75) basis points with all other variables, including tax rate being held constant, the effects arising from the profit net of tax are as follows:

	<b>Group Increase/ (decrease) in profit net of tax</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
Interest rate		
- Increase by 75 basis points	<b>(859)</b>	(1,356)
- Decrease by 75 basis points	<b>859</b>	1,356

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 33. Financial instruments (cont'd)

#### (b) Financial risk management (cont'd)

##### Liquidity and cash flow risks

Liquidity and cash flow risks are the risks that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group and Company maintains sufficient cash and bank balances and internally generated cash flows to finance its activities.

The Group and the Company adopt prudent liquidity risk management by maintaining sufficient cash and available funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group and the Company aim at maintaining flexibility in funding by keeping committed credit lines available.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting date based on contractual undiscounted payments:

	2015			2014		
	1 year or less RMB'000	1 to 5 year RMB'000	Total RMB'000	1 year or less RMB'000	1 to 5 year RMB'000	Total RMB'000
<b>Group</b>						
Trade and other payables	294,849	–	294,849	299,842	–	299,842
Borrowings	95,458	63,028	158,486	116,185	138,568	254,753
	<b>390,307</b>	<b>63,028</b>	<b>453,335</b>	416,027	138,568	554,595
<b>Company</b>						
Trade and other payables	914	–	914	6,539	–	6,539

The table below shows the contractual expiry by maturity of the Company's contingent liabilities. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	2015			2014		
	1 year or less RMB'000	1 to 5 year RMB'000	Total RMB'000	1 year or less RMB'000	1 to 5 year RMB'000	Total RMB'000
<b>Company</b>						
Financial guarantees	–	–	–	25,000	–	25,000

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 34. Fair value of assets and liabilities

*Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value*

The carrying amounts of these financial assets and financial liabilities recorded in the financial statements of the Group and the Company approximate their respective fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period. The fair value measurement for disclosures purposes is categorised in Level 3 of the fair value hierarchy.

### 35. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders and issue new shares.

As disclosed in Note 26, the Group's subsidiaries in the People's Republic of China are required to contribute to and maintain a non-distributable statutory fund.

The Group manages capital by monitoring the level of net debt and capital. Net debt is calculated as trade and other payables (including amounts due to related parties), borrowings less cash and cash equivalents. Capital includes equity attributable to the owners of the Company less the statutory reserves. The Group's overall strategy remains unchanged from 2014.

	2015 RMB'000	2014 RMB'000
Trade and other payables	329,963	315,420
Borrowings	150,000	235,000
Less: Cash and cash equivalents	(10,601)	(50,916)
Net debts	<b>469,362</b>	499,504
Equity attributable to the equity holders of the Company	1,042,665	1,108,629
Less: Statutory reserves (Note 27)	(118,767)	(150,752)
Capital reserve (Note 28)	(97,097)	–
Total capital	<b>826,801</b>	957,877

### 36. Segment information

The Group has only one reportable segment, which is manufacturing and selling of stamping, cutting and bending machines and metal parts. Most of the Group's sales and assets are in the People's Republic of China. Accordingly, no segment information is presented.

### 37. Authorisation of financial statements

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors dated 25 March 2016.

## SHAREHOLDERS' INFORMATION

As at 16 March 2016

Class of shares	: Ordinary shares
Issued and fully paid-up capital	: S\$50,418,000
Number of shares issued	: 400,000,000
Voting rights	: One vote per share

### STATISTICS OF SHAREHOLDINGS

Size of Shareholding		Number of Shareholders	%	Number of Shares	%
1 -	99	1	0.15	10	0.00
100 -	1,000	46	7.06	42,900	0.01
1,001 -	10,000	246	37.73	1,630,751	0.41
10,001 -	1,000,000	344	52.76	19,790,239	4.95
1,000,001	and above	15	2.30	378,536,100	94.63
		652	100.00	400,000,000	100.00

### TREASURY SHARES

The Company does not hold any Treasury Shares.

### SUBSTANTIAL SHAREHOLDERS AS AT 16 MARCH 2016

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
World Sharehold Limited <sup>(1)</sup>	295,391,000	73.85	-	-
Wang Weiyao <sup>(1)</sup>	200,000	0.05	295,391,000	73.85
Minshun Private Limited <sup>(2)</sup>	54,100,000	13.53	-	-
Shao Jianjun <sup>(2)</sup>	-	-	54,100,000	13.53

Note:

<sup>(1)</sup> World Sharehold Limited ("World Sharehold") is an investment holding company incorporated in the British Virgin Islands. As World Sharehold is wholly-owned by Wang Weiyao, Wang Weiyao is deemed interested in the shares held by World Sharehold by virtue of his 100% shareholdings in World Sharehold.

<sup>(2)</sup> Minshun Private Limited ("Minshun") is an investment holding company incorporated in Singapore. As Minshun is wholly-owned by Shao Jianjun, Shao Jianjun is deemed interested in the shares held by Minshun by virtue of his 100% shareholdings in Minshun.

**SHAREHOLDERS' INFORMATION**

As at 16 March 2016

**TWENTY LARGEST SHAREHOLDERS AS AT 16 MARCH 2016**

No.	Name of Shareholders	Number of Shares	%
1	WORLD SHAREHOLD LIMITED	295,391,000	73.85
2	OCBC SECURITIES PRIVATE LTD	57,478,100	14.37
3	DBS NOMINEES PTE LTD	5,699,400	1.42
4	CHUA KUAN LIM CHARLES	3,108,700	0.78
5	PHILLIP SECURITIES PTE LTD	2,497,100	0.62
6	LIAN SENG INVESTMENT PTE LTD	2,000,000	0.50
7	DBSN SERVICES PTE LTD	1,926,000	0.48
8	MAYBANK KIM ENG SECURITIES PTE LTD	1,597,000	0.40
9	DBS VICKERS SECURITIES (S) PTE LTD	1,486,000	0.37
10	HE GUANGLIN	1,464,000	0.37
11	CHUA ZI EN ALEXANDRA JANE (CAI ZI'EN)	1,372,000	0.34
12	CIMB SECURITIES (SINGAPORE) PTE LTD	1,154,800	0.29
13	HONG LEONG FINANCE NOMINEES PTE LTD	1,150,000	0.29
14	HSBC (SINGAPORE) NOMINEES PTE LTD	1,128,000	0.28
15	UOB KAY HIAN PTE LTD	1,084,000	0.27
16	LI HUNG	781,000	0.20
17	RAFFLES NOMINEES (PTE) LTD	723,300	0.18
18	KIANG TIANG TAN OR Kiang Wen Jiang	541,000	0.14
19	CITIBANK NOMINEES SINGAPORE PTE LTD	482,700	0.12
20	TAN JIN SIN	457,000	0.11

**PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS**

12.37% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of WORLD PRECISION MACHINERY LIMITED (the "Company") will be held at Suntec Singapore International Convention & Exhibition Centre, Meeting Room 328, Level 3, 1 Raffles Boulevard, Singapore 039593 on Thursday, 28 April 2016 at 2.00 p.m. for the following purposes:

### AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2015 together with the Auditors' Report thereon. **(Resolution 1)**
2. To declare a final Tax-Exempt (One-Tier) dividend of RMB0.125 per share for the financial year ended 31 December 2015 (2014: RMB0.10). **(Resolution 2)**
3. To re-elect Mr Wang Weiyao, a Director retiring pursuant to Article 89 of the Company's Constitution. **(Resolution 3)**

*Mr Wang Weiyao will, upon re-election as a Director of the Company, remain as members of the Audit, Nominating and Remuneration Committees and will be considered non-independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.*

4. To note the retirement of Mr Wu Yufang pursuant to Article 89 of the Company's Constitution at the conclusion of the Annual General Meeting.  
[See Explanatory Note (i)]
5. To approve the payment of Directors' fees of S\$200,000 for the financial year ending 31 December 2016, to be paid quarterly in arrears (FY2015: S\$300,000).  
[See Explanatory Note (ii)] **(Resolution 4)**
6. To re-appoint Baker Tilly TFW LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**
7. To transact any other ordinary business which may be transacted at an Annual General Meeting.

### AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as Ordinary Resolution:

#### 8. Share Issue Mandate

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

## NOTICE OF ANNUAL GENERAL MEETING

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
- (a) new shares arising from the conversion or exercise of any convertible securities;
  - (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
  - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)]

**(Resolution 6)**

By Order of the Board

Yuen Pei Lur Perry  
Company Secretary

Singapore, 13 April 2016

## NOTICE OF ANNUAL GENERAL MEETING

### Explanatory Notes:

- (i) Item 4 above is to note the retirement of Mr Wu Yufang who does not wish to seek re-election pursuant to Article 89 of the Company's Constitution and he shall retire as an Executive Director of the Company at the conclusion of this Annual General Meeting. Mr Wu shall remain as the Chief Executive Officer of the Company.
- (ii) The decrease in the proposed Director's fees for the financial year ending 31 December 2016 was due to resignation of an Independent Director during the year and a reduction of Directors' fees.
- (iii) The Ordinary Resolution 6 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

### Notes:

- 1. (a) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "Meeting").
- (b) A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

- 2. A proxy need not be a member of the Company.
- 3. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the Meeting.



## NOTICE OF ANNUAL GENERAL MEETING

### Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

### NOTICE OF BOOKS CLOSURE

**NOTICE IS HEREBY GIVEN** that the Share Transfer Books and Register of Members of the Company will be closed on 23 May 2016 at 5.00 p.m. for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, B.A.C.S. Private Limited, 8 Robinson Road #03-00 ASO Building Singapore 048544 up to 5.00 p.m. on 23 May 2016 will be registered to determine shareholders' entitlements to the said dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 23 May 2016 will be entitled to the proposed dividend.

Payment of the dividend, if approved by the members at the Annual General Meeting to be held on 28 April 2016, will be made on 6 June 2016.

*This page has been intentionally left blank.*

*This page has been intentionally left blank.*

*This page has been intentionally left blank.*

# WORLD PRECISION MACHINERY LIMITED

(Incorporated in the Republic of Singapore)  
(Co. Reg. No: 200409453N)

## IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

## PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, \_\_\_\_\_

Of \_\_\_\_\_

being a member/members of **World Precision Machinery Limited** (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Suntec Singapore International Convention & Exhibition Centre, Meeting Room 328, Level 3, 1 Raffles Boulevard, Singapore 039593 on Thursday, 28 April 2016 at 2.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

**(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)**

No.	Resolutions relating to:	Number of Votes For <sup>(1)</sup>	Number of Votes Against <sup>(1)</sup>
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2015		
2	Payment of proposed final dividend		
3	Re-election of Mr Wang Weiyao as a Director		
4	Approval of Directors' fees amounting to S\$200,000 for the financial year ending 31 December 2016, to be paid quarterly in arrears		
5	Re-appointment of Baker Tilly TFW LLP as Auditors		
6	Share Issue Mandate		

<sup>(1)</sup> If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of April 2016

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

\_\_\_\_\_  
Signature of Shareholder(s)  
or, Common Seal of Corporate Shareholder



**Notes:**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

"Relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
  - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
  6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 not less than 48 hours before the time appointed for the Meeting.
  7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
  8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

**PERSONAL DATA PRIVACY:**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 April 2016.

**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Shao Jianjun (*Executive Chairman*)  
Wu Yufang (*Executive Director and Chief Executive Officer*)  
Wang Weiyao (*Non-Executive and Non-Independent*)  
Phang Kin Seng (Lawrence) (*Lead Independent*)  
Lim Yoke Hean (*Independent*)

## AUDIT COMMITTEE

Phang Kin Seng (Lawrence) (*Chairman*)  
Lim Yoke Hean  
Wang Weiyao

## NOMINATING COMMITTEE

Lim Yoke Hean (*Chairman*)  
Phang Kin Seng (Lawrence)  
Wang Weiyao

## REMUNERATION COMMITTEE

Lim Yoke Hean (*Chairman*)  
Phang Kin Seng (Lawrence)  
Wang Weiyao

## COMPANY SECRETARY

Yuen Pei Lur Perry

## REGISTERED OFFICE

50 Raffles Place #32-01  
Singapore Land Tower  
Singapore 048623  
Tel: (65) 6536 5355  
Fax: (65) 6536 1360

## BUSINESS OFFICE

Picheng Town, Danyang City, Jiangsu Province  
People's Republic of China  
Postal Code 212311

## SHARE REGISTRAR

**B.A.C.S. Private Limited**  
8 Robinson Road #03-00  
ASO Building  
Singapore 048544

## EXTERNAL AUDITORS

**Baker Tilly TFW LLP**  
Public Accountants and Chartered Accountants  
600, North Bridge Road  
#05-01 Parkview Square  
Singapore 188778

Audit Partner-in-charge  
Khor Boon Hong  
(Appointed wef financial year ended 31 December 2011)

## INTERNAL AUDITORS

**Nexia TS Risk Advisory Pte. Ltd.**  
100 Beach Road  
#30-00 Shaw Tower  
Singapore 189702



**WORLD PRECISION MACHINERY LIMITED**

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 200409453N)

Picheng Town, Danyang City,  
Jiangsu Province,  
People's Republic of China.  
Postal Code 212311  
Tel: (86) 511 8634 6999  
Fax: (86) 511 8634 2767  
Website: [www.wpmlimited.com](http://www.wpmlimited.com)