沃得
WORLD

根植沃土
必有所得

ANNUAL REPORT 2019

CORPORATE MISSION, VISION AND VALUES

Mission
- Adhering the attitude and spirit of thinking and innovating, we will continue to develop new technology and products such as advanced and reliable forging equipments for the manufacturing industry

Vision
- First-class brand
- First-class quality
- First-class service
- Acceptable price

Values
- Integrity
- Pragmatic
- Collaboration
- Innovation

CONTENTS

COMPANY PROFILE

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.

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 more than 300 models of stamping machines which are classified into more than 30 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 around 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, 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)") and World Precise Machinery (Shenyang) Co., Ltd. ("WPMS") are accredited as "High Technology Enterprise" so as to enjoy three-year preferential tax rate of 15.0% instead of the standard tax rate of 25.0% from 2017 to 2019 and 2019 to 2021 respectively. 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

OUR BUSINESS: KEY SEGMENTS

During the year, there was a gradual shift 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.

AUTOMOTIVE PARTS

According to China Association of Automobile Manufacturers (CAAM), the production and sales of automobiles in 2019 decreased by 7.5% and 8.2% year-on-year to 25,721,000 and 25,769,000 units respectively[1]. Ongoing trade war tensions coupled with sluggish economic growth resulted in an unfavourable impact on automobile demand. The situation was further exacerbated by growing competition from ride-hailing services which decreases the need for car ownership[2].

In FY2019, the Group's revenue contributed by the automotive sector was around RMB519.1 million and accounted for 62.0% of the Group's overall sales.

ELECTRONICS

Consistent with booming e-commerce retail sales, consumer electronics sales are increasing as well due to consumer electronics contributing to a huge portion of China's e-commerce market. With Chinese consumers' increased awareness of international brands, brands like Apple have become one of the top ten most popular brands among Chinese millennials[3].

For FY2019, the Group's revenue from the electronics sector was RMB83.7 million and accounted for 10.1% of the Group's overall sales.

HOME APPLIANCES

The exponential growth in the Chinese smart home market is backed by factors such as the continued rise of internet usage, unabatingly support from the government for Internet of Things ("IoT") devices, intensified demand for energy-saving and low carbon emission solutions due to climate change and the proliferation of smart devices[4].

For FY2019, the Group's revenue from the home appliances sector was RMB192.6 million and accounted for 23.0% of the Group's overall sales.

OTHERS

Others include railway industry, aircraft industry, machinery industry, hardware industry and etc.

In 2019, although the economic operation of the machinery industry was difficult and the pressure was large, positive factors still existed[5]. As one of the largest manufacturers of farming equipment and the largest market for agricultural machinery, China's agricultural machinery market is projected to grow at a CAGR of 5.8% during the forecast period between 2020 and 2025[6].

For FY2019, the Group's revenue from this sector was RMB41.8 million and accounted for 5.0% of the Group's overall sales.

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3 *Consumer Electronics Consumption Is on the Rise in China, https://medium.com/@CitconPay/consumer-electronics-consumption-is-on-the-rise-in-china-50bd12c9701f*
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6 *CHINA AGRICULTURAL MACHINERY MARKET - GROWTH, TRENDS, AND FORECAST (2020 - 2025), https://www.mordorintelligence.com/industry-reports/china-agricultural-machinery-market*

MILESTONES

MARCH 1999
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.

AUGUST 2000
Expanded production area to approximately 14,700 sqm.

AUGUST 2002
Expanded production area to approximately 36,800 sqm.

OCTOBER 2003
Obtained ISO 9001:2000 accreditation from China United Certification Center.

MAY 2004
Incorporation of new wholly-owned subsidiary - WPM (China) and acquisition of relevant business from JWMT.

FEBRUARY 2005
Acquisition of WPM (China).

JUNE 2005
Expanded production area of approximately 130,000 sqm.

APRIL 2006
Listing of Bright World Precision Machinery Limited ("BWPM") on SGX-ST Mainboard.

Expanded production area by a further 100,000 sqm.

MARCH 2007
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 2007
Joint venture and incorporation of new 60% owned subsidiary - Shanghai Shangduan Press Co., Ltd. ("SSP") to manufcature, sales of high-tonnage stamping machines as well as research and development of high-tonnage stamping machines.

2008
China Holdings Acquisition Corp. proposed to acquire the Group.

MARCH 2009
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 2009
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).

OCTOBER 2010
Incorporation of new wholly-owned subsidiary - World Precise Machinery (Shenyang) Co., Ltd. ("WPMS") to strategiclly increase our activities in the proximity area and increase sales contributions from the region.

APRIL 2011
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 2011
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 2011
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 2011
Company's wholly-owned subsidiary, WPM (China), re-accredited as High/New Technology Enterprise.

DECEMBER 2011
Increased investment in 60% owned subsidiary, SSP.

FEBRUARY 2012
Company's wholly-owned subsidiary, WCNC, accredited as High/New Technology Enterprise.

JULY 2012
Increased investment in wholly-owned subsidiary, WHMT.

SEPTEMBER 2012
Increased investment in wholly-owned subsidiary, WPMS.

DECEMBER 2012
WPMS completing Phase 1 of its plant.

JANUARY 2013
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 2013
Increased investment in wholly-owned subsidiary, WHMT.

MARCH 2013
Company's wholly-owned subsidiary, WHMT, accredited as High/New Technology Enterprise.

APRIL 2013
Increased investment in wholly-owned subsidiary, WHMT, WPMP & WCNC.

New product launch, JX36-630.

DECEMBER 2013
Divestment of SSP.

FY2014
New products launch, JS36-250 and JSG36-1000.

FY2015
New products launch, J31-1250 and JX36-1000.

DECEMBER 2015
Amalgamation of PRC subsidiaries, WHMT, WCNC and WPMM amalgamated into WPM (China).

FY2016
New products launch, DS1-160, JS39-1600 and JH24-200.

FY2017
New products launch, NC1-110, NC1-160, NC1-200, NC1-260 and JA89-1000.

FY2018
New products launch, WS67K-63/2500, WS67K-100/3200, JH28-160, JH28-200, JH28-400 and WD-F3015L.

FY2019
New products launch, JS39-800, JS39-1200, JS39-1600, JS36-1000 and F4020.

MESSAGE FROM CHAIRMAN AND CEO

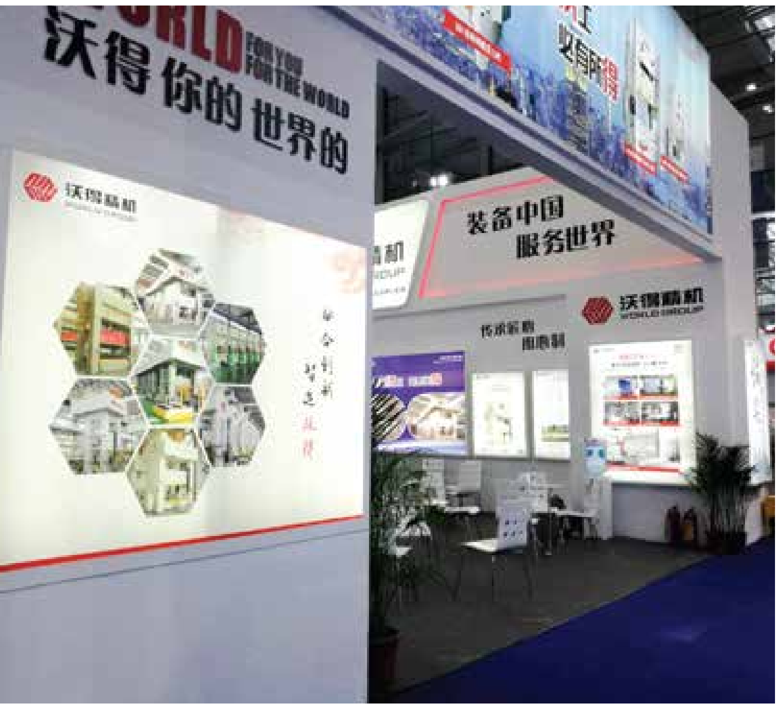
DEAR SHAREHOLDERS,

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 2019 ("FY2019").

2019: YEAR IN REVIEW

The Chinese economy continues to face a slower growth as a result of weakened domestic spending and prolonged trade tensions with the US[1]. While trade tensions seem to be cooling with the US-China Trade Agreement underway[2], China is still suffering from slower-than-expected recovery. According to the National Bureau of Statistics, China's industrial output expanded 5.7% in 2019, down 0.5 percentage point from the previous year[3]. Industrial capacity utilisation was 76.6%, up 0.1 percentage point from a year ago[4].

The Group's turnover decreased marginally by 5.8% to RMB837.2 million for FY2019 from RMB888.9 million a year ago. This was mainly due to the decrease in number of units sold in conventional stamping machines and high performance and high tonnage stamping machines which was partially offset by an upward revision in the average selling prices of the stamping machines. The Group's gross profit for FY2019 increased by 18.7% to RMB156.8 million from RMB132.1 million in FY2018 while gross profit margin for FY2019 increased by 3.8 percentage points from 14.9% in FY2018 to 18.7%. The Group's operating expenses increased 10.8% year-on-year from RMB137.7 million to RMB152.5 million. As a result, the Group's net profit attributable to equity holders increased 227.8% year-on-year to RMB20.1 million for FY2019, which translated into basic earnings per ordinary share of 5 Renminbi cents for its shareholders.



INDUSTRY OUTLOOK

As we welcome the new decade, China is expected to continue to experience even more stringent financial regulations from the existing trade war with the US[5]. The signing of "Phase 1" of a new US-China trade agreement in January 2020 offered little respite as China was subsequently bogged down by the COVID-19 outbreak. Various provinces in China implemented lockdowns or restrictions to control the outbreak, including keeping schools closed, cutting off villages, and restricting travel. The COVID-19 disease has since been declared a pandemic by the World Health Organisation in March 2020.

Inevitably, the pandemic will affect the domestic and global economy in significant ways. In the immediate term, it has severely impacted business activity in China as the Chinese government locked down cities for weeks and enforced wide-scale quarantines to contain its spread. It was widely reported that the pandemic will affect global supply chains and disrupt manufacturing operations around the world[6] and in turn dampen the subsequent recovery for Chinese manufacturers. This was evident as China's official manufacturing Purchasing Managers' Index (PMI) fell to a record low of 35.7 in February from 50.0 in January[7], indicating a slump in manufacturing activities. The manufacturing PMI subsequently jumped to 52.0 in March due to the reopening of the China economy[8]. Despite that, China's GDP contracted 6.8% in the first quarter of 2020, the first decline since 1992[9].

In response to the unprecedented economic impact of the COVID-19 outbreak, the Chinese government has been swift to roll out numerous measures to aid the world's second largest economy. The People's Bank of China ("PBOC") has already cut the required reserve ratio three times and steadily lowered its market interest rate so far this year, pumping trillions yuan of liquidity into the market. It also provided an additional 1.8 trillion yuan of funds to commercial banks to increase their capacity to lend to the small businesses that have been hit hardest by the pandemic[10]. More monetary and fiscal stimulus from the Chinese government can be expected to offset the impact of the pandemic to path the way for the economic recovery.

We expect the volatility to persist for a while due to uncertainties as the world continues its fight against the pandemic. The Group also expects the financials for FY2020 will be impacted as its operations are based in China and its revenue is derived directly from China. This was evident in the Group's 1Q2020 results as revenue dropped 38.7% year-on-year to RMB147.1 million and recorded RMB5.2 million loss. The Group will implement a slew of cost management and resource conservation measures during this challenging period. In April 2020, the Group announced the proposed sale of factory buildings and land in Shenyang to World Agriculture (Shenyang) Co., Ltd. for cash consideration. At this juncture, this will be beneficial for the Group as the factory buildings and land are in excess of the business requirements of the Group and the sales proceeds will beef up the Group's cash position significantly.

MESSAGE FROM CHAIRMAN AND CEO

With the current complex domestic and global economic situation, recessionary risks to the global economy, increased external uncertainties and the downward pressure on the China domestic economy, the business environment is expected to be challenging. Nonetheless, the extent of the financial impact to the Group for the full financial year ending 31 December 2020 cannot be ascertained at the moment as the situation remains fluid. The management is monitoring the development of the COVID-19 situation closely and will adjust its existing business strategies to better mitigate the challenges posed by this unfortunate event.

REWARDING SHAREHOLDERS

As an appreciation of our shareholders' long-term support, the Board has recommended a final tax-exempt (one-tier) dividend of 5 Renminbi cents per share.

This represents a dividend payout of 100% of the Group's FY2019 net profit.

A WORD OF APPRECIATION

To our customers and shareholders, thank you for all of your unwavering support for the past one year.

Next, we would like to express our heartfelt gratitude to Mr. Ge Minglei who has stepped down as Chief Executive Officer of the Company and General Manager of World Precise Machinery (China) Co., Ltd. on 22 November 2019. Mr. Ge will be assuming the position of Project Sales Manager of World Precise Machinery (China) Co., Ltd. to focus on developing the sales project for custom made products which require high technical capabilities and coordination among customers, technical department and production department. He shall remain as an executive officer and a member of the Group's key management team. We would also like to welcome Mr. Zhuang Guosheng, who has been appointed as the Chief Executive Officer of the Company. He will be in charge of the overall operations of the Group.

To our management team, staff and business partners, we would like to extend our utmost appreciation for each and every single one of your dedication and outstanding contribution. We are anticipating the year ahead with all of your continued cooperation as we strive to deliver greater value to all stakeholders.

Mr. Shao Jianjun
Executive Chairman

Mr. Zhuang Guosheng
Chief Executive Officer

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6 How Coronavirus Could Impact the Global Supply Chain by Mid-March, https://hbr.org/2020/02/how-coronavirus-could-impact-the-global-supply-chain-by-mid-march
7 China factory activity shrank at its fastest rate on record in February, https://www.cnbc.com/2020/02/29/china-pmi-factory-activity-shrank-at-fastest-rate-on-record-in-february.html
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9 China GDP shrinks 6.8% in Q1, first decline since 1992, https://asia.nikkei.com/Economy/China-GDP-shrinks-6.8-in-Q1-first-decline-since-1992
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主席致词

亲爱的股东,

我谨代表董事会，很荣幸为您介绍沃得精机有限公司（“World Precision”，连同其附属公司统称“本集团”）截至2019年12月31日（2019财年）的 年度报告。

2019年财年回顾

由于国内支出减少和与美国的贸易紧张局势持续，中国经济继续面临缓慢增长[1]。尽管随着《美中贸易协定》的签署[2]，贸易紧张局势似乎正在降温，但中国的复苏仍比预期来得慢。根据国家统计局的数据显示，2019年中国工业产值增长5.7%，比上年下降0.5个百分点[3]。工业产能利用率为76.6%，比去年同期提高了0.1个百分点[4]。

本集团的营业额由2018财年的8.89亿元人民币微幅减少5.8%至8.37亿元人民币。这主要是由于传统冲压机和高性能和高吨位冲压机的销售数量减少，但被冲压机平均销售价格的提高部分抵消了。本集团2019财政年度的毛利由2018财政年度的人民币1.32亿元增加18.7%至人民币1.57亿元，而2019财政年度的毛利率则由2018财政年度的14.9%增加3.8个百分点至18.7%。本集团的营业费用同比增长10.8%，由1.38亿元人民币增加至1.53亿元人民币。因此，本集团于股东权益持有人的净利润同比增加227.8%至2,010万元人民币，每股普通股基本盈利为0.05元人民币。

行业展望

在迎接新十年的到来之际，预计中国将继续经历更为严格的金融法规以及中美贸易战的影响[5]。 2020年1月中美签署第一阶段经贸协议的效益还未发酵，中国就因为随后爆发的新型冠状病毒疫情而陷入困境。中国各个省市实施了封锁或限制措施，以控制疫情蔓延，包括关闭学校，封城和限制旅行。此后，新型冠状病毒病已蔓延到全球所有大陆，并于2020年3月被世界卫生组织宣布为全球流行病。

此次的疫情不可避免地会在很大程度上影响国内和全球经济。在短期内，由于政府封锁了城市数周并实施大规模隔离，严重影响了中国的商业活动。据广泛报道，这疫情将影响全球供应链并扰乱世界各地的制造业务，进而阻碍中国制造商随后的复苏[6]。中国官方制造业采购经理人指数（PMI）从1月份的50.0点跌至2月份的历史最低35.7点，表明了制造业活动显著下滑[7]。由于中国经济的重新开放，制造业PMI随后在3月跃升至52.0[8]。尽管如此，中国的GDP在2020年第一季度仍收缩了6.8%，是1992年以来的首次下降[9]。

为应对冠状病毒爆发带来的前所未有的经济影响，中国政府已迅速采取多种措施，以援助世界第二大经济体。今年到目前为止，中国人民银行已经三度下调了法定存款准备金率，并稳步降低了市场利率，为市场注入了数万亿元人民币的流动性。它还向商业银行提供了1.8万亿元人民币的额外资金，以增强其对受到大流行打击最严重的小型企业的贷款能力[10]。未来我们可以预期，政府将出台更多的货币和财政刺激措施，以抵消这种流行病对经济的影响，为后来的复苏铺路。

由于全世界仍在与疫情抗争，不确定性导致的经济波动性将会持续一段时间。本集团预计，由于其业务位于中国，其收入直接来自中国，因此此次疫情将会对本集团2020财年产生财务影响。这一点在本集团的2020年第一季度业绩中已经显示出来，集团收入同比下降38.7%至人民币1.471亿元，并录得人民币520万元的亏损。在这一充满挑战的时期，本集团将实施一系列成本管理和资源节约措施。于2020年4月，本集团宣布拟向沃得农机（沈阳）有限公司现金对价出售位于沈阳的厂房及土地。在目前关头，这将有利于本集团，因为该厂房和土地超过了本集团的业务需求，而出售该资产的收入将大大增强本集团的现金状况。

在当前复杂的国内外经济形势，全球经济衰退风险，外部不确定性增加以及中国国内经济下行压力下，商业环境预计将充满挑战。然而，由于局势仍然动荡，目前尚无法确定截至2020年12月31日的整个财政年度对本集团的财务影响程度。管理层正在密切监视疫情形势的发展，并将调整其现有的业务战略，以更好地缓解这一不幸事件所带来的挑战。

回报股东

为了感谢股东的长期支持，董事会建议派发每股人民币5分的期末免税股息，这将使2019年全年派息率达到100%。

致谢词

首先，我们要感谢客户和股东在过去一年对于我们的坚定支持。

接下来，我们要衷心感谢葛明磊先生，他已于2019年11月22日卸任公司首席执行官兼沃得精机（中国）有限公司总经理。葛先生将担任沃得精机（中国）有限公司项目销售经理一职，专注于开发定制产品的销售项目，这些产品需要很高的技术能力并需要客户，技术部门和生产部门之间的协调。他将继续担任执行官和集团高级管理团队的成员。我们也要欢迎庄国胜先生，他被任命为公司首席执行官。他将负责集团的整体运营。

对于我们的管理团队，员工和业务合作伙伴，我们要衷心感谢您的奉献和杰出贡献。我们期待着来年与您持续的合作，我们将努力为所有利益相关者带来更大的价值。

邵建军
执行主席

庄国胜
首席执行官

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8 *Commentary: Restarting the economy in a COVID-19 world sure is hard. China would know, https://www.channelnewsasia.com/news/commentary/china-lift-lockdown-reopen-economy-strategy-key-challenges-gdp-12727720*
9 *China GDP shrinks 6.8% in Q1, first decline since 1992, https://asia.nikkei.com/Economy/China-GDP-shrinks-6.8-in-Q1-first-decline-since-1992*
10 *Coronavirus: China central bank primed for stimulus boost as pandemic continues to plague economy, https://www.scmp.com/economy/china-economy/article/3083806/coronavirus-china-central-bank-primed-stimulus-boost-pandemic*


展位號：3F
WOR
沃得
AIDA
沃得精机
WORLD GROUP
NC1-160
WD
沃得精机
WORLD GROUP
DS1-110
WD
WORLD

OPERATIONS REVIEW

EARNINGS

The Group's revenue recorded a year-on-year ("yoy") decrease of 5.8% to RMB837.2 million for the fiscal year ended 31 December 2019 ("FY2019") from RMB888.9 million for the fiscal year ended 31 December 2018 ("FY2018"). The Group's overall sales decreased largely due to a decrease in number of units sold in conventional stamping machines and high performance and high tonnage ("HPHT") stamping machines which was partially offset by an upward revision in the average selling prices ("ASP") of the stamping machines.

Sales of conventional stamping machines decreased by 30.3% from 3,558 units for FY2018 to 2,480 units for FY2019 while its ASP decreased marginally by 0.2% to RMB21,321 per unit for FY2019. Sales of HPHT stamping machines decreased by 7.2% from 5,006 units for FY2018 to 4,644 units for FY2019 while its ASP increased by 3.0% to RMB152,354 per unit for FY2019. In terms of change in sales mix, sales of HPHT stamping machines over the total Group's revenue increased by 1.2 percentage points to 84.5% this year. Of the remaining sales, 6.3% came from conventional stamping machines and 9.2% came from machinery parts and accessories as well as resin-casted parts.

The Group's gross profit for FY2019 increased by 18.7% to RMB156.8 million from RMB132.1 million in FY2018. The gross profit margin for FY2019 increased by 3.8 percentage points to 18.7% from 14.9% in FY2018. This was largely due to an upward revision in the ASP of the stamping machines which was partially offset by a decrease in production of conventional stamping machines and HPHT stamping machines.

Gross profit margin for conventional stamping machines increased by 7.5 percentage points to 17.9% in FY2019 from 10.4 % in FY2018. Gross profit margin for HPHT stamping machines increased by 2.7 percentage points to 19.9% in FY2019 from 17.2% in FY2018.

In FY2019, the Group's other income increased by 39.1% to RMB17.2 million from RMB12.4 million in FY2018. The increase was mainly due to an increase in grant received from government and processing income which was partially offset by a decrease in penalty income.

The Group's distribution and selling expenses increased by 4.2% to RMB84.0 million in FY2019 from RMB80.5 million in FY2018. As a percentage of total revenue, distribution and selling expenses increased by 0.9 percentage point to 10.0% in FY2019 from 9.1% in FY2018. Overall, the increase was mainly due to an increase in sales commission payable to sales personnel, sales personnel salary (due to increase in number of sales personnel), rebate to suppliers and travelling expenses.

In FY2019, the Group's administrative and other expenses increased by 29.2% to RMB67.3 million from RMB52.1 million in FY2018. As a percentage of total revenue, administrative and other expenses increased by 2.1 percentage points to 8.0% in FY2019 from 5.9% in FY2018. Overall, the increase was mainly due to an increase in research and development costs for stamping machines and staff costs. The Group continues to enhance its technical capabilities to launch higher value-added stamping machines through its research and development.

For FY2019, the Group's net finance costs recorded an increase of 20.3% to RMB2.0 million from RMB1.6 million in FY2018 which was mainly due to a gradual increase in interest expenses relating to a gradual increase in bank loans which was partially offset by finance income.

As a result of the above, the Group's net profit after tax for FY2019 increased by 227.8% to RMB20.1 million from RMB6.1 million for FY2018. The Group's earnings per ordinary share increased 150.0% yoy to RMB0.05 for FY2019 from RMB0.02 for FY2018, on a consistent basis of 400,000,000 outstanding shares.

FINANCIAL POSITION

Total assets were RMB1,589.0 million as at 31 December 2019, increased by RMB25.0 million yoy from the previous fiscal year. The Group's non-current assets increased by approximately RMB36.4 million mainly due to the acquisition of property, plant and equipment and additions of intangible assets net off the depreciation and amortisation expenses and recognition of right-to-use assets (recognised in accordance to SFRS(I) 16 Leases effective for the financial year beginning on or after 1 January 2019) which was partially offset by a decrease in prepayment for property, plant and equipment. The Group's total current assets decreased by approximately RMB11.3 million from RMB628.1 million as at 31 December 2018 to RMB616.8 million as at 31 December 2019. This was attributable to a decrease in inventories (which was mainly due to increase in sales in December 2019), other receivables (which was mainly due to a decrease in advance payments to suppliers, amount due from employees and tax recoverable) and amounts due from related parties (trade related) which was partially offset by an increase in trade receivables (which was mainly due to increase in bill receivables) and cash and cash equivalents (explained in the consolidated cash flows statement).

OPERATIONS REVIEW

Total liabilities stood at RMB501.5 million as at 31 December 2019. The Group's non-current liabilities increased by RMB5.9 million due to the recognition of lease liabilities (recognised in accordance to SFRS(I) 16 Leases effective for the financial year beginning on or after 1 January 2019) and deferred income from government grants. The Group's total current liabilities decreased by approximately RMB0.9 million from RMB491.5 million as at 31 December 2018 to RMB490.6 million as at 31 December 2019. This was attributable to a decrease in contract liabilities (which was mainly due to a decrease in advance received from customers), bills payables (which were due and paid to bank), other payables (mainly due to a decrease in payables relating to property, plant and equipment and bonus payables which was partially offset by an increase in other payables and accrued operating expenses) and amounts due to related parties (non-trade) which was partially offset by an increase in trade payables (which was mainly due to slower payment to suppliers), bank loans (which was mainly due to net proceeds from bank loans), amounts due to related parties (trade related) and recognition of lease liabilities and deferred income from government grants.

The Group is in a net current assets position as at 31 December 2019 of RMB126.2 million.

CASH FLOW

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents were RMB42.4 million as at 31 December 2019, compared to RMB12.0 million in the previous fiscal year.

Net cash generated from operating activities was RMB128.5 million for FY2019. The reasons were discussed in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position.

Net cash used in investing activities was RMB106.0 million for FY2019. This was mainly from the acquisition of property, plant and equipment and additions of intangible assets.

Net cash generated from financing activities was RMB7.9 million for FY2019. This was mainly from net proceeds from bank loans, net bank deposits released from pledge from financial institution which was partially offset by interest paid and payment of lease liabilities.

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 29 April 2019.

Mr. Shao is currently Executive Chairman of WPM (China). Prior to that, he was the Chief Executive Officer ("CEO") of 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 the 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 Masters of Business Administration 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 27 April 2018. 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 Masters of Business Administration from CEIBS in February 2004.

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 28 April 2013. He was last re-elected on 27 April 2018.

Mr. Phang is currently a Director of Bartley Christian Church Limited.

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. 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 2019.

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. and the advisor and director of Aljo Consults (Singapore) Pte Ltd.

Mr. Lim graduated from Singapore University in 1979 with a 1st class honours in Bachelor of Science (Mathematics).

KEY MANAGEMENT

Mr. Zhuang Guosheng

Chief Executive Officer and Chief Deputy General Manager of WPM (China)

In November 2019, Mr. Zhuang Guosheng has been promoted to Chief Executive Officer of the Company and is in charge of overall operation of the Group. In March 2019, Mr. Zhuang has been appointed as Chief Deputy General Manager of WPM (China). Mr. Zhuang is in charge of production, technical, quality control, procurement and equipment department of WPM (China). Mr. Zhuang, since March 2011, has been Deputy Chief Engineer of Jiangsu World Machinery and Electronics Group Co., Ltd. ("JWMEG") and was in charge of technology and product development of JWMEG. Mr. Zhuang has been the Deputy Production Manager of JFMM since January 2006 and was in charge of the overall production of JFMM. Mr. Zhuang studied in the Danyang Picheng Secondary School (High School) from 1985 to 1987.

Mr. Jin Zhaoguo

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

Mr. Jin Zhangguo is in charge of marketing and sales of the Group. In March 2019, Mr. Jin has been appointed as Chief Marketing Officer and Deputy General Manager of WPM (China). Mr. Jin, since February 2016, has been Head of after sales services department of WPM (China) and was in charge of after sales services of WPM (China). Mr. Jin joined WPM (China) as technician in 2010. He was transferred to WHMT as Head of quality inspection department in December 2013. Mr. Jin graduated from the Jiangsu Province Minda Polytechnic Institute in July 2010.

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 has been promoted to Chief Technology Officer and Chief Engineer of WPM (China). 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.

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 has been promoted to Chief Procurement Officer and Deputy General Manager of WPM (China). 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. Ge Minglei

Project Sales Manager of WPM (China)

In November 2019, Mr. Ge Minglei has relinquished his position as Chief Executive Officer of the Company and General Manager of WPM (China) and re-designated as Project Sales Manager of WPM (China). In August 2016, Mr. Ge has been promoted to Chief Executive Officer of the Company and General Manager of WPM (China) and is in charge of overall operation of Group. In March 2016, Mr. Ge was Chief Deputy General Manager of WPM (China) in charge of technical, production, quality and after sales services of WPM (China). In 2015, Mr. Ge was Deputy General Manager of WPM (China) 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. 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 has been 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 the Danyang Picheng Secondary School (High School) from 1971 to 1973.

Mr. Ng Keong Khoon (Samuell)

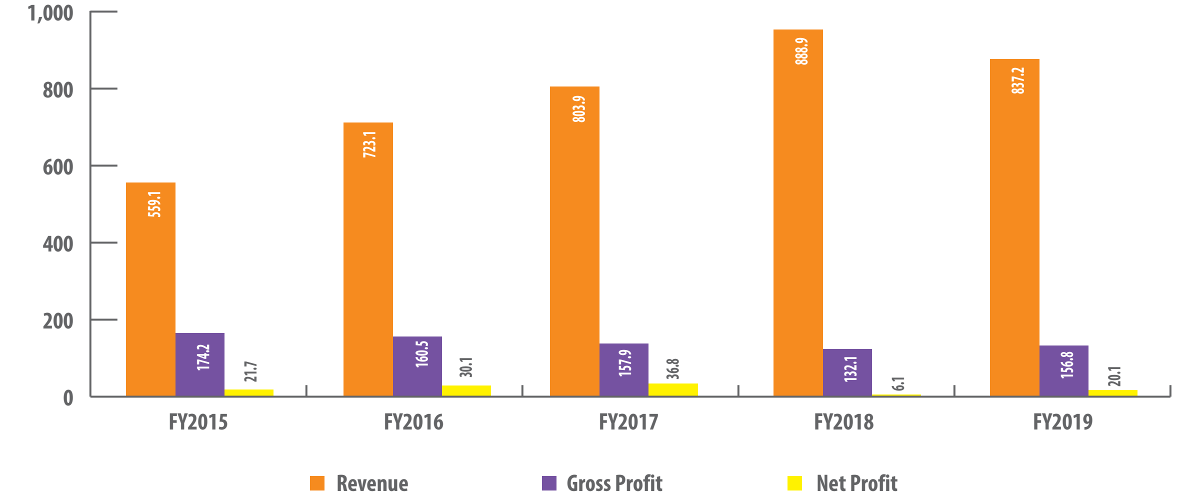
Chief Financial Officer

Mr. Ng Keong Khoon (Samuell) 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").

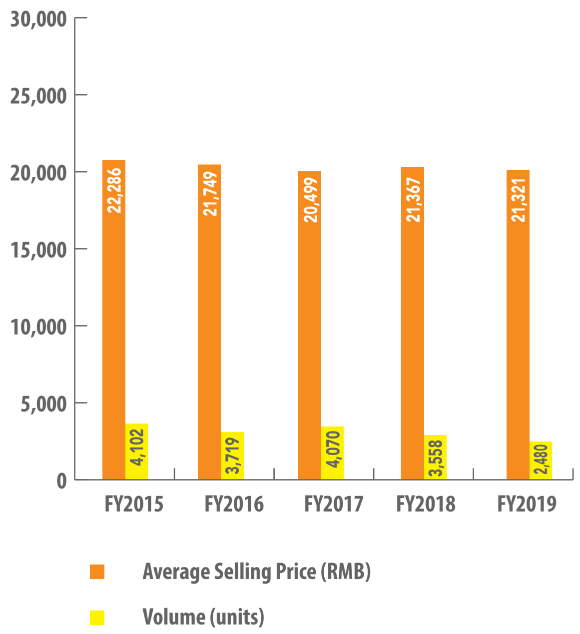

NC1-200
沃得精机
WORLD GROUP
WD
WORLD
沃得精机
JH21-160
服务中心
Service Center

FINANCIAL HIGHLIGHTS

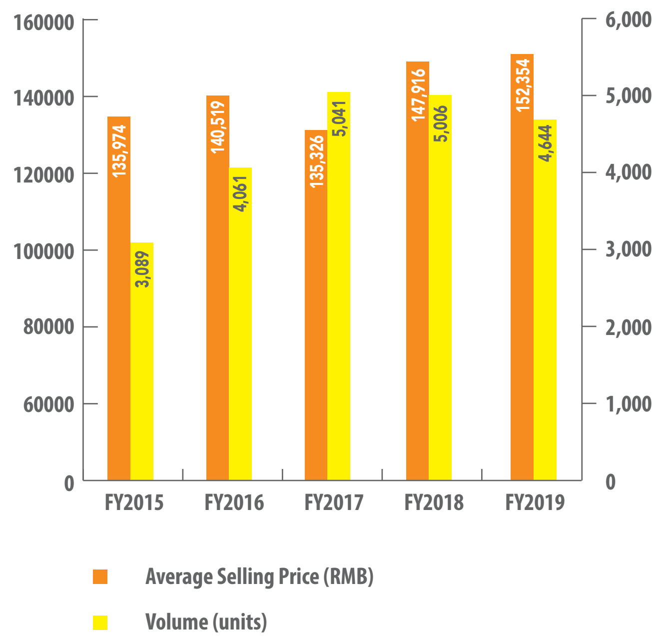
Revenue, Gross Profit and Net Profit
(RMB Million)



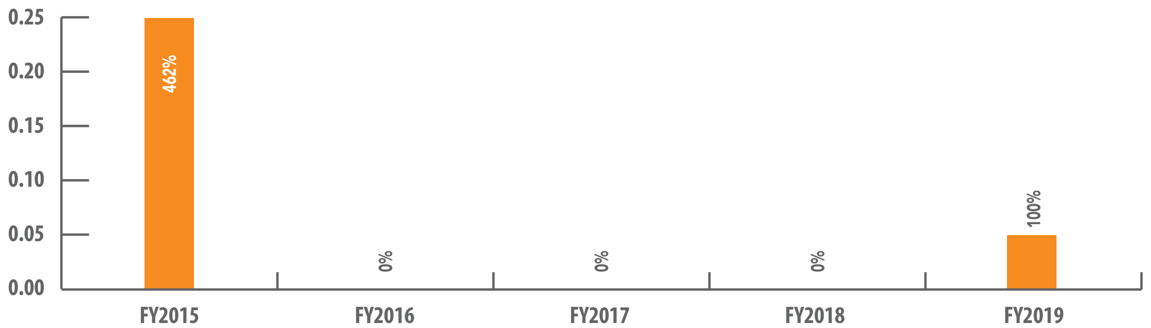
Conventional Stamping Machines



High-Performance / High-Tonnage Stamping Machines



Dividend payout



* Proposed final dividend

LIST OF EVENTS / IR ACTIVITIES

World Precision seeks to enhance shareholder value not only through focusing 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
Samuell Ng
Chief Financial Officer

Tel: (65) 8180 2482
Email: saisamuelng@hotmail.com
Website: www.wpmlimited.com

11/04/2019
Annual General Meeting::
Voluntary

11/04/2019
Annual Report and Related Documents::

23/04/2019
Financial Statements and Related Announcement::
Notification of Results Release

24/04/2019
Response to SGX Queries::

29/04/2019
REPL::Annual General Meeting::
Voluntary

30/04/2019
Financial Statements and Related Announcement::
First Quarter Results

03/05/2019
General Announcement::
RESPONSES TO QUESTIONS FROM SIAS ON ANNUAL REPORT FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018

06/05/2019
Response to SGX Queries::

02/08/2019
Financial Statements and Related Announcement::
Notification of Results Release

08/08/2019
Financial Statements and Related Announcement::
Second Quarter and/ or Half Yearly Results

16/08/2019
Response to SGX Queries::

01/11/2019
Change - Change in Corporate Information::
CHANGE OF REGISTERED OFFICE ADDRESS

04/11/2019
Financial Statements and Related Announcement::
Notification of Results Release

13/11/2019
Financial Statements and Related Announcement::
Third Quarter Results

22/11/2019
General Announcement::
CHANGES TO THE KEY MANAGEMENT TEAM IN THE COMPANY AND WORLD PRECISE MACHINERY (CHINA) CO., LTD.

21/02/2020
Financial Statements and Related Announcement::
Notification of Results Release

28/02/2020
Financial Statements and Related Announcement::
Full Yearly Results

27/03/2020
Waiver::
GRANT OF EXTENSION OF TIME TO HOLD AGM FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

20/04/2020
Interested Person Transaction::
THE PROPOSED SALE OF FACTORY BUILDINGS AND LAND IN SHENYANG

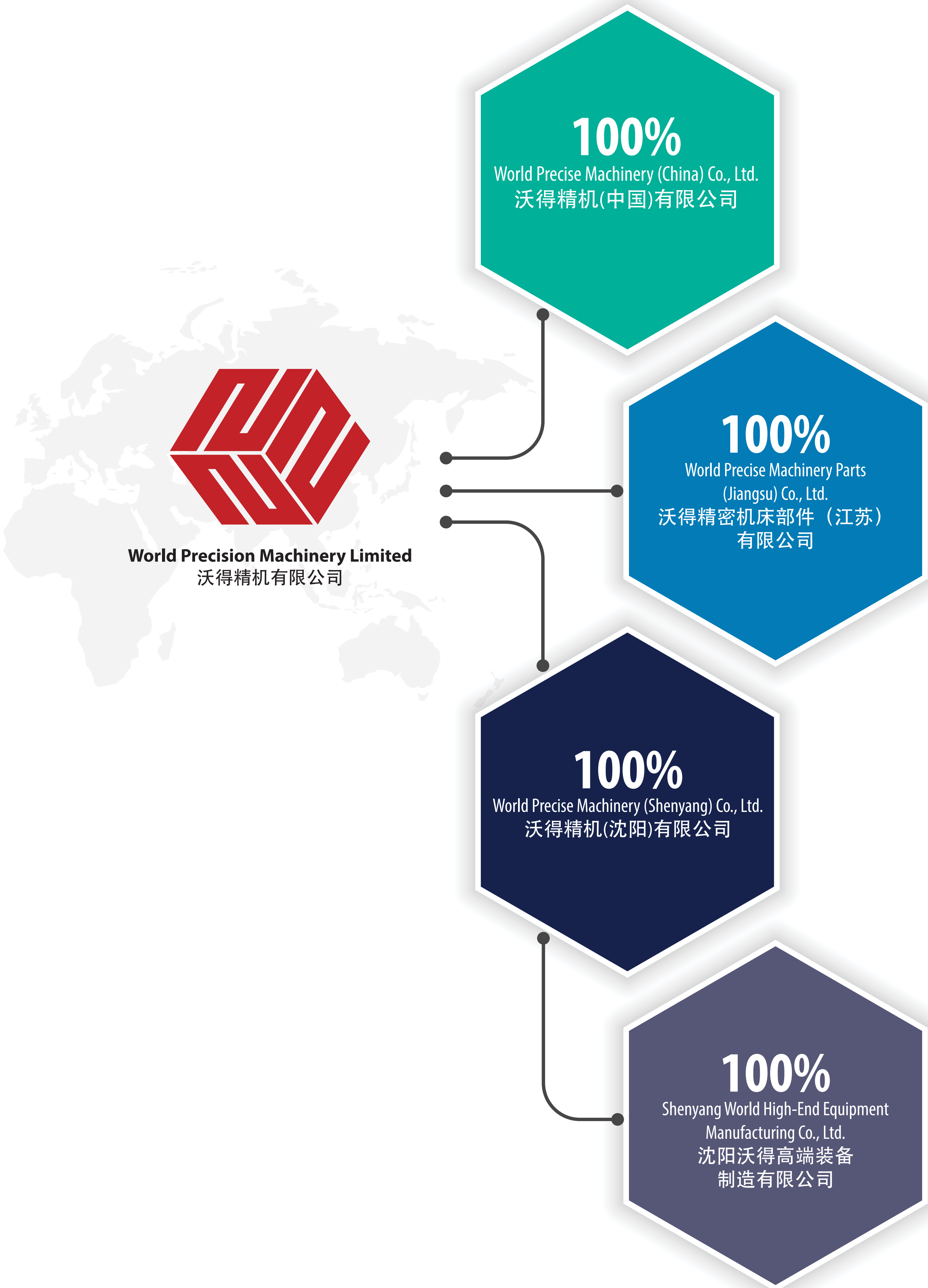
24/04/2020
Response to SGX Queries::

28/04/2020
Change - Change in Corporate Information::
INCORPORATION OF SUBSIDIARY

06/05/2020
Financial Statements and Related Announcement::
Profit Guidance

11/05/2020
Financial Statements and Related Announcement::
First Quarter Results

CORPORATE STRUCTURE



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 enhancing the interests of all Shareholders.

This report sets out the corporate governance practices that have been adopted by the Company with specific reference to the principles and provisions of the Code of Corporate Governance 2018 (the "**Code**") which is effective in respect of the Company's Annual Report for the financial year ended 31 December 2019 ("**FY2019**"), guideline 2.4 of the Code of Corporate Governance 2012 which is applicable prior to 1 January 2022, and where applicable, the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Companies Act (Chapter 50) of Singapore ("**Companies Act**"). The Company has complied in all material respects with the principles and provisions in the Code. Where there is any deviation from any provisions of the Code, an explanation has been provided in this report for the variation and how the practices adopted by the Group are consistent with the intent of the relevant principle. This report should be read in totality, instead of being read separately under each principle of the Code.

BOARD MATTERS

THE BOARD'S CONDUCT OF ITS AFFAIRS

PRINCIPLE 1: THE COMPANY IS HEADED BY AN EFFECTIVE BOARD WHICH IS COLLECTIVELY RESPONSIBLE AND WORKS WITH MANAGEMENT FOR THE LONG-TERM SUCCESS OF THE COMPANY.

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 technology 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 Management and 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 recognising that their perceptions affect the Group's reputation.

6. Advising Management on major policy initiatives, significant issues and approving board policies, strategies and financial objectives of the Company.

7. Evaluating the performance and reviewing the compensation of directors and key management personnel.

8. Approving all Board appointments/re-appointments and appointments of key management personnel.

9. Overseeing the proper conduct of the Company's business, setting the Group's values and standards (including ethical standards), ensuring that obligations to Shareholders and other stakeholders are understood and met and assuming responsibility for corporate governance.

The Board will consider sustainability issues such as environmental and social factors as part of its strategic formulation in line with the guidelines of the Code.

REPORT ON CORPORATE GOVERNANCE

Provision 1.1 – Director's conflict of interest

All Directors exercise due diligence and independent judgement in discharging their duties and responsibilities at all times as fiduciaries and act objectively in the interests of the Company.

Directors facing conflicts of interest are required to recuse themselves from discussions and decisions involving the issues of conflict. There are also required to avoid situations in which their own personal or business interests directly or indirectly conflict, or appear to conflict, with the interests of the Group. Where a Director has a conflict of interest, or it appears that he might have a conflict of interest, in relation to any matter, he is required to send a written notice to the Company containing details of his interest and the conflict, or to declare such interest at a meeting of the Directors (or in written resolutions to be passed), and recuse himself from participating in any discussion and decision on the matter. Where relevant, the Directors have complied with such requirement, and such compliance is duly recorded in the minutes of meeting and/or Directors' Resolutions in writing.

Provision 1.2 – Induction and training of Directors

The Company will provide a formal letter of appointment to newly appointed Non-Executive Director (including Independent Director), 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.

Newly appointed Directors, if any, will be provided with background information about the history, Group's 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. Further, at the quarterly Board meetings, the Chief Executive Officer ("**CEO**") and/or the relevant senior management personnel provide(s) the Board with regular updates on the Group's business performance and plans. 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. No new Directors were appointed during FY2019.

To keep the Directors abreast of new laws, regulations, changing commercial risks and accounting standards, all Directors engage in constant dialogues with Management and professionals from time to time. The Board is updated on any amendments and requirements of the SGX-ST and other statutory and regulatory requirements from time to time, or during Board meetings by the Company Secretary and/or his representative(s). Directors may also attend relevant courses, conferences, seminars, workshops or training programme at the Company's expense to enable them to effectively discharge their duties as a Director, if required, from time to time.

Provision 1.3 – Matters requiring Board's approval

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 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 communities. All meetings with members of the investment community are attended by the CEO, and/or Chief Financial Officer ("**CFO**"), and/or the Lead Independent Director and/or if applicable, the Investor Relations ("**IR**") Manager or representative of the IR 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 information that require Board's approval pursuant to the Corporate Disclosure Policy and with references made to Appendix 7.1 Continuing Disclosure of the SGX-ST Listing Manual for the Board's guidance on particular situations and issues, include, but are not limited to, the following:

- Quarterly, Half year and Full year results or projections;
- Long term strategic and financial plan;
- Joint venture, merger, acquisition, divestment, liquidation or other changes in the Company's assets[1];

REPORT ON CORPORATE GOVERNANCE

- 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;
- Changes in CEO, Directors and substantial shareholdings' interests – this includes becoming and cessation of substantial Shareholder and during the appointment of CEO and Director[2];
- Share Buyback;
- Share Option or share schemes;
- Scrip Dividend Scheme;
- Interested Person Transactions[3];
- Call of securities for redemption;
- Provision or receipt of a significant amount of financial assistance;
- 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;
- 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;
- 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;
- Involuntary striking-off of the Company's subsidiaries;
- Any investigation on a Director or an Executive Officer of the Company;
- Loss of a major customer or a significant reduction of business with a major customer; and
- Major disruption to supply of critical goods or services.

Notes:

1 The Company has adopted an Investment Policy 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.

2 The Company has adopted a Policy for Announcement of Changes in Shareholdings to receive, track and announce information in a timely manner.

3 The Company has adopted a Written Policies and Procedures for Interested Person Transaction 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.

The Investment Policy, Policy for Announcement of Changes in Shareholdings and Written Policies and Procedures for Interested Person Transaction are also in line with the Code. The Corporate Disclosure Policy is in line with applicable laws and regulations.

<u>Provision 1.4 – Delegation by the Board</u>

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 responsibilities and authority of the Board Committees set out in their respective terms of reference were revised in FY2019 to align with the Code. The effectiveness of each Board Committee is also constantly monitored.

REPORT ON CORPORATE GOVERNANCE

The Board acknowledges that while each Board Committee is authorised to make decisions, execute actions or provide its recommendations in their specific areas respectively and will report back to the Board with their decisions and/or recommendations on particular issues, the ultimate responsibility for the decisions and actions lies with the Board.

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

Name of Director	**AC**	**RC**	**NC**
Shao Jianjun *(Executive Chairman)*	–	–	–
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

No alternate Director was appointed to the Board in FY2019.

Provision 1.5 – Board processes, including Directors' attendance at meetings

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, when necessary, for approval by the relevant members of the Board and Board Committees. The Company's Constitution allows a Board meeting to be conducted by way of teleconference, 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 and the Board Committees may also make decisions through circular resolutions.

The number of Board and Board Committees' meetings and general meetings, i.e. annual general meeting ("**AGM**") and extraordinary general meeting ("**EGM**"), held from 1 January 2019 to 31 December 2019 as well as the details of Directors' attendance at those meetings are summarised in the table below:

	General meetings						Board Committees' meetings					
	AGM		EGM		Board		AC		RC		NC	
Name of Directors	No. of meetings		No. of meetings		No. of meetings		No. of meetings		No. of meetings		No. of meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Shao Jianjun	1	1	-	-	4	4	-	-	-	-	-	-
Wang Weiyao	1	1	-	-	4	1	4	1	1	0	1	0
Phang Kin Seng (Lawrence)	1	1	-	-	4	4	4	4	1	1	1	1
Lim Yoke Hean	1	1	-	-	4	4	4	4	1	1	1	1

Provision 1.6 – Complete, adequate and timely information

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.

REPORT ON CORPORATE GOVERNANCE

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 meetings 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 may 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. Directors are entitled to request from Management and be provided with additional timely information as needed in order for them to make informed decisions.

<u>Provision 1.7 – Company Secretaries and independent professional advice</u>

All Directors have separate and independent access to Management and Company Secretary and/or his representative(s) at all times. The Company Secretary and/or his representative(s) attend(s) all Board and Board Committees' meetings and assist(s) 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 follows the direction of the Chairman to ensure that there is sufficient/pertinent information flow within the Board and its Board 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.

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, if required, is subject to approval by the Board.

BOARD COMPOSITION AND BALANCE

PRINCIPLE 2: THE BOARD HAS AN APPROPRIATE LEVEL OF INDEPENDENCE AND DIVERSITY OF THOUGHT AND BACKGROUND IN ITS COMPOSITION TO ENABLE IT TO MAKE DECISIONS IN THE BEST INTERESTS OF THE COMPANY.

<u>Provisions 2.1 and 4.4 – Directors' independence review</u>

An "independent" Director is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interest of the Company.

For FY2019, the Board, with the concurrence of the NC, had adopted a declaration of independence pursuant to Provision 2.1 of the Code and Rules 210(5)(d) of the SGX-ST Listing Manual ("**Revised Definition on Director's Independence**")

<u>Provisions 2.2 and 2.3 – Composition of (i) Independent Director and (ii) Non-Executive Directors on the Board</u>

Presently, the Board comprises one Executive Director (i.e. the Executive Chairman) and three Non-Executive Directors, two of whom are independent. Pursuant to Provision 2.3 of the Code, Non-Executive Directors of the Company make up a majority of the Board.

While the Independent Directors do not make up a majority of the Board where the Chairman is not independent, being a variation from Provision 2.2 of the Code, the Non-Executive Directors make up a majority of the Board and the Independent Directors make up at least half of the Board. As such, the Board is satisfied that it is able to exercise objective judgement on corporate affairs independently and no individual or select group of individuals are allowed to dominate the Board's decision-making process. Accordingly, there is a strong and independent element on the Board and consistent with the intent of principle 2, the Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

REPORT ON CORPORATE GOVERNANCE

Provision 2.4 – Composition of the Board and Board Committees, and Board Diversity Policy

The Company is committed to building a diverse, inclusive and collaborative culture. It recognises that a diverse Board of an appropriate size is an important element which will better pave the way for the Company to achieve its strategic objectives for sustainable development, avoid groupthink and foster constructive debate. A diverse Board also enhances the decision-making process through perspectives derived from differentiating skillsets, business experience, industry discipline, gender, age and culture, geographical background and nationalities, tenure of service and other distinguishing qualities of the Directors.

Each year, the NC reviews the size and composition of the Board and the Board Committees and the skills and core competencies of its members to ensure an appropriate balance and mix of skillset, knowledge and experience, with a strong element of independence.

Pursuant to Provision 2.4 of the Code, the Board has adopted a Board Diversity Policy. Having regard to the guidelines in the Board Diversity Policy, the NC will, in reviewing the Board's composition, rotation and retirement of Directors and succession planning, take into account factors, including but not limited to gender, age, nationality, cultural background, educational background, experience, skillset, knowledge, independence and length of service. These differentiating factors will be considered in determining the optimum composition of the Board and when possible will be balanced appropriately.

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.

Any external search consultants, if required, engaged to assist the Board or the NC to search for candidates for appointment to the Board will be specifically directed to include diverse candidates from diverse background and female candidates. The decision on the selection of Director(s) to be appointed on the Board will ultimately be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity balanced with the needs of the Board.

Taking into account the nature and scope of the Group's operations, 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 scope of the Group's operations, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and the Board Committees.

Together, the Board and the 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. Whilst the current Board does not have gender diversity, this is an important aspect of the NC's consideration, should there be any proposed new appointment(s) of member(s) to the Board. New Directors, if any, will continue to be selected based on objective criteria set as part of the process for appointment of new Directors.

No individual or select group of individuals dominates the Board's decision-making process as half of the Board is made up of Independent Directors. The Board also obtains independent views from its Independent Directors. The Chairman of the Board establishes boundaries of risk undertaken by the Group and ensures the governance system is in place and regularly evaluated which the Board is the opinion that there is a strong and independent element on the Board.

The NC will review the Board Diversity Policy from time to time as appropriate, to ensure the effectiveness of this policy. The NC will also discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

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

REPORT ON CORPORATE GOVERNANCE

Provision 2.5 – Role of the Non-Executive Directors

The Non-Executive Directors of the Company (including, for avoidance of doubt, the Independent Directors) participate actively in Board meetings and 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's proposals or decisions, they bring independent judgement to bear on business activities and transactions involving conflicts of interest and other complexities.

All the Independent Directors, led by the Lead Independent Director, meet at least annually without the presence of the Executive Directors and other Non-Independent Directors to discuss matters of significance which findings are then reported to the Chairman of the Board accordingly.

The Non-Executive Directors (including the Independent Directors) have met periodically without the presence of Management, and/or communicated via emails or telephone discussion on issues concerning the Company and will provide feedback to the Chairman, where necessary, after such meetings or communications.

The Independent Directors are also in frequent contact with one another outside the Board and Board Committees' meetings and hold regular informal discussions amongst themselves. For FY2019, 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, if any, so as to facilitate effective discussion with the Chairman and between the Board, on strategic issues and any other issues that may arise.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

PRINCIPLE 3: THERE IS A CLEAR DIVISION OF RESPONSIBILITIES BETWEEN THE LEADERSHIP OF THE BOARD AND MANAGEMENT, AND NO ONE INDIVIDUAL HAS UNFUTTERED POWERS OF DECISION-MAKING.

Provision 3.1 and 3.2 – Chairman and CEO

The roles and responsibilities between the Chairman of the Board and the Group CEO of the Company are held by separate individuals to ensure that there is an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. There is no one individual who has unfettered powers of decision-making.

Mr. Shao Jianjun has been appointed as Executive Chairman since 26 April 2013 and Mr. Zhuang Guosheng has assumed the position of CEO with effect from 22 November 2019.

As Chairman, Mr. Shao leads the Board and bears responsibility for the effectiveness of the Board. He is responsible for, amongst others, setting agenda, in particular, strategic issues and ensures that adequate time is available for discussion of all agenda items and ensuring that the Directors receive complete, 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 Jianjun is also responsible for promoting high standards of corporate governance.

As the Group's CEO, Mr. Zhuang Guosheng 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 the CEO may change in line with any developments that affect the Group, and any change is required to be agreed by the Board.

Mr. Shao Jianjun and Mr. Zhuang Guosheng do not have any familial relationship.

REPORT ON CORPORATE GOVERNANCE

Provision 3.3 – Lead Independent Director

The Board is of the view that there are sufficient safeguards and checks in place to ensure that there is a good balance of power, accountability and capacity of the Board for independent decision-making. As the Chairman is part of the management team and not an Independent Director, pursuant to the provision of the Code, Mr. Phang Kin Seng (Lawrence), who is an Independent Director and the AC Chairman, was appointed as the Lead Independent Director on 26 April 2013.

Mr. Phang Kin Seng (Lawrance), 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.

BOARD MEMBERSHIP

PRINCIPLE 4: THE BOARD HAS A FORMAL AND TRANSPARENT PROCESS FOR THE APPOINTMENT AND RE-APPOINTMENT OF DIRECTORS, TAKING INTO ACCOUNT THE NEED FOR PROGRESSIVE RENEWAL OF THE BOARD.

Provisions 4.1 and 4.2 – NC's duties and composition

The terms of reference of the NC provide that the NC shall comprise at least three Directors, the majority of whom, including the NC Chairman, shall be independent, and the Lead Independent Director, shall be a member. The composition of the NC of the Company is as follows:-

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

The NC is regulated by a set of written terms of reference, which are in line with the provisions of the Code. The NC is responsible for, including but not limited to, the following key terms of reference:

(a) regularly and strategically reviewing the Board and Board Committees structure, size and composition (including the skills, gender, age, qualification, experience and diversity) and making recommendations to the Board with regard to any adjustments that are deemed necessary.

(b) Identifying and nominating candidates to fill Board vacancies as they occur by considering candidates (i) from a wide range of backgrounds, (ii) their own merits and evaluate against objective criteria such as their experience, knowledge, gender, age and skills in relation to the needs of the Board (whether the candidate add diversity to the Board and are likely to have adequate time to discharge their duties), (iii) the composition and progressive renewal of the Board and Board Committees, and (iv) appoint an independent third party to source and screen candidates, if necessary. Before recommending an appointee to the Board, appointee will be requested by NC to disclose any existing or expected future business interest that may lead to a conflict of interest.

(c) determining 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, deciding 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 recommending to the Board guidelines to address competing time commitments faced by Directors, if any, who serve on multiple boards.

(e) reviewing the succession plans for Board Chairman, Directors, CEO and Key Management Personnel of the Company.

(f) determining 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.

REPORT ON CORPORATE GOVERNANCE

(g) developing the performance evaluation framework for the Board, the Board Committees and individual Directors. The NC also propose objective performance criteria for the Board, the Board Committee and individual Directors. It conducts the evaluations, analyses the findings and reports the results to the Board and recommending areas that need improvement. This process can be assisted by independent third party facilitators.

(h) identifying and developing training programmes/schedules for the Board and assist with similar programmes for the Board Committes. The NC will ensure that all Board appointees undergo appropriate induction programmes.

(i) keeping up to date with developments in corporate governance initiatives, changes to relevant legislations, strategic issues and commercial changes that may affect the Company and the industry in which it operates.

Provision 4.3- Process for selection and appointment of new Directors

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 formalised 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 skillsets or industry specialisation.

Provision 4.3 – Process for re-election/re-appointment of Directors

All the Directors submit themselves for re-election at regular intervals of at least once every three years. Article 89 of the Company's Constitution requires one-third of the Board (other than the Managing Director) to retire by rotation at every Annual General Meeting. Article 88 of the Company's Constitution 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 and Mr. Phang Kin Seng (Lawrence), who will be retiring by rotation pursuant to Article 89 of the Company's Constitution at the forthcoming Annual General Meeting.

Mr. Wang Weiyao and Mr. Phang Kin Seng (Lawrence) have consented to continue in office and the Board had accepted the recommendation of the NC and accordingly, Mr. Wang Weiyao and Mr. Phang Kin Seng (Lawrence) will be offering themselves for re- election at the forthcoming Annual General Meeting.

Mr. Wang Weiyao will, upon re-election as a Director of the Company, remain as a member of the AC, the NC and the RC, and will be considered non-independent for the purposes of Rule 704(8) of the Listing Manual of SGX-ST.

REPORT ON CORPORATE GOVERNANCE

Mr. Phang Kin Seng (Lawrence) will, upon re-election as a Director of the Company, remain as Chairman of the AC and a member of the NC and the RC, and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of SGX-ST.

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.

The requirements under Rule 720(6) of the SGX-ST Listing Manual are set out in the Annual Report on pages 131 and 132.

Provision 4.4 – Review of Directors' Independence

The NC, which is responsible for reviewing the independence of each Director on an annual basis, has adopted a declaration of independence form pursuant to the Revised Definition on Director's Independence ("**Declaration of Independence Form**"). In addition, the NC requires each Non-Executive Director to assess his own independence by completing a Declaration of Independence Form 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.

For FY2019, the NC had reviewed the independence of Board members with reference to the Revised Definition on Director's Independence. Mr. Wang Weiyao, who is the controlling Shareholder of the Company, is considered not independent of the Management as contemplated by the Code. Both the NC and the Board have 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 relationships with the Company, its related corporations, its substantial shareholders, 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.

Messrs. Phang Kin Seng (Lawrence) and Lim Yoke Hean have each served on the Board for a period exceeding nine years from the date of their respective first appointment. The NC had conducted a rigorous review of their independence and contributions to the Board to determine if they still remain independent and carry out their duties objectively, taking into account the need for progressively refreshing of the Board. The review included but was not limited to the completion of a detailed questionnaire of their independence with a mixture of close-ended and open- ended questions in respect of whether there are any conflicts of interest or relationship that are likely to affect their independence; whether they continues to express their views objectively and seek clarification and amplification when deemed necessary; whether they continues to debate issues objectively; whether they continues to scrutinise and challenge Management on important issues raised at meetings and whether they are able to bring judgement to bear in the discharge of their duties as a Board member and committee member. The questionnaire was completed by Messrs. Phang Kin Seng (Lawrence) and Lim Yoke Hean.

The Board had observed the performance of Messrs. Phang Kin Seng (Lawrence) and Lim Yoke Hean at the Board and the Board Committees' meetings and other occasions and has no reasons to doubt their independence in the course of discharging their duties. Hence, the Board, with the concurrence of the NC, having considered the Declaration of Independence Forms for FY2019 and the completed questionnaire of independence submitted by Messrs. Phang Kin Seng (Lawrence) and Lim Yoke Hean, concluded that they are independent in character and judgement despite having been on the Board for more than 9 years and free from any relationships outlined in the Code. The Board acknowledges their combined strength of characters, objectivity and wealth of useful and relevant experience bring themselves to continue effectively as an Independent Director of the Company. The Board also acknowledges and recognises the benefits of the experience and stability brought by the long-serving Independent Directors for their strength of character, objectivity and wealth of extensive business experience, and their knowledge on the Group's business which would enable them to be an effective Independent Directors, notwithstanding their long tenure.

Each of the Independent Director had recused themselves from the NC's and the Board's deliberations on their own independence.

REPORT ON CORPORATE GOVERNANCE

Provision 4.5 – Directors' time commitments and multiple Directorships

Pursuant to the NC's 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, concluded that such multiple Board representations (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 cognisance of the Code's 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. As such, no maximum number of listed company board representations was fixed. 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.

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

Name of Director(1)	Date of first appointment/ Last re-election	Directorships in other listed companies	
		Current	Past 3 Years
Mr. Shao Jianjun *(Executive Chairman)*	28 July 2004 / 29 April 2019	Nil	Nil
Mr. Wang Weiyao *(Non-Executive and Non-Independent Director)*	28 July 2004 / 27 April 2018	Nil	Nil
Mr. Phang Kin Seng (Lawrence) *(Lead Independent Director)*	28 April 2010 / 27 April 2018	Nil	Nil
Mr. Lim Yoke Hean *(Independent Director)*	2 July 2010 / 29 April 2019	Nil	Nil

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

BOARD PERFORMANCE

PRINCIPLE 5: THE BOARD UNDERTAKES A FORMAL ANNUAL ASSESSMENT OF ITS EFFECTIVES AS A WHOLE, AND THAT EACH OF ITS BOARD COMMITTEES AND INDIVIDUAL DIRECTORS.

Provisions 5.1 and 5.2 – Assessment of the Board, Board Committees and Individual Directors

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 as well as the contribution by each Director to the Board, and of each of its Board Committee.

The NC reviews the criteria for evaluating the Board's performance and recommends to the Board a set of objective performance criteria focusing on enhancing long-term shareholders' value. Based on the recommendations of the NC, the Board has established processes for evaluating the effectiveness of the Board as a whole and self-assessment of each individual director, the Chairman, and its Board Committees to the effectiveness of the Board.

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 performance criteria of which is as follows:

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

REPORT ON CORPORATE GOVERNANCE

For FY2019, the NC has adopted and conducted the peer assessment of individual Directors and assessment of the Chairman. The peer assessment of individual Directors and assessment of the Chairman will also be conducted annually and each of the Director is required to complete a questionnaire approved by the Board to assess the Directors (other than the Director concerned) and the Chairman, the performance criteria of which is as follows:

- Director's Duties;
- Leadership;
- Communication Skills and Behaviour;
- Strategy and Risk Management;
- Board Contribution;
- Knowledge;
- Interaction; and
- Overall Assessment of Performance as Director.

The results of the (i) Board performance evaluation; and (ii) peer assessment of the individual Directors and assessment of the Chairman, were collated by the corporate services provider of the Company and presented to the NC for discussion with comparatives from the previous year's results (where applicable). 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 Chairman of the respective Board Committees are also required to complete a questionnaire on the effectiveness of the Board Committees, which would be tabled at the NC for further discussion.

The NC was generally satisfied with the results of the evaluation for the performance of the (i) Board, (ii) individual Directors, (iii) Chairman, and (iv) respective Board Committees, for FY2019 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 and/or the respective Board Committees, 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.

Save as disclosed, no external facilitator has been used.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

PRINCIPLE 6: THE BOARD HAS A FORMAL AND TRANSPARENT PROCEDURE FOR DEVELOPING POLICIES ON DIRECTORS AND EXECUTIVE REMUNERATION, AND FOR FIXING THE REMUNERATION PACKAGES OF INDIVIDUAL DIRECTORS AND KEY MANAGEMENT PERSONNEL. NO DIRECTOR IS INVOLVED IN DECIDING HIS OR HER OWN REMUNERATION.

<u>Provisions 6.1 and 6.2 – RC's duties and composition</u>

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

The terms of reference of the RC provide that the RC shall comprise at least three Directors, the majority of whom, including the RC Chairman, shall be independent. The composition of the RC of the Company is as follows:-

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

The RC is regulated by a set of written terms of reference, which are in line with the provisions of the Code. The RC is responsible for, including but not limited to, the following key terms of reference:

(a) taking into account all relevant legal and regulatory requirements, including the principles and provisions of the Code, when determining the Company's remuneration policies. It should also consider the Company's risk appetite and ensure that the policies are aligned to long-term goals.

REPORT ON CORPORATE GOVERNANCE

(b) ensuring that the level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

(c) setting the remuneration policy for Directors and key management personnel as well as monitoring the level and structure of remuneration for key management personnel relative to the internal and external peers and competitors.

(d) ensuring that the remuneration of the Non-Executive Directors is appropriate to the level contribution, taking into account factors such as effort, time spent, and responsibilities.

reviewing the remuneration of employees related to the Directors, CEO or substantial shareholders, if any, to ensures that their remuneration packages are in line with staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increases and/or promotion for these related employees will also be subjected to the review and approval of the RC.

(e) obtaining reliable, up-to-date information on the remuneration packages of other companies and the relevant market benchmarks through the appointment of external consultants. Such information can also be obtained by commissioning or purchasing any appropriate reports, surveys or information. These will be at the expenses of the Company, subject to the budgetary constraints imposed by the Board.

(f) overseeing any major changes in employee benefits or remuneration structures.

(g) reviewing the design of all long-term and short-term incentive plans for approval by the Board and shareholders.

(h) ensuring that the contractual terms and any termination payments are fair to the individual and the Company. Poor performance should not be rewarded.

(i) setting performance measures and determining targets for any performance-related pay schemes operated by the Company.

<u>Provisions 6.3 and 6.4 – Remuneration framework and engagement of remuneration consultants, if any</u>

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.

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 agreement or by either party giving to the other not less than three months' written notice.

Mr. Zhuang Guosheng, CEO, had entered into a service agreement with the Company for a period of three years commencing 22 November 2019, which is subject to review and renewal upon expiry unless terminated during such term either as provided in the service agreement 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 subsidiaries in the event of an early termination of the service of an Executive Director. The RC would review the Company's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service. The RC aims to be fair and avoid rewarding poor performance.

Although there is no contractual provisions in the service agreements of the Executive Director 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 one year, which would be forfeited in the event of such breach of their duties.

There are no termination, retirement and post-employment benefits that may be granted to Directors, the CEO and the top five key management personnel (who are not Directors or the CEO) for FY2019.

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.

REPORT ON CORPORATE GOVERNANCE

LEVEL AND MIX OF REMUNERATION

DISCLOSURE OF REMUNERATION

PRINCIPLE 7: THE LEVEL AND STRUCTURE OF REMUNERATION OF THE BOARD AND KEY MANAGEMENT PERSONNEL AND APPROPRIATE AND PROPORTIONATE TO THE SUSTAINED PERFORMANCE AND VALUE CREATION OF THE COMPANY, TAKING INTO ACCOUNT THE STRATEGIC OBJECTIVES OF THE COMPANY.

PRINCIPLE 8: THE COMPANY IS TRANSPARENT ON ITS REMUNERATION POLICIES, LEVEL AND MIX OF REMUNERATION, THE PROCEDURE FOR SETTING REMUNERATION, AND THE RELATIONSHIPS BETWEEN REMUNERATION, PERFORMANCE AND VALUE CREATION.

Provisions 7.1 to 7.3 and Provision 8.3 – Level and mix of remuneration

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.

Framework for remuneration of Executive Directors and key management personnel

The remuneration packages of the Executive Directors and other key management personnel consist of fixed and variable wage components. The fixed component consists of a basic salary and annual wage supplement. To ensure that the remuneration packages of Executive Directors and key management personnel is consistent and comparable with market practice, the RC regularly compares this fixed component with those of companies in similar industries, while continuing to be mindful of the fact that there is a general correlation between increased remuneration and incentives, and improvement in performance.

The variable component comprises a variable bonus based on the Group's and individual's performance. To link rewards to performance, the more senior the executive is within the Group, the higher the percentage of the variable component against total remuneration. A comprehensive and structured assessment of the performance of key executives is undertaken each year. Bonuses payable to key executives are reviewed by the RC and approved by the Board to ensure the alignment of their interests with those of Shareholders.

Remuneration of Non-Executive Directors

The Non-Executive Directors (including Independent Directors) receive fees which are reviewed by the RC to ensure commensuration with the contributions, responsibilities and time spent by such individuals. Such fees are paid subject to Shareholders' approval being obtained at the Company's AGM. The Independent Directors are not over-compensated to the extent that their independence is compromised.

The RC does not see any value-add on implementing share option or long-term incentive scheme in view of the long low liquidity in the trading of the Company's shares.

Provisions 8.1 to 8.2 – Directors' remuneration/fees and remuneration of the Group CEO and remuneration of the top five key management personnel (who are not Directors or the CEO) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these key management personnel

The RC will carry out an annual review of the Executive Director 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 FY2019, the RC is satisfied with the Executive Director 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. They are not over-compensated to the extent that their independence may be compromised. 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.

REPORT ON CORPORATE GOVERNANCE

Directors' fees amounting to S$180,000 for the financial year ending 31 December 2020 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.

Directors and CEO

A breakdown of the level and mix of the remuneration of the Directors and the CEO for FY2019 is as follows:

	Salary	Variable/ Performance-related Income/ Bonus	Benefits in Kind	Fees	Total
	%	%	%	%	%
Below S$250,000:					
Executive Chairman					
Shao Jianjun	100	–	–	–	100
Non-Executive Directors					
Wang Weiyao	–	–	–	100	100
Phang Kin Seng (Lawrence)	–	–	–	100	100
Lim Yoke Hean	–	–	–	100	100
CEO					
Zhuang Guosheng	18	82	–	–	100

Key management personnel

The top five key management personnel of the Group (in terms of remuneration) for FY2019 (who are not Directors or the CEO) are Messrs. Ng Keong Khoon (Samuell), Bao Guojun, Jin Zhaoguo, Ge Minglei and Shu Jianfei.

A breakdown of the level and mix of the remuneration of each of the key management personnel for FY2019 is as follows:-

	Salary	Variable/ Performance-related Income/ Bonus	Benefits in Kind	Total
	%	%	%	%
Below S$250,000:				
Ng Keong Khoon (Samuell)	100	–	–	100
Bao Guojun	19	81	–	100
Jin Zhaoguo	53	47	–	100
Ge Minglei	24	76	–	100
Shu Jianfei	38	62	–	100

The aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO) is approximately RMB2.45 million (which includes CPF).

REPORT ON CORPORATE GOVERNANCE

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, the CEO and the top 5 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 salary, variable or performance-related income/bonus and/or benefits in kind. Despite having varied from Provision 8.1(a) of the Code, the Board believes that consistent with the intent of Principle 8 of the Code, sufficient information has been disclosed for shareholders' understanding with respect to the Group's level and mix of remuneration.

For FY2019, there are no employees who are substantial shareholders of the Company, or are immediate family members of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S$100,000.

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

PRINCIPLE 9: THE BOARD IS RESPONSIBLE FOR THE GOVERNANCE OF RISK AND ENSURES THE MANAGEMENT MAINTAINS A SOUND SYSTEM OF RISK AND MANAGEMENT AND INTERNAL CONTROLS, TO SAFEGUARD THE INTERESTS OF THE COMPANY AND ITS SHAREHOLDERS.

<u>Provision 9.1 – Maintenance of a sound risk management system and internal controls</u>

The Board acknowledges that it is responsible for the overall internal control framework and maintains a sound system of risk management and 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. 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, the CFO and the Risk Compliance Officer.

For FY2019, 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 FY2019.

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 Group'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 audits. Any 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 FY2019 audits would be followed up and implemented by Management at the next audit review or within the timeline stipulated in the respective audit reports.

REPORT ON CORPORATE GOVERNANCE

The Group's financial risk management is disclosed under Note 29 of the Notes to the Financial Statements on pages 115 to 123 of this Annual Report.

Provision 9.2 – Written assurance regarding (i) financial records and financial statements and (iii) adequacy and effectiveness of the Group's risk management and internal control systems

The Board has written received assurance from the Group CEO and the CFO that as at 31 December 2019:-

(a) nothing has come to their attention which would render the financial statements to be false or misleading in any material aspects;

(b) the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances;

(c) the Group's internal controls, including financial, operational, compliance and information technology controls, and risk management systems ("**Internal Control and Risk Management Systems**") in place are adequate and effective in addressing its material risks in the Group's current business environment; and

(d) there are no known significant deficiencies or lapses in the Group's Internal Control and Risk Management Systems which could adversely affect its ability to record, process, summarise or report financial data, or any fraud that involves Management or other employees who have a significant role in the Group's Internal Control and Risk Management Systems.

The Board has also received written assurance from other key management personnel having authority and responsibility for planning, directing and controlling the activities of the Group that:

(a) the Group's Internal Control and Risk Management Systems in place are adequate and effective in addressing its material risks in the Group's current business environment; and

(b) there are no known significant deficiencies or lapses in the Group's Internal Control and Risk Management Systems which could adversely affect its ability to record, process, summarise or report financial data, or any fraud that involves Management or other employees who have a significant role in the Group's Internal Control and Risk Management Systems.

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 performance, position and prospects, with detailed analysis and explanations.

For the financial year under review, the CEO and the CFO have provided assurance to the AC that to the best of their knowledge and belief, nothing has come to the attention of the Management which may render the quarterly results of the Group to be false or misleading in any material aspect. In addition, 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.

Analysis on the performance of the Group was provided on the results and performance to the Board to ensure they effectively discharge their duties. The CEO will also update the Board on the Group's operations during Board Meetings. As and when there are other developments in between meetings, the Board will be provided and supplemented with the relevant information with respect thereto, whether by email circulation or informal teleconference.

The Company has also procured undertakings from all its Directors and Executive Officers in compliance with Rule 720(1) of the SGX-ST Listing Manual.

REPORT ON CORPORATE GOVERNANCE

Rule 1207(10) of the SGX-ST Listing Manual

Based on the internal controls including financial, operational and compliance controls, established and maintained by the Group, work performed by the internal and external auditors, and reviews undertaken by Management, the AC and the Board are of the opinion that the Group's internal controls addressing material financial, operational, compliance and information technology risks, and risk management systems are adequate and effective as at 31 December 2019 to meet the needs of the Group, taking into account the nature and scope of its operations.

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.

AUDIT COMMITTEE

PRINCIPLE 10: THE BOARD HAS AN AUDIT COMMITTEE WHICH DISCHARGES ITS DUTIES OBJECTIVELY.

Provisions 10.1 to 10.3 and 10.5 – Duties and composition of the AC

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

The terms of reference of the AC provide that the AC shall comprise at least three members, all of whom shall be Non-Executive Directors and a majority of whom, including the AC Chairman, shall be independent. The composition of the AC of the Company is as follows:-

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

The Board is of the view that at least 2 members, including AC Chairman 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. None of the AC members were former partners or Directors of the Company's existing auditing firm, Messrs. KPMG LLP, within the last twelve months or hold any financial interest in the auditing firm.

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) reviewing the financial reporting issues and judgements so as to ensure the integrity of financial statements, and of announcements on the Company's financial performance and recommend changes, if any, to the Board;

(b) reviewing and reporting to the Board on the adequacy and effectiveness of the Company's risk management and internal controls in relation to financial reporting and other financial-related risk and controls (and to the extent delegated to it by the Board);

(c) reviewing the adequacy, effectiveness, independence, scope and results of the Company's internal audit function;

(d) reviewing the scope and results of the external audit, and the independence and objectivity of the EA. It shall then recommend to the Board the appointment, reappointment and removal of the EA, and its remuneration and terms of engagement;

(e) ensuring that the Company complies with the requisite laws and regulations;

(f) ensuring that the Company has programmes and policies in place to identify and prevent fraud;

(g) overseeing the establishment and operation of the whistleblowing process in the Company; and

(h) review all Interested Person Transactions ("**IPTs**") and Related Party Transactions.

REPORT ON CORPORATE GOVERNANCE

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 FY2019, the AC has met four times and:

(i) met 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) has undertaken a review of the audit services and is satisfied with the independence of the External Auditors for FY2019. For FY2019, the aggregate amount of fees paid to the external auditors was RMB700,000. There were no non-audit services or fees paid for non-audit services.

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. KPMG LLP, the appointed auditors of the Group, is registered with the Accounting and Corporate Regulatory Authority ("**ACRA**") 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. KPMG 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; and

(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 5 of the Notes to the Financial Statements on page 99 of this Annual Report.

The AC, with the concurrence of the Board, had recommended the re-appointment of Messrs. KPMG LLP as External Auditors for FY2019 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 employees and any other persons 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 objective of the policy, a copy of which has been uploaded on the Company's website, 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 FY2019.

Provision 10.4 – Internal Audit

The Group has also outsourced its internal audit function to Nexia TS Risk Advisory as its Internal Auditors. The Internal Auditors, staffed with persons of relevant qualifications and experience, carry out its audit taking guidance from the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors and they report 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 risk management and internal controls by monitoring and assessing the adequacy and effectiveness of key controls and procedures, conducting in-depth audits of high risk areas and undertaking investigations as directed by the AC.

REPORT ON CORPORATE GOVERNANCE

The hiring, removal, evaluation and compensation of the Internal Auditors or corporation to which the internal audit function is outsourced was approved by the AC. The Internal Auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

The AC will also review the adequacy and effectiveness 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 FY2019, the AC is satisfied that the internal audit function by Nexia TS Risk Advisory is independent, effective and adequately resourced to meet the Group's internal audit obligations.

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETING

PRINCIPLE 11: THE COMPANY TREATS ALL SHAREHOLDERS FAIRLY AND EQUITABLY IN ORDER TO ENABLE THEM TO EXERCISE SHAREHOLDERS'S RIGHTS AND HAVE THE OPPORTUNITY TO COMMUNICATE THEIR VIEWS ON MATTERS AFFECTING THE COMPANY. THE COMPANY GIVES SHAREHOLDERS A BALANCED AND UNDERSTANDABLE ASSESSMENT OF ITS PERFORMANCE, POSITION AND PROSPECTS.

The Board ensures that all the Company's shareholders are treated equitably for them to exercise their shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance position and prospects.

Provision 11.1 to 11.5 – Participation and voting at general meetings of shareholders

General Meetings are the principal forum for dialogue with Shareholders. 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 invited and encouraged to attend the general meetings of Shareholders to have the opportunity to participate effectively in and vote, to ensure a high level of accountability and to stay informed of the Group's strategy and goals.

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 fourteen days before the meeting for ordinary resolutions and twenty-one days before the meeting for special resolutions.

There are separate resolutions on each distinct issue at the general meetings.

Currently, the Board has not implemented any voting methods to allow Shareholders to vote by way of electronic mail or facsimile. The Company's Constitution does not permit voting in absentia by mail, facsimile or e-mail as such voting methods would need to be cautiously evaluated to ensure that the authenticity of the vote and the Shareholder's identity is not compromised.

Nonetheless, Shareholders may vote in person by way of proxy forms deposited, in person or by mail, at the office address of the Share Registrar at least forty-eight hours before the meetings. Registered corporate shareholders or nominee companies, who are unable to attend the general meetings are provided with the option to appoint more than two proxies to attend and vote at the general meetings. This allows Shareholders who hold shares through such corporation to attend and participate in the general meetings as proxies.

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 Company has employed electronic polling at its Annual General Meeting in April 2019. All resolutions are put to vote by electronic poll voting and the detailed results showing the number of votes cast for and against each resolution and the respective percentages are shown to the Shareholders at the end of each resolution. The independent scrutineer briefs Shareholders on the e-polling voting process and verify and tabulate votes after each resolution. The Board believes that this will enhance transparency of the voting process and encourage greater Shareholder participation. Results of the general meetings are announced within the stipulated timelines prescribed by the SGX-ST.

REPORT ON CORPORATE GOVERNANCE

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 minutes of every Annual General Meeting which included substantial and relevant queries from Shareholders relating to the agenda of the meeting and responses from the Board will be made available to Shareholders upon their request.

The Chairmen of the AC, NC and RC will normally be available at the Shareholders' meetings to attend to the queries by Shareholders 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.

Provision 11.6 – Dividend Policy

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 FY2019, the Board has recommended a final tax-exempt (one-tier) dividend of RMB0.05 per share, which is subject to the approval of the shareholders at the forthcoming AGM.

ENGAGEMENT WITH SHAREHOLDERS

PRINCIPLE 12: THE COMPANY COMMUNICATES REGULARLY WITH ITS SHAREHOLDERS AND FACILITIES THE PARTICIPATION OF SHAREHOLDERS DURING GENERAL MEETINGS AND OTHER DIALOGUES TO ALLOW SHAREHOLDERS TO COMMUNICATE THEIR VIEWS ON VARIOUS MATTERS AFFECTING THE COMPANY.

Provisions 12.1 to 12.3 – Interaction/engagement with shareholders

In line with continuous disclosure obligations of the Company and pursuant to the SGX-ST 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.

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.

Other than communicating with Shareholders at Annual General Meetings, the Shareholders may contact the Company's CFO on any investor relations matters at saisamuelng@hotmail.com.

MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

PRINCIPLE 13: THE BOARD ADOPTS AN INCLUSIVE APPROACH BY CONSIDERING AND BALANCING THE NEEDS AND INTERESTS OF MATERIAL STAKEHOLDERS, AS PART OF ITS OVERALL RESPONSIBILITY TO ENSURE THAT THE BEST INTERESTS OF THE COMPANY ARE SERVED.

Provision 13.1 and 13.2 – Identification and engagement with material stakeholder groups, including managing relationships with such groups

The Group believes that forging good relationships with its stakeholders is crucial for the sustainable growth of its business and its key stakeholders include customers, suppliers, employees, investors and shareholders, and government and regulators.

The key areas of focus in relation to the management of stakeholder relationships are set out in the Company's annual Sustainability Report on pages 54 and 55 of this Annual Report.

REPORT ON CORPORATE GOVERNANCE

Provision 13.3 – Corporate website

The Group maintains a current and updated corporate website.

All materials on the Company's financial results, as well as the latest annual report of the Company, are available on the Company's website at www.wpmlimited.com. The website also contains various other investor-related information about the Company which serves as an important resource for its shareholders and all other stakeholders. Where there is inadvertent disclosure made to the Company, the Company will make the same disclosure publicly to all others promptly.

SECURITIES TRANSACTIONS

The Group has adopted a set of Code of Best Practices on Securities Transactions 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 periods commencing two weeks before the release of the Company's quarterly results and one month before the release of the Company's full year results and ending on the date of announcement of the relevant results. In addition, the officers of the Company 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. The Directors are required to notify the Company of any dealings in the Company's securities (outside the applicable closed window period mentioned above) within two business days of the transactions.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that such transactions are reviewed and approved by senior executives, AC and/or the Board, as the case may be, based on the transaction amount and had been conducted on an arm's length basis in accordance with prescribed procedures. When a potential conflict of interest arises, the Director concerned will not participate in discussions and will abstain from voting on such transaction.

The AC and the Board had reviewed the proposed mandate for IPTs to be tabled for renewal, subject to Shareholders approval at the forthcoming Annual General Meeting. Details of the proposed IPT mandate are enumerated in the Circular accompanying the Notice of Annual General Meeting.

Save as disclosed below, there are no interested persons transactions between the Company or its subsidiaries and any of its interested persons during the financial year under review:

Name of Interested Person	Nature of relationship	Aggregate value of all IPTs during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under shareholders' mandates pursuant to Rule 920 during the financial year under review (excluding transactions less than $100,000)
		(RMB'000)	(RMB'000)
Jiangsu World Machinery and Electronics Group Co., Ltd.	Associate of the Controlling Shareholder	N/A	
Processing fees received, sale of raw materials, part and machineries.			2,156
Processing fees paid and purchase of raw materials and equipment.			1,647

REPORT ON CORPORATE GOVERNANCE

Name of Interested Person	Nature of relationship	Aggregate value of all IPTs during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under shareholders' mandates pursuant to Rule 920 during the financial year under review (excluding transactions less than $100,000)
		(RMB'000)	(RMB'000)
Jiangsu World Plant-Protecting Machinery Co., Ltd.	Associate of the Controlling Shareholder	N/A	
Processing fees received, sale of raw materials and parts.			99
Purchase of raw materials and scrap materials.			3,441
Jiangsu World Agriculture Machinery Co., Ltd.	Associate of the Controlling Shareholder	N/A	
Processing fees received, sale of raw materials, parts and machineries.			26,706
Processing fees paid and purchase of raw materials, scrap materials and equipment.			4,843
Jiangsu World Agriculture Machinery & Parts Manufacturing Co., Ltd.	Associate of the Controlling Shareholder	N/A	
Processing fees received, sale of raw materials, parts and equipment.			6,112
Processing fees paid and purchase of raw materials, scrap materials and equipment.			54,720
World Agriculture (Shenyang) Co., Ltd.	Associate of the Controlling Shareholder	N/A	
Processing fee received and sales of raw materials, parts and scrap materials and rental income of factory.			8,023
Purchase of raw materials.			9
World Heavy Industry (China) Co., Ltd.	Associate of the Controlling Shareholder	N/A	
Sale of raw materials and parts.			807
Processing fee paid, purchase of raw materials and equipment.			12,998
Jiangsu World Crane Co., Ltd.	Associate of the Controlling Shareholder	N/A	
Purchase of equipment.			2,986
Jiangsu World Precise Machinery Co., Ltd.	Associate of the Controlling Shareholder	N/A	
Land rental paid.			686

REPORT ON CORPORATE GOVERNANCE

Name of Interested Person	Nature of relationship	Aggregate value of all IPTs during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under shareholders' mandates pursuant to Rule 920 during the financial year under review (excluding transactions less than $100,000)
		(RMB'000)	(RMB'000)
Jiangsu World Furniture Co., Ltd.	Associate of the Controlling Shareholder	N/A	
Processing fee received, sale of raw materials, parts and machineries.			601
Jiangsu World High End Agriculture Equipment Co., Ltd.	Associate of the Controlling Shareholder	N/A	
Processing fee received and sale of raw materials, parts and machineries.			12,298
Purchase of raw materials and scrap materials.			8,442
Jiangsu World Construction Machinery Sales Co., Ltd.	Associate of the Controlling Shareholder		N/A
Purchase of raw materials.		140	
Total		**140**	**146,574**

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) of the SGX-ST Listing Manual:

(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 2021.

(ii) Service Agreement entered with Mr. Zhuang Guosheng, the CEO, for a period of three (3) years commencing 22 November 2019, which will expire on 22 November 2022.

(iii) 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.

(iv) 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.

SUSTAINABILITY REPORT 2019

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MESSAGE FROM THE BOARD

MR. SHAO JIANJUN
Executive Chairman

Dear Stakeholders,

We are pleased to present the annual Sustainability Report (the "Report") of World Precision Machinery Limited (the "Company", together with its subsidiaries, the "Group") for the financial year ended 31 December 2019. We uphold ourselves as one of the influential stamping machine manufacturers in the People's Republic of China ("PRC"). This Report presents our Group's performance in terms of sustainability while showing our commitment to sustainability.

Our Board of Directors (the "Board") have provided guidance and support to ensure that our sustainable practices are embedded in our business operations and aligned to our Group's business strategies.

Our Group strongly believes that sustainability is important for us to remain competitive in today's market. Being a socially responsible corporation, we are determined to reduce our carbon footprint and preserve scarce natural resources through adopting energy saving techniques and instilling environmental awareness in all our employees. Initiatives such as using of LED light bulbs across all our workshops and offices were adopted throughout the year. Our Group also placed great importance on the production safety of all our employees which we had achieved zero case of work-related serious injuries or death for the past three years.

Amid the global pandemic of COVID-19, our Group strictly follows the instructions given by the government and professionals to ensure the well-beings of all our employees. Measures such as social distancing and necessary protections such as wearing masks and taking body temperature are enforced throughout our Group as we were on our way to resume all our operations. We are expecting a decrease in sales in the short term. However, we are confident that our sales will recover over the time.

Overall, our Group would like to take this opportunity to thank our stakeholders who have been supporting us in one way or another throughout our sustainable journey.

SUSTAINABILITY REPORT 2019

ABOUT THIS REPORT

This Report describes our sustainability practices in relation to environmental, social and governance ("ESG") factors which are material to our businesses that mainly focus in Danyang City, Jiangsu Province, PRC. Unless otherwise stated, this Report covers the financial year from 1 January 2019 to 31 December 2019 ("FY2019").

This Report is prepared in accordance with Rule 711A and 711B of the Singapore Exchange Securities Trading Limited ("SGX-ST") Mainboard Listing Manual and makes references to the guideline set out in SGX-ST's Practice Note 7.6 Sustainability Reporting Guide. It is also prepared with reference to the guidelines of the Global Reporting Initiative ("GRI") Standards - Core Option and its reporting principles.

Risk management procedures are in place to identify major business risks and management regularly reviews our Group's strategic position, operational, financial and compliance risk through careful checks. Our Group has also designed processes, whenever possible, to collect and/or estimate, assess and report on the data in this Report.

Reporting Principle

- **Materiality:** focusing on issues that impact business growth and are of utmost importance to stakeholders;
- **Stakeholder Inclusiveness:** responding to stakeholder expectations and interests;
- **Sustainability Context:** presenting performance in the wider context of sustainability; and
- **Completeness:** including all information that is of significant economic, environmental and social impact to enable stakeholders to assess our Group's performance.

Accessibility & Feedback

Our Group opts not to print hard copy of this sustainability report as part of our environmental conservation efforts. Electronic edition version of this and previous sustainability reports can be obtained from our Group's website and SGXNET portal.

The Group is committed to listening to its stakeholders and look forward to their feedback. Please send your feedback through the Group's website.

SUSTAINABILITY REPORT 2019

ORGANISATIONAL PROFILE

Company Background

Our Company was incorporated in Singapore in year 2004 and was listed on the Main Board of SGX-ST (stock code: B49) in year 2006. Our Group's principal place of business is based in Danyang City, Jiangsu Province, PRC.

We specialise in the manufacturing of both standard and customised stamping machines and related components. We market our stamping machines under the World Trademark. With more than 300 different models of stamping machines, we offer a wide spectrum of products features for various applications.

Corporate Structure

Below diagram illustrates our Corporate Structure at the time of publishing this report:

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

100%
Shenyang World High-End Equipment Manufacturing Co., Ltd.
沈阳沃得高端装备制造有限公司

Corporate Mission, Vision and Values

Our Board and management team constantly examine whether our mission, vision and values are still intact when our businesses progress. We have's mission, vision and values statements with a view to provide clearer direction and keep everyone focused on where our Group is going and what we are trying to achieve, in particular during the time of difficulty.

Mission
- Adhering the attitude and spirit of thinking and innovating, we will continue to develop new technology and products such as advanced and reliable forging equipments for the manufacturing industry

Vision
- First-class brand
- First-class quality
- First-class service
- Acceptable price

Values
- Integrity
- Pragmatic
- Collaboration
- Innovation

SUSTAINABILITY REPORT 2019

Supply Chain Management

Our Group has conducted screening and assessment on our suppliers based on the criteria set out in our Group's Procurement Policy on a yearly basis. Factors such as industry track record and quality of goods and services delivered are reviewed to ensure the compliance with local, health and safety rules and regulations.

Before Covid-19 announced as pandemic, we are cautious in handling our Group's supplier chain as effective and responsible as supply chain management is essential to enhance operational efficiency and protect our Group's brand value and reputation. Following the disease outbreak in early 2020, we remain in close communication with our customers and key suppliers to avoid or minimise significant impact to our production and fulfilment of sales orders. We put in place strict precautionary measures where all our customers and suppliers or their appointed representative or logistic companies are required to wear masks and go through temperature taking at the guardhouse before entering our premises and factories.

Geographical Expansion and Growth

Our Group has been expanding its operations in Jiangsu, Shanghai, Zhejiang, Guangdong and Bohai Rim in domestic market. Through such expansions, we aim to open our market in previously untouched regions and achieve economy of scale by lowering our material and transportation costs.

Due to advantages especially in pricing, Chinese home appliances and electronics are gaining their grounds in previously untouched markets such as the Western Asia and South eastern Europe market. Hence, it is our Group's long term effort to invest more on innovating and enhancing our products to remain competitive in both domestic and international markets.

Governance Structure

BOARD OF DIRECTORS

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

NOMINATING COMMITTEE

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

AUDIT COMMITTEE

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

REMUNERATION COMMITEE

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

External Initiatives

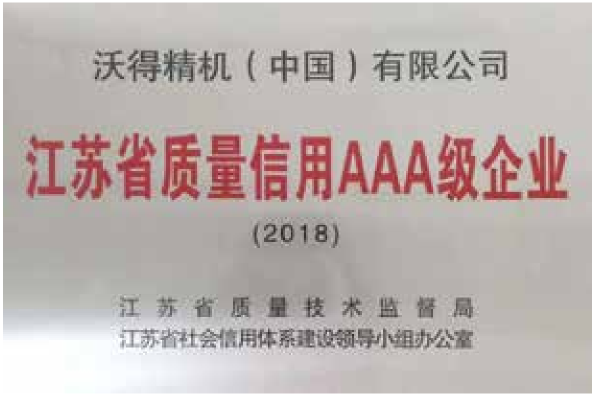
PRC continues to emphasise on the importance of environmental sustainability in recent years. In compliance with the national environmental control policy, our Group continues to invest in air and water treatment equipment for environmental protection and energy conservation purposes.

Being a socially responsible corporation, our Group also works with local government in prioritising the hiring of locals. Through such hiring practices, we aim to assist local government in reducing the local unemployment rate and related social consequences. This is our Group's way to show our gratitude to the local government and community for all the supports received from them in the past.

At the time of preparing this Report in early 2020, we have adopted measures recommended by the government and healthcare professionals such as enforcing all personnel entering our Group's premises to wear mask, take temperature and practice social distancing. This is to prevent or minimise potential infection and to ensure the business continuity of our current operations.

SUSTAINABILITY REPORT 2019

Certificates of Enterprise Awards



SUSTAINABILITY REPORT 2019

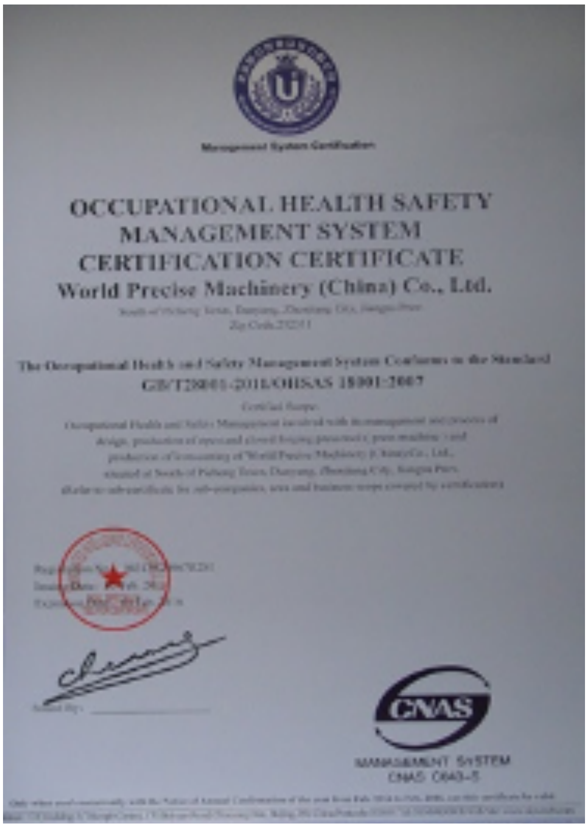
Certificates of Enterprise Awards

SUSTAINABILITY REPORT 2019

Certificates of Enterprise Awards

ISO 9001:2008
(Quality Management Systems)

ISO 14001:2004
(Environmental Management Systems)



OHSAS 18001:2007
(Occupational Health and Safety Management Systems)

SUSTAINABILITY REPORT 2019

Corporate Governance

Governance and Sustainability

Our Group observes a high standard of corporate governance to ensure accountability and transparency in our operations. Policies and procedures such as Conflict of Interest and Whistleblowing Policies are established to safeguard against fraud and protect the interests of all our stakeholders. Our Board continues to oversee our Group's sustainability strategy while our Management leads our sustainability efforts to ensure the alignment of the strategy with our business objectives and report to our Board directly.

Conflict of Interest Policy

All interested person transactions are closely monitored by our Board in compliance with Chapter 9 of the Listing Manual of SGX-ST Mainboard Rules. Procedures are established to ensure that all transactions with interested persons are reported to the Audit Committee timely and that such transactions are reviewed and approved by senior executives, Audit Committee and/or our Board, as the case may be, based on the transaction amount and had been conducted on an arm's length basis in accordance with prescribed procedures. When a potential conflict of interest arises, the Director concerned will not participate in discussions and will abstain from voting on such transaction.

Whistleblowing

Our Group continues to uphold zero tolerance stance for corruption or any significant wrongdoing in business affairs. We continue to maintain the Whistleblowing Policy and encourage our employees to report any breaches anonymously and directly to either CEO's office, Singapore office or Audit Committee through emails. Email addresses can be found in Group's websites. All reports will be handled in a confidential manner in order to protect the whistle blowers and investigations will be carried out eventually. However, disciplinary actions will be taken if there are any cases of false reporting.

SUSTAINABILITY REPORT 2019

STAKEHOLDER'S ENGAGEMENT

Stakeholders' Participation

Our Group reached out to our key stakeholders actively through various channels. Through such channels, we aim to understand the expectations of both internal and external stakeholders better and help to identify any ESG issues in terms of their significance to our business. Our Group endeavours to incorporate all the appropriate and relevant feedbacks into our planning and strategies.

Stakeholders' Group		
Customers	• Customer Helpdesk • Feedback Sessions	• Pleasant and efficient customer support
Suppliers	• Maintain and develop current and new business dealings • Fair and appropriate quotations	• Consistent and reliable communication • Ethical sourcing of raw materials • Feedback from suppliers
Employees	• Induction and Orientation Programme • Employee Surveys • Staff Appraisals	• Staff welfare and benefits • Employee rights
Investors and Shareholders	• Annual General Meetings • Circulation of Annual Reports and Financial Statements	• Transparency from the Board and Management
Government and Regulators	• Maintain a good working relationship with authorities and regulators	• Compliance with all laws and regulation guidelines • Timely reporting

SUSTAINABILITY REPORT 2019

MATERIALITY ASSESSMENT

MATERIALITY ASSESSMENT

In 2017, an extensive list of ESG topics – generated through internal interviews with senior management and benchmarking of selected peers – were ranked. Following that, the top 4 material topics were presented to and approved by our Board.

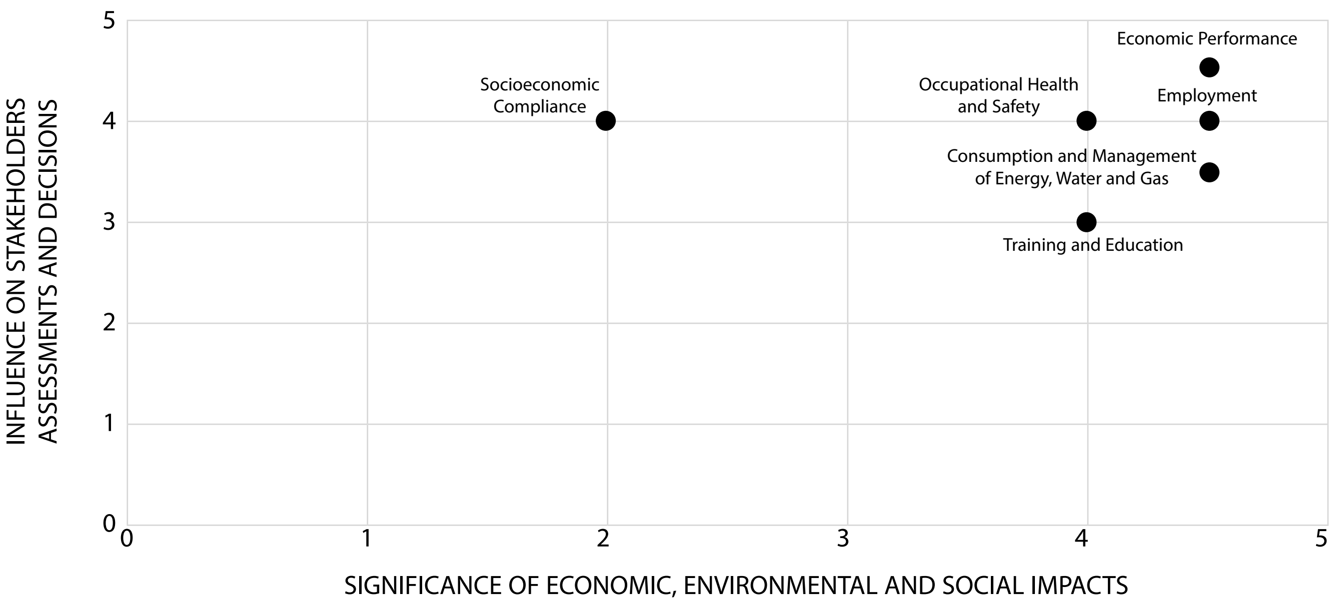
In 2018, the material topics were reviewed to ensure their continued relevance and then aligned across all business divisions and have included another 2 more material topics.

REVIEW

In 2019, we have reviewed the material topics again and determined that the material sustainability topics continue to be important and relevant. We will review these material topics again in subsequent reporting periods to ensure the importance and relevance of these topics.

Material Topics

Through active engagements with our stakeholders, our Group believes that the 6 material topics previously identified and disclosed in FY2018 continue to remain important and relevant in FY2019.



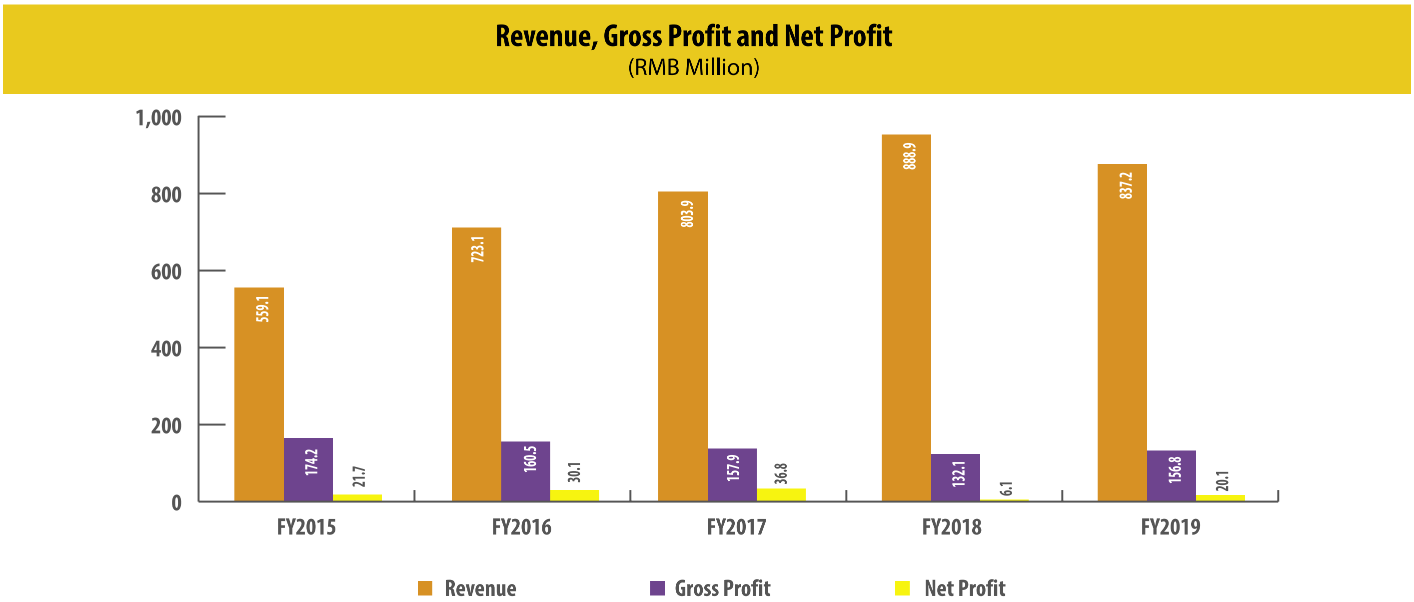
The Sustainability Topics covered for FY2019 are:

- Economic Performance
- Occupational health and safety
- Employment
- Consumption and Management of Energy, Water and Gas
- Training and Education
- Socioeconomic Compliance

SUSTAINABILITY REPORT 2019

ECONOMIC PERFORMANCE

Financial Highlights



FY2019 continues to be a challenging year for our Group. Despite this and with lower revenue recorded in FY2019, our Group has achieved better result as compared to previous year in terms of gross profit and net profit.

In FY2019, our Group's revenue sees a decrease by 5.8% to RMB837.2 million from RMB888.9 million in FY2018. In terms of sales performance for FY2019, sales of conventional stamping machines decreased by 30.4% while sales of high performance and high tonnage stamping machines decreased by 4.4%.

Despite the decrease in revenue, our Group's gross profit in FY2019 increases by 18.7% to RMB156.8 million from RMB132.1 million in FY2018. This is mainly due to upward revision in the average selling prices of the stamping machines which was partially offset by decrease in production of conventional stamping machine and high performance and high tonnage stamping machines.

We manage to record net profit of RMB20.1 million in FY2019, an increase of 227.8% from RMB6.1 million in FY2018. The increase is mainly contributed by the increase in gross profit and other incomes such as approximately RMB6.9 million of government subsidies offset by increase in expenses.

As innovation being part of our Group's values, we aim to achieve more cost saving and efficiency for the benefit of our customers and to outperform our competitors in today's competitive industry. We will continue and are determined to focus on research and development of new technologies to align with our long term strategy and stakeholders' expectations.

With the outbreak of the COVID-19 in early 2020 at PRC, our Group is likely to face negative financial impact as most of our business operations are based in PRC and revenue is derived directly from PRC. Our management is monitoring the situation closely and we will deliberate and adjust our business strategies accordingly. For FY2020, we remain committed to achieve positive returns and financial stability with our orders and financial resources on-hand, by continue to implement stringent costs management and sound corporate governance amid the escalating COVID-19 epidemic.

SUSTAINABILITY REPORT 2019

OCCUPATIONAL HEALTH AND SAFETY

Our employee's health and safety is one of our Group's top priorities. We are committed to provide a safe and healthy working environment to all our employees by enforcing safety measures and setting up a reporting system to prevent any potential safety breaches. We are proud to announce that our Group has achieved a third consecutive year of zero case of serious injuries or industrial death. We are determined to maintain the zero case of serious injuries or industrial death and reduce the total number of work-related injuries even further in the subsequent years.

Organisation Safety

Employees are required to wear protective gears such as helmets and safety shoes before entering the workshop. Our Group is certified with OHSAS 18001:2007 which is an international recognised certification on Occupational Health and Safety Management. Meanwhile, we also comply with local legislation on health and safety.

Any injury sustained by our employees during operation must be reported to their direct supervisors. Supervisors are expected to evaluate and take immediate actions on all reported injuries. Documentation is needed after the actions taken and to be submitted to management as soon as possible.

We observe a huge decrease in work related injuries in FY2019 as compared to FY2017 and FY2018 which indicates the effectiveness of all the safety measures taken by our Group. As for monetary compensation wise, there was an increase in FY2019 as compared to previous years which was due to a hospitalisation pay-out at approximately RMB 370,000 for one of our employees in accordance with national compensation standards. Please refer to table below for the number of occupational accidents in the FY2017, FY2018 and FY2019:

		FY2017		FY2018		FY2019	
No	**Types of Injuries**	**Number of Employees**	**Percentage (%)**	**Number of Employees**	**Percentage (%)**	**Number of Employees**	**Percentage (%)**
1	Lacerations / cuts	57	23.65	33	17.74	48	46.10
2	Sprains / strains	8	3.32	6	3.23	19	18.20
3	Fractures	36	14.94	47	25.27	28	27.00
4	Burns (heat)	63	26.14	41	22.04	1	1.00
5	Others	77	31.95	59	31.72	8	7.70
Total		241	100.00	186	100.00	104	100.00
Monetary Compensation Payout (RMB) arising from these incidents		506,287		301,818		618,358	

SUSTAINABILITY REPORT 2019

EMPLOYMENT

Diversity and Fair Practices

As the most valuable asset to our Group, we are determined to take care the well-being of all our employees by providing them with a pleasant and safe environment to work. Our employment process mainly considers on the aspects of talent, suitability and work attitude rather than other aspects such as gender. Promotions and increments are equally given based on the annual appraisal. Therefore, we aim to maintain unbiased and transparent throughout our employment process to achieve a healthy workforce with diversity and fair practices.

Our Workforce

The table below shows the change in employees' statistics for FY2017 to FY2019

Year	FY2017 (No.)	FY2018 (No.)	FY2019 (No.)
No. of Employees at the Beginning of Reporting Period	1,699	1,789	2,028
New Hires	328	453	218
Resigned/Terminated Employees	238	214	354
No. of Employees at the End of Reporting Period	1,789	2,028	1,892
Change (Percentage)	5.30%	13.36%	- 6.71%

Our success would not have been possible without the efforts of our dedicated employees, and strong collaborative relationships between employees and our Management. We recruit dynamic individuals with diverse backgrounds and are committed in providing our employees with equal opportunities to achieve their full potential. Work benefit packages including health screening and medical insurance are also provided to all our employees. As our Group is moving towards automated manufacturing, it is evitable that we reduce reliance on certain categories of employees. Therefore, the size of our workforce will decrease eventually as reflected in FY2019.

Appraisals and Evaluation

Annual appraisal is practiced group wide for assessment and evaluation in considering of aspects such as employees' performance, potential and work attitude. Promotions and increments are based on the annual appraisal. Through such practice, management is in a better position to understand the strengths and weaknesses of our employees and workshops and trainings will then be designed and provided to relevant employees accordingly.

Gender Ratio

	Males		Females	
Year	Percentage (%)	No.	Percentage (%)	No.
2017	77.7	1,390	22.3	399
2018	80.6	1,634	19.4	394
2019	78.3	1,482	21.7	410

Two-way communication was established and maintained by our Management to engage with all our employees through emails, WeChat messaging and phone calls. Valuable feedbacks and suggestions from our employees will be communicated to our Management and our Board. Improvements will then be made subsequently based on these feedbacks and suggestions in order to achieve a healthy and conducive working environment to all the employees.

SUSTAINABILITY REPORT 2019

CONSUMPTION AND MANAGEMENT OF ENERGY, WATER AND GAS

The table below shows the usage or consumption of resources as compared with revenue generated from FY2017 to FY2019:

Source	2017	2018	2019
Water (m3)	177,500	174,069	147,251
Electricity (kWh)	53,100,900	55,418,000	47,077,400
Gas (m3)	1,355,600	1,392,528	1,286,000
Revenue (RMB 'million)	803.9	888.9	837.2

We observe a decrease in all energy, water and gas consumption by our Group, as well as consumption per RMB of Revenue has come down during recent years. Besides the reason due to decrease in production during FY2019, our environmentally friendly measures also play a part in contributing to the decrease. Measures, such as using LED light bulbs and installation of water saving taps group wide, helps our Group to reduce its energy consumptions and serves as our efforts in saving the scarce resources and minimising the impact on our environment. Our Group will continuously look into and adopt new energy saving and environment friendly measures which suit our Group the most.

TRAINING AND EDUCATION

All forms of related training and education are provided to all our employees based on their job positions. Orientation is a must for all the new employees to embrace the culture of our Group and to blend into their job positions effectively. Our Group aims to continue in providing all the necessary trainings and encouraging our employees to seek continuous upgrades in their skills in the subsequent years.

Our human resource policies aim to provide comprehensive and necessary trainings and education to all our employees. Subsidies are provided to our employees as a form of encouragement to take on skill development courses and workshops to both meet the performance standards and upgrade their skill in this ever-changing industry.

The table below shows the number of employees and the type of training that our employees have attended for FY2019:

Training Program/Seminar Type	Required Employees	Number of Employees Attended (FY2018)	Number of Employees Attended (FY2019)
Problem Handling Methods	All Service Employees	62	78
New Employee Training Program	New Frontline Employees	108	141
Level 3 Document Content Training	All Relevant Production Managers	45	45
Product Advantage, Sales Signing Process and Sales Skills	All Salesmen	135	160
Quality, Environment, Occupational Health and Safety System	All Key Personnel	20	20

SOCIOECONOMIC COMPLIANCE

We are pleased to announce that there was zero reported cases of corruption and non-compliance with laws and regulations on both social and economic aspects group wide.

Our Group has zero tolerance on any forms of crimes. With integrity and socially responsibility always bear in our mind during our business operations and dealing with our stakeholders.

Moving forward, we aim to continue to closely monitor existing and new laws and regulations and update our policies to align with the laws and regulations. This is to ensure zero incident of confirmed cases of non-compliance with socioeconomic government laws and regulations.

SUSTAINABILITY REPORT 2019

GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

GRI Standard/ Disclosure	Page Reference and Reasons for Omission, if applicable
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102-1 Name of the organisation	Page 46
102-2 Activities, brands, products, and services	Page 48
102-3 Location of headquarters	Page 47
102-4 Location of operations	Page 49
102-5 Ownership and legal form	Page 47
102-6 Markets served	Page 49
102-7 Scale of the organisation	Page 48-49 , 56, 58
102-8 Information on employees and other workers	Page 58
102-9 Supply chain	Page 49
102-10 Significant changes to the organisation and its supply chain	No significant changes
102-11 Precautionary principle or approach	Page 49
102-12 External initiatives	Page 49
102-13 Membership of associations	Page 50-52
Strategy	
102-14 Statement from senior decision maker	Page 46
Ethics and Integrity	
102-16 Values, principles, standards, and norms of behaviour	Page 48
Governance	
102-18 Governance structure	Page 49
Stakeholder Engagement	
102-40 List of stakeholder groups	Page 54
102-41 Collective bargaining agreements	No collective bargaining agreements
102-42 Identifying and selecting stakeholders	Page 54
102-43 Approach to stakeholder engagement	Page 54
102-44 Key topics and concerns raised	Page 55-59
Reporting Practice	
102-45 Entities included in the consolidated financial statements	Page 48
102-46 Defining report content and topic boundaries	Page 47
102-47 List of material topics	Page 55
102-48 Restatements of information	Not applicable, no information was restated
102-49 Changes in reporting	Not applicable, no significant change in reporting
102-50 Reporting period	Page 47
102-51 Date of most recent report	11 April 2019
102-52 Reporting cycle	Page 47
102-53 Contact point for questions regarding the report	Page 47
102-54 Claims of reporting in accordance with the GRI Standards	Page 47
102-55 GRI content index	GRI content index
102-56 External assurance	Not applicable

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GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

GRI Standard/ Disclosure	Page Reference and Reasons for Omission, if applicable
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GRI 201: Economic Performance	
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GRI 403: Occupational Health and Safety	
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Financial Contents

DIRECTORS' STATEMENT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2019.

In our opinion:

(a) the financial statements set out on pages 70 to 128 of this Annual Report 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 2019 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and

(b) 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

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

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

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 ("the Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

DIRECTORS' STATEMENT

Name of directors and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Directors		
Wang Weiyao		
World Precision Machinery Limited		
- ordinary shares		
- direct interest	200,000	200,000
- deemed interests	295,391,000	295,391,000
World Sharehold Limited (Ultimate holding company)		
- ordinary shares		
- direct interest	50,000	50,000
Shao Jianjun		
World Precision Machinery Limited		
- ordinary shares		
- deemed interests	54,100,000	54,100,000
Lim Yoke Hean		
- ordinary shares		
- deemed interests	200,000	200,000

By virtue of Section 7 of the Act, Wang Weiyao is deemed to have an interest in the other subsidiaries of World Sharehold Limited, all of which are wholly-owned, at the beginning and at the end of the financial year.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2020.

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 director of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Share options

During the financial year, there were:

(i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under options.

DIRECTORS' STATEMENT

Audit Committee

The members of the Audit Committee during the year and at the date of this statement are:

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

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its function. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee has recommended to the Directors the nomination of KPMG LLP for the re-appointment as the external auditors of the Company at the forthcoming annual general meeting of the Company.

The Audit Committee is satisfied with the independence and objectivity of the external auditors, has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company and subsidiaries, we have complied with Rules 712 and 715 of the SGX Listing Manual.

Auditors

Pursuant to the Annual General Meeting dated 29 April 2019, KPMG LLP were appointed as auditors of the Company.

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Shao Jianjun
Director

Wang Weiyao
Director

9 June 2020

INDEPENDENT AUDITORS' REPORT

Members of the Company
World Precision Machinery Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of World Precision Machinery Limited ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flow of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 70 to 128.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the 'Auditors' responsibilities for the audit of the financial statements' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of non-financial assets (property, plant and equipment and intangible assets) (RMB958,105,000)
(Refer to Notes 4 and 8 to the financial statements)

The key audit matter	*How the matter was addressed in our audit*
The net asset position of the Group of RMB1,087 million was higher than the market capitalisation of RMB400 million as at 31 December 2019, indicating that non-financial assets could be overstated. As part of the impairment assessment, the Group used the discounted cash flow technique to determine the recoverable amount for the allocated cash-generating units ("CGUs"). Key assumptions and valuation inputs included projected revenue growth, profit margin and discount rate. The determination of valuation approach and the key assumptions and inputs to be used is subject to significant judgement and estimation uncertainties.	Our audit procedures to review the valuation of non-financial assets included the following: • assessing the appropriateness of CGUs identified and the valuation methodology by comparing to methods generally used in similar valuations; • assessing the reasonableness of the key assumptions by comparing them to the CGU's own historical performance and externally derived data, where available; • re-performing the calculation of the value-in-use as at 31 December 2019; • performing sensitivity analysis to determine whether any reasonably possible change in estimates would result in an impairment of the non-financial assets; and • considering the adequacy of the related disclosures in the financial statements, in describing the inherent estimation uncertainties. Our findings: We found the valuation method to be in line with generally accepted practices. We found the key assumptions used and the recoverable amount determined were optimistic. We found the disclosures to be appropriate and adequate.

INDEPENDENT AUDITORS' REPORT

Members of the Company
World Precision Machinery Limited

Valuation of inventories (RMB378,473,000)
(Refer to Note 10 to the financial statements)

The key audit matter	*How the matter was addressed in our audit*
The Group has inventories of RMB378,473,000 (2018: RMB 391,167,000), which accounted for 24% (2018: 25%) of the Group's total assets as at 31 December 2019. Inventories are stated at the lower of cost and net realisable value. Management identifies the slow-moving and obsolete inventories, and also estimates the net realisable value for inventories by taking into consideration the current economic condition, historical sales record, ageing analysis, alternative uses and subsequent selling prices of the inventories. We identified the valuation of inventories as a key audit matter, as it requires management to exercise judgement in identifying slow-moving and obsolete inventories to determine the net realisable value and level of write-down required.	Our audit procedures to assess the net realisable value of inventories included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to assessment on net realisable value of inventories; • evaluating the Group's policy for estimating the net realisable value of inventories with reference to the requirements of the prevailing accounting standards; • reviewing the underlying data of the Group's inventory ageing analysis; • assessing the reasonableness of the Group's net realisable value of inventories by comparing the write-down against the actual historical amounts written-off; and • performing sample testing on the net realisable value of inventory by comparing the costs to selling prices subsequent to the financial year end. Our findings: We reviewed management's assessment and found the net realisable value of inventories made by management to be reasonable.

Valuation of trade receivables (RMB88,199,000) and amount due from employees (RMB3,142,000)
(Refer to Note 9 to the financial statements)

The key audit matter	*How the matter was addressed in our audit*
As at 31 December 2019, the Group has trade receivables and amount due from employees amounting to RMB88,199,000 (2018: RMB99,897,000) and RMB3,142,000 (2018: RMB6,751,000) respectively. At each reporting date, the Group identifies trade receivables and amount due from employees that are credit-impaired and measures loss allowance at an amount equal to lifetime expected credit losses ("ECL") using a provision matrix. Judgement is required in making assumptions about the risk of default and expected loss rates to determine if adequate loss allowance is made to account for those exposures.	Our audit procedures to assess the loss allowance for trade receivables and amount due from employees included the following: • reviewing management's identification of trade receivables and amount due from employees that are credit-impaired; • evaluating the appropriateness of the ECL model; • reviewing the reasonableness of the underlying assumptions used by comparing them against market observable data and other information; and • re-performing the calculation of the loss allowance as at 31 December 2019 based on the Group's credit loss allowance policies. Our findings: Based on our tests, we found management's assessment of the allowance for expected credit losses to be reasonable.

INDEPENDENT AUDITORS' REPORT

Members of the Company
World Precision Machinery Limited

Emphasis of matter - comparative information

We draw attention to Note 33 to the financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2018 has been restated. Our opinion is not modified in respect of this matter.

Other matter relating to comparative information

The consolidated financial statements of the Group as at and for the year ended 31 December 2018, excluding the adjustments described in Note 33 to the financial statements, were audited by another firm of Chartered Accountants who expressed an unmodified opinion on those financial statements 25 March 2019.

As part of our audit of the financial statements as at and for the year ended 31 December 2019, we audited the adjustments described in Note 33 that were applied to restate the comparative information presented as at and for the year ended 31 December 2018. We were not engaged to audit, review, or apply any procedures to the financial statements for the year ended 31 December 2018, other than with respect to the adjustments described in Note 33 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 33 are appropriate and have been properly applied.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors 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 Act and SFRS(I)s, 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT

Members of the Company
World Precision Machinery Limited

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit 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 Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Teo Han Jo.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
9 June 2020

STATEMENTS OF FINANCIAL POSITION

As At 31 December 2019

	Note	Group		Company	
		2019	**2018**	**2019**	**2018**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
			Restated*		
Assets					
Property, plant and equipment	4	921,249	757,547	–	–
Investments in subsidiaries	5	–	–	827,042	812,892
Land use rights	6	–	122,397	–	–
Investment properties	7	3,561	–	–	–
Intangible assets	8	36,856	36,924	–	–
Trade and other receivables	9	10,518	18,946	–	–
Non-current assets		972,184	935,814	827,042	812,892
Inventories	10	378,473	391,167	–	–
Land use rights	6	–	3,003	–	–
Trade and other receivables	9	195,544	212,715	71	39
Cash and cash equivalents	11	42,791	21,261	780	366
Current assets		616,808	628,146	851	405
Total assets		1,588,992	1,563,960	827,893	813,297
Equity attributable to owners of the Company					
Share capital	12	250,660	250,660	250,660	250,660
Retained earnings		618,983	581,157	538,257	537,542
Currency translation reserve	13	9,773	9,786	37,453	23,317
Statutory reserves	14	110,946	128,694	–	–
Capital reserve	15	97,097	97,097	–	–
Total equity		1,087,459	1,067,394	826,370	811,519
Liabilities					
Deferred tax liabilities	16	5,018	5,018	–	–
Trade and other payables	18	1,072	–	–	–
Borrowings	19	4,801	–	–	–
Non-current liabilities		10,891	5,018	–	–
Contract liabilities	17	51,450	77,869	–	–
Trade and other payables	18	409,353	386,279	1,523	1,778
Borrowings	19	29,839	27,400	–	–
Current liabilities		490,642	491,548	1,523	1,778
Total liabilities		501,533	496,566	1,523	1,778
Total equity and liabilities		1,588,992	1,563,960	827,893	813,297

* See Note 33

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Note	Group 2019 RMB'000	Group 2018 RMB'000
Revenue	20	837,226	888,863
Cost of sales		(680,430)	(756,719)
Gross profit		156,796	132,144
Other income	21	17,184	12,358
Distribution and selling expenses		(83,925)	(80,532)
Administrative expenses		(67,318)	(52,095)
Other expenses		279	–
Write-back/(Provision) of impairment losses on trade and other receivables	23	407	(3,421)
Result from operating activities		23,423	8,454
Finance income		226	–
Finance costs		(2,202)	(1,635)
Net finance costs	22	(1,976)	(1,635)
Profit before tax	23	21,447	6,819
Tax expense	25	(1,369)	(693)
Profit for the year		20,078	6,126
Other comprehensive loss for the year, net of tax:			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences - foreign operations		(13)	(115)
Total comprehensive income for the year		20,065	6,011
Profit attributable to:			
Equity holders of the Company		20,078	6,126
Total comprehensive income attributable to:			
Equity holders of the Company		20,065	6,011
Earnings per share			
Basic and diluted (RMB per share)	26	0.05	0.02

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

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2019

	Share capital RMB'000	Currency translation reserve RMB'000	Statutory reserves RMB'000	Capital reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Group						
At 1 January 2018	250,660	9,901	127,118	97,097	576,607	1,061,383
Total comprehensive income for the year						
Profit for the year	–	–	–	–	6,126	6,126
Other comprehensive income						
Foreign currency translation differences on foreign operations	–	(115)	–	–	–	(115)
Total comprehensive income for the year	–	(115)	–	–	6,126	6,011
Transfer to statutory reserve fund	–	–	1,576	–	(1,576)	–
At 31 December 2018	250,660	9,786	128,694	97,097	581,157	1,067,394
Group						
At 1 January 2019	250,660	9,786	128,694	97,097	581,157	1,067,394
Total comprehensive income for the year						
Profit for the year	–	–	–	–	20,078	20,078
Other comprehensive income						
Foreign currency translation differences on foreign operations	–	(13)	–	–	–	(13)
Total comprehensive income for the year	–	(13)	–	–	20,078	20,065
Transfer from statutory reserve fund	–	–	(17,748)	–	17,748	–
At 31 December 2019	250,660	9,773	110,946	97,097	618,983	1,087,459

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Note	Group 2019 RMB'000	Group 2018 RMB'000 Restated*
Cash flows from operating activities			
Profit before tax		21,447	6,819
Adjustments for:			
Amortisation of intangible assets	8	8,488	10,363
Amortisation of land use rights	6	–	3,038
Depreciation of investment property	7	360	–
Depreciation of property, plant and equipment	4	57,176	53,600
Inventories written back	10	(2,176)	–
Interest expense	22	2,202	1,501
Interest income	22	(226)	(50)
Loss/(Gain) on disposal of property, plant and equipment	23	365	(19)
(Write-back)/Provision of impairment losses on trade and other receivables	23	(407)	7,568
Property, plant and equipment written off	23	185	1
		87,414	82,821
Changes in:			
- Inventories		14,870	(6,969)
- Trade and other receivables		17,591	8,796
- Trade and other payables		36,222	49,776
- Contract liabilities		(26,419)	(1,241)
Cash generated from operating activities		129,678	133,183
Interest received		213	50
Withholding tax paid		(213)	(198)
Income tax paid		(1,156)	(5,574)
Net cash from operating activities		128,522	127,461
Cash flows from investing activities			
Purchases of property, plant and equipment		(97,837)	(99,136)
Additions of intangible assets		(8,420)	(12,244)
Proceeds from disposal of property, plant and equipment		276	669
Net cash used in investing activities		(105,981)	(110,711)

* See Note 33

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Note	Group 2019 RMB'000	Group 2018 RMB'000 Restated*
Cash flows from financing activities			
Repayments of bank loans	19	(50,000)	(48,000)
Proceeds from bank loans	19	51,700	37,400
Payment of lease liabilities	19	(990)	–
Bank deposits released from pledge		9,296	570
Bank deposits pledged		(368)	(9,296)
Interest paid		(1,755)	(1,501)
Net cash from/(used in) financing activities		7,883	(20,827)
Net increase/(decrease) in cash and cash equivalents		30,424	(4,077)
Cash and cash equivalents at beginning of the year		11,965	15,940
Effect of exchange rate changes on cash and cash equivalents		34	102
Cash and cash equivalents at end of the year	11	42,423	11,965

* See Note 33

Significant non-cash transactions

During the year, the depreciation charge of plant and machinery capitalised as development costs amounted to RMB661,000 (2018: RMB1,241,000).

During the year, the Group acquired property, plant and equipment with an aggregate cost of RMB95,070,000 (2018: RMB100,897,000) of which:

(a) a net amount of RMB4,142,000 (2018: RMB1,761,000) is related to changes in prepayments and payables relating to property, plant and equipment, as at financial year end; and

(b) RMB1,375,000 (2018: Nil) relates to recognition of right-of-use assets.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 9 June 2020.

1. General information

World Precision Machinery Limited (the "Company") is a company incorporated in the Republic of 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, the People's Republic of China ("PRC") and the registered address of the Company is at 120, Robinson Road, #08-01, Singapore 068913.

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 5.

2. Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

This is the first set of the Group's annual financial statements in which SFRS(I) 16 Leases has been applied. Changes to significant accounting policies are described in Note 2.5.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.3 Functional and presentation currency

The financial statements are presented in Chinese Renminbi ("RMB"). All financial information presented in RMB has been rounded to the nearest thousand, unless otherwise stated.

The functional currency of the Company and its principal entities in the PRC is Singapore dollar ("SGD") and RMB respectively.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with SFRS(I) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected.

There is no critical judgement in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

2. Basis of preparation (cont'd)

2.4 Use of estimates and judgements (cont'd)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- Note 4 and 8 – measurement of recoverable amount of property, plant and equipment and intangible assets;
- Note 10 – valuation of inventories;
- Note 29 – valuation of trade receivables and amount due from employees; and
- Note 9, 16 and 25 – recognition of tax payable, tax recoverable and deferred tax.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

2.5 Changes in accounting policies

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2019:

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and 11)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to SFRS(I) 1-12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I) 1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I) 1-19)

Other than SFRS(I) 16, the application of these SFRS(I)s, amendments to standards and interpretations did not have a material effect on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

2. Basis of preparation (cont'd)

2.5 Changes in accounting policies (cont'd)

SFRS(I) 16 *Leases*

The Group applied SFRS(I) 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated - i.e. it is presented, as previously reported, under SFRS(I) 1-17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SFRS(I) 16 have not generally been applied to comparative information.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under SFRS(I) INT 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in SFRS(I) 16.

On transition to SFRS(I) 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied SFRS(I) 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed for whether there is a lease under SFRS(I) 16. Therefore, the definition of a lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

As a lessee, the Group leases assets including land and building. The Group previously classified leases as operating leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

So far as the impact of the adoption of SFRS(I) 16 on leases previously classified as land use rights are concerned, the Group is not required to make any adjustments at the date of initial application of IFRS 16, other than changing the captions for the balances. Accordingly, instead of "land use rights", these amounts are included within the depreciated carrying amount of the leasehold land and buildings and is identified as right-of-use assets. There is no impact on the opening balance of equity.

Leases classified as operating leases under SFRS(I) 1-17

Previously, the Group classified the land and building leases as operating leases under SFRS(I) 1-17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments discounted at the respective lessee entities' incremental borrowing rates applicable to the leases as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

2. Basis of preparation (cont'd)

2.5 Changes in accounting policies (cont'd)

The Group used a number of practical expedients when applying SFRS(I) 16 to leases previously classified as operating leases under SFRS(I) 1-17. In particular, the Group:

- did not recognise right-of-use assets and lease liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

As a lessor

The Group leases out its own property. The Group has classified these leases as operating leases.

The Group is not required to make any adjustments on transition to SFRS(I) 16 for leases in which it acts as a lessor, except for a sub-lease.

The Group has applied SFRS(I) 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

Impact on financial statements

The following table summarises the impacts of the adoption of SFRS(I) 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 RMB'000 Restated*	Impact on adoption RMB'000	Carrying amount at 1 January 2019 RMB'000
Line items in the consolidated statement of financial position impacted by the adoption of SFRS(I) 16:			
Land use rights	125,400	(125,400)#	–
Property, plant and equipment	757,547	130,555 #	888,102
Lease liabilities	–	(5,155)	(5,155)
Net assets	**1,067,394**	**–**	**1,067,394**

* See Note 33
\# Land use rights with carrying amount of RMB125,400,000 as at 1 January 2019 has been reclassified to property, plant and equipment.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using the applicable incremental borrowing rates at 1 January 2019. The weighted-average rate applied is 5.21%.

	1 January 2019 RMB'000
Operating lease commitments at 31 December 2018 as disclosed under SFRS(I) 1-17 in the Group's consolidated financial statements	10,211
Discounted using the incremental borrowing rate at 1 January 2019	5,155
Lease liabilities recognised at 1 January 2019	5,155

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in Note 2.5, unless otherwise indicated.

3.1 Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests ("NCI") in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. Significant accounting policies (cont'd)

3.1 Basis of consolidation (cont'd)

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) Subsidiaries in the separate financial statements

Investments in subsidiaries are stated in the Company's statements of financial position at cost less accumulated impairment losses.

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated to RMB at exchange rates at the reporting date. The income and expenses of foreign operations are translated to RMB at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and presented in the foreign currency translation reserve ("translation reserve") in equity. When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in OCI, and are presented in the translation reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. Significant accounting policies (cont'd)

3.3 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

The Group has financial assets at amortised cost. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits with financial institutions maturities of six months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(vi) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with SFRS(I) 1-12.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. Significant accounting policies (cont'd)

3.4 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Construction work-in-progress represents assets in the course of construction for production, or administrative purposes, are carried at cost, less any recognised impairment loss until construction or development is completed.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent costs

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. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in the profit or loss on a straight-line basis to write down the cost of property, plant and equipment to its estimated residual value over the estimated useful lives (or lease term, if shorter) of each part of an item of property, plant and equipment.

Depreciation is recognised from the date that the property, plant and equipment are installed and ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

Leasehold land and buildings	-	Over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years.
Plant and machinery	-	10 to 20 years
Electrical fittings	-	3 to 5 years
Tools and equipment	-	5 years
Motor vehicles	-	5 years

Depreciation methods, useful lives and residual values are reviewed at reporting date and adjusted if appropriate.

Construction work-in-progress are not depreciated.

(iv) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is transferred from property, plant and equipment at cost.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. Significant accounting policies (cont'd)

3.5 Investment properties

(i) Recognition and measurement

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Depreciation

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an investment property.

The estimated useful lives for the current and comparative years are as follows:

Leasehold buildings - 20 years

Depreciation methods, useful lives and residual values are reviewed at reporting date and adjusted if appropriate.

(iii) Transfers

Transfers to, or from, investment property are made where there is a change in use, evidenced by:

- commencement of owner-occupation, for a transfer from investment property to property, plant and equipment; and
- end of owner-occupation, for a transfer from property, plant and equipment to investment property.

3.6 Intangible assets

Research and development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. Significant accounting policies (cont'd)

3.6 Intangible assets (cont'd)

Capitalised 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.

The amortisation period and amortisation method are reviewed at least at reporting date and adjusted if appropriate.

3.7 Leases

The Group has applied SFRS(I) 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under SFRS(I) 1-17 and SFRS(I) INT 4. The details of accounting policies under SFRS(I) 1-17 and SFRS(I) INT 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SFRS(I) 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses the lessee's incremental borrowing rate as the discount rate.

The Group determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. Significant accounting policies (cont'd)

3.7 Leases (cont'd)

(i) As a lessee (cont'd)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'borrowings' in the statement of financial position.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies SFRS(I) 15 to allocate the consideration in the contract.

Rental income from sub-leased property is recognised as 'other income'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from SFRS(I) 16.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. Significant accounting policies (cont'd)

3.7 Leases (cont'd)

Leases - Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

(i) As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

Land use rights are leases of land under which the lessor has not transferred all the risks and rewards incidental to 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 losses. Amortisation is charged to profit or loss on a straight-line basis over the lease term of 50 years.

(ii) As a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

Rental income from sub-leased property is recognised as 'other income'.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. Significant accounting policies (cont'd)

3.8 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, work-in-progress and component parts comprises raw materials, direct labour, other direct costs and related production 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 estimated costs necessary to make the sale.

3.9 Impairment

(i) Non-derivative financial assets

The Group recognises loss allowances for ECLs on financial assets measured at amortised costs.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its creditors, including the Group as constituting an event of default for internal credit risk management purpose; or
- the financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. Significant accounting policies (cont'd)

3.9 Impairment (cont'd)

(i) Non-derivative financial assets (cont'd)

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects a credit losses.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. Significant accounting policies (cont'd)

3.9 Impairment (cont'd)

(ii) Non-financial assets (cont'd)

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

In respect of other assets except for goodwill, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.10 Contract assets and liabilities

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

3.11 Revenue recognition

Sales of goods

Revenue from sale of goods in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods. The individual standalone selling price of a good that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those POs.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. Significant accounting policies (cont'd)

3.11 Revenue recognition (cont'd)

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

Conventional stamping machines and metal parts

Nature of goods or services	The Group principally generates revenue from manufacturing conventional stamping machines and metal parts. The contracts with its customers are received on ad hoc basis.
When revenue is recognised	The Group transfers control and recognises a sale when they deliver goods to their customers. Revenue from these sales is recognised based on the price specified in the contract.
Significant payment terms	The customer is required to pay part of the contract price upon signing the contract and the remaining contract price before delivery and/or 30 days from the delivery date. The difference between the consideration received in accordance with the payment terms and revenue recognised is classified as contract liabilities. There is no significant financing component present as such payment terms is an industry practice to protect the performing entity from non-payment from customer and the period between the transfer of the promised goods and payment by the customer is generally less than one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

High performance and high tonnage stamping machines

Nature of goods or services	The Group principally generates revenue from manufacturing high performance and high tonnage stamping machines. The contracts with its customers are received on ad hoc basis.
When revenue is recognised	The Group transfers control and recognises a sale upon completion of the installation and examination of the machines and acceptance by the customers in accordance with the sales contract. Revenue from these sales is recognised based on the price specified in the contract.
Significant payment terms	The customer is required to pay part of the contract price upon signing the contract and the remaining contract price in accordance to the payment term stipulated in the contract. The difference between the consideration received in accordance with the payment terms and revenue recognised is classified as contract liabilities. There is no significant financing component present as such payment terms is an industry practice to protect the performing entity from non-payment from customer and the period between the transfer of the promised goods and service and payment by the customer is generally less than one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money. A receivable is recognised upon completion of the installation and examination of the machines and acceptance by the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. Significant accounting policies (cont'd)

3.12 Government grants

Government grants related to assets are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as 'other income' on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as 'other income' on a systematic basis in the same periods in which the expenses are recognised.

3.13 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(ii) 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 reporting date.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.14 Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense; or
- dividend income.

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. Significant accounting policies (cont'd)

3.15 Income tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

3.16 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, with comprise convertible notes and share options granted to employees.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3. Significant accounting policies (cont'd)

3.17 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.

3.18 New standards and interpretations not yet adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are not expected to have a significant impact on the Group's consolidated financial statements and the Company's statement of financial position.

- *Amendments to References to Conceptual Framework in SFRS(I) Standards*
- *Definition of a Business* (Amendments to SFRS(I) 3)
- *Definition of Material* (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8)
- Interest Rate Benchmark Reform (Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7)
- SFRS(I) 17 *Insurance Contracts*

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Company's and Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

4. Property, plant and equipment

	Leasehold land and buildings RMB'000	Plant and machinery RMB'000	Electrical fittings RMB'000	Tools and equipment RMB'000	Motor vehicles RMB'000	Construction work-in-progress RMB'000	Total RMB'000
Group							
Cost							
At 1 January 2018	460,867	579,450	8,226	95,700	9,011	57,311	1,210,565
Additions	11,152	6,748	516	7,758	3,341	71,382	100,897
Reclassifications	58	4,174	692	76	–	(5,000)	–
Reclassification to other receivables (Note 33)	–	–	–	–	–	(25,599)	(25,599)
Disposals	–	(9,372)	–	–	(138)	–	(9,510)
Written off	–	–	(30)	–	–	–	(30)
Transfer to inventories	–	(414)	–	–	–	–	(414)
At 31 December 2018 (Restated)	472,077	580,586	9,404	103,534	12,214	98,094	1,275,909
At 1 January 2019	472,077	580,586	9,404	103,534	12,214	98,094	1,275,909
Recognition of right-of-use asset on initial application of SFRS(I) 16 (Note 2.5)	130,555	–	–	–	–	–	130,555
Adjusted balance at 1 January 2019	602,632	580,586	9,404	103,534	12,214	98,094	1,406,464
Additions	9,984	9,954	277	2,775	1,557	70,523	95,070
Reclassifications	–	84,535	–	385	–	(84,920)	–
Reclassification to investment properties (Note 7)	(7,208)	–	–	–	–	–	(7,208)
Disposals	–	(97)	(64)	(8,568)	–	–	(8,729)
Written off/Adjustments	(10,275)	6,275	(957)	(752)	(783)	–	(6,492)
At 31 December 2019	595,133	681,253	8,660	97,374	12,988	83,697	1,479,105

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

4. Property, plant and equipment (Cont'd)

	Leasehold land and buildings RMB'000	Plant and machinery RMB'000	Electrical fittings RMB'000	Tools and equipment RMB'000	Motor vehicles RMB'000	Construction work-in-progress RMB'000	Total RMB'000
Group							
Accumulated depreciation							
At 1 January 2018	91,001	295,308	6,933	72,598	6,905	–	472,745
Charge for the year	13,923	34,593	469	5,095	761	–	54,841
Disposals	–	(8,729)	–	–	(131)	–	(8,860)
Written off	–	–	(29)	–	–	–	(29)
Transfer to inventories	–	(335)	–	–	–	–	(335)
At 31 December 2018 (Restated)	104,924	320,837	7,373	77,693	7,535	–	518,362
At 1 January 2019	104,924	320,837	7,373	77,693	7,535	–	518,362
Charge for the year	18,639	32,576	486	4,315	1,160	–	57,176
Reclassification to investment property (Note 7)	(3,287)	–	–	–	–	–	(3,287)
Disposals	–	(92)	(61)	(7,935)	–	–	(8,088)
Written off/Adjustments	(2,244)	(2,313)	(597)	(449)	(704)	–	(6,307)
At 31 December 2019	118,032	351,008	7,201	73,624	7,991	–	557,856
Carrying amounts							
At 1 January 2018	369,866	284,142	1,293	23,102	2,106	57,311	737,820
At 31 December 2018 (Restated)	367,153	259,749	2,031	25,841	4,679	98,094	757,547
At 31 December 2019	477,101	330,245	1,459	23,750	4,997	83,697	921,249

During the financial year, the depreciation charge of plant and machinery capitalised as development costs amounted to RMB661,000 (2018: RMB1,241,000) (Note 8).

Adjustments pertain to reclassification of the assets into respective classes and to write-off assets which are no longer in use.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

4. Property, plant and equipment (Cont'd)

Impairment of property, plant and equipment

The Group reviews the carrying amounts of the assets as at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount or value in use is estimated using the discounted cash flow technique to determine the recoverable amount for the allocated CGU. The determination of value in use of the CGU requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. The Group has to make significant judgement and estimates on assumptions that can materially affect the financial statements, such as projected revenue growth, profit margin and discount rate. Any resulting impairment losses could have a material adverse impact on the Group's financial condition and results of operations.

The cash flow projections used to determine the value in use of the property, plant and equipment and intangible assets (Note 8) were based on 10 years financial budgets approved by management with a revenue growth rate of 3.7% to 13.2%, gross profit margin of 19.7% to 28.1% and discounted at a pre-tax discount rate of 9.6%. Based on this assessment, no impairment loss was recognised during the year.

Sensitivity analysis

If management's estimated revenue growth rates used in the forecast are reduced by 2.3% for each year to 1.4% to 10.9%, and all other variable remains constant, then the recoverable amount would have been equal to its carrying amount.

If management's estimated gross profit margins used in the forecast are reduced by 2.7% for each year to 17.0% to 25.4%, and all other variable remains constant, then the recoverable amount would have been equal to its carrying amount.

Depreciations

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly based on the factors that include asset utilisation, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information in order to determine the amount of depreciation expense to be recorded during any reporting period. Changes in the expected level of use of the assets and the Group's historical experience with similar assets, after taking into account anticipated technological changes, could impact the economic useful lives and the residual values of the assets, and therefore future depreciation charges could be revised. Any changes in the economic useful lives could impact the depreciation charges and consequently affect the Group's results.

Transfer to investment property

During 2019, one residential property was transferred to investment property, because it was leased to a third party. The Group transferred the property, plant and equipment to investment property at cost less accumulated depreciation.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

5. Subsidiaries

	Company	
	2019	2018
	RMB'000	RMB'000
Unquoted equity shares, at cost	804,836	804,836
Currency translation differences	22,206	8,056
	827,042	812,892

The details of the subsidiaries are as follow:

Name of subsidiaries	Principal activities	Country of incorporation and place of business	Ownership interest held	
			2019	2018
			%	%
Held by the Company				
World Precise Machinery (China) Co., Ltd. * ("WPM (China)")	Manufacture and supply of stamping machines and metal parts	PRC	100	100
World Precise Machinery (Shenyang) Co., Ltd.*	Manufacture and supply of stamping machines and metal parts	PRC	100	100
World Precise Machinery Parts (Jiangsu) Co., Ltd.*	Research and development, and manufacturing of key components of all types of precision machine tools	PRC	100	100

* Audited by other member firm of KPMG International.

6 Land use rights

	Note	Group	
		2019	2018
		RMB'000	RMB'000
Cost			
At 1 January		150,130	150,130
Impact on initial application of SFRS(I) 16	4	(150,130)	–
Adjusted balance at 1 January/At 31 December		–	150,130
Accumulated amortisation			
At 1 January		24,730	21,692
Impact on initial application of SFRS(I) 16	4	(24,730)	–
Adjusted balance at 1 January		–	21,692
Amortisation charge for the year	23	–	3,038
At 31 December		–	24,730

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

6 Land use rights (Cont'd)

	Note	Group 2019 RMB'000	Group 2018 RMB'000
Net carrying value			
At 31 December		–	125,400
Current		–	3,003
Non-current		–	122,397
		–	125,400

The Group has land use rights over the state-owned land in the PRC where the Group's PRC manufacturing and storage facilities reside. In 2018, the land use rights have a remaining tenure of 38 to 42 years.

The Group has initially applied SFRS(I) 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-off-use assets relating to leases which were previously classified as land use rights under SFRS(I) 1-17, see Note 2.5.

7 Investment property

	Note	Group 2019 RMB'000
Cost		
At 1 January		–
Reclassification from property, plant and equipment	4	7,208
At 31 December		7,208
Accumulated amortisation		
At 1 January		–
Reclassification from property, plant and equipment	4	3,287
Charge for the year		360
At 31 December		3,647
Net carrying value		
At 31 December		3,561
Fair value		
At 31 December		12,763

Investment property comprises a residential property that is leased to a third party. The lease contains a non-cancellable period of 3 years, with a fixed annual rent. See Note 30 for further information.

Amounts recognised in profit or loss

Rental income recognised by the Company during 2019 was RMB266,000 and was included in 'other income' (Note 21).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

7 Investment property (Cont'd)

Fair value hierarchy

The fair value of the investment property was determined by the Group using management's valuation using the direct comparison method with reference to other similar properties.

The fair value disclosure for the investment property has been categorised as a Level 3 fair value based on the input to the valuation techniques used. The significant unobservable input includes price per square foot of RMB57,858 (2018: Nil). An increase in the price per square foot would result in a higher fair value.

8 Intangible assets

	Note	Group 2019 RMB'000	Group 2018 RMB'000
Development costs			
Cost			
At 1 January		71,451	57,966
Additions		8,420	13,485
At 31 December		79,871	71,451
Accumulated amortisation			
At 1 January		34,527	24,164
Amortisation charge for the year	23	8,488	10,363
At 31 December		43,015	34,527
Net carrying value			
At 31 December		36,856	36,924

During the financial year, the depreciation charge of plant and machinery capitalised as development costs amounted to RMB661,000 (2018: RMB1,241,000) (Note 4).

Impairment of intangible assets

The Group reviews the carrying amounts of the assets as at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount or value in use is estimated using the discounted cash flow technique to determine the recoverable amount for the allocated CGU. The determination of value in use of the CGU requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. The Group has to make significant judgement and estimates on assumptions that can materially affect the financial statements, such as projected revenue growth, profit margin and discount rate. Any resulting impairment losses could have a material adverse impact on the Group's financial condition and results of operations. No impairment loss was recognised during the year. Sensitivity analysis on the recoverable amount of the CGU from changes to the assumptions are disclosed in Note 4.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

9 Trade and other receivables

	Group		Company	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
		Restated		
Trade receivables	110,119	122,193	–	–
Less: allowance for expected credit losses	(21,920)	(22,296)	–	–
	88,199	99,897	–	–
Bills receivables	75,491	28,486	–	–
Amount due from related parties (trade)	10,188	48,063	–	–
Amount due from a subsidiary (non-trade)	–	–	57	25
Amount due from employees	4,481	7,900	–	–
Less: allowance for expected credit losses	(1,339)	(1,149)	–	–
	3,142	6,751	–	–
Advance payments to suppliers	4,535	7,518	–	–
VAT receivables	3,355	11,187	–	–
Other prepayments	2,264	3,202	14	14
Prepayments for property, plant and equipment	10,518	18,946	–	–
Tax recoverable	3,383	5,569	–	–
Other receivables	5,589	2,865	–	–
Less: allowance for expected credit losses	(602)	(823)	–	–
	4,987	2,042	–	–
	206,062	231,661	71	39
Non-current	10,518	18,946	–	–
Current	195,544	212,715	71	39
	206,062	231,661	71	39

The amount due from employees, other receivables and non-trade amount due from a subsidiary are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

10 Inventories

	Group	
	2019	2018
	RMB'000	RMB'000
Finished goods		
- at cost	40,532	75,786
- at net realisable value	151	1,285
Work-in-progress and components parts		
- at cost	272,831	235,385
- at net realisable value	–	543
Raw materials		
- at cost	64,959	77,580
- at net realisable value	–	588
	378,473	391,167

Raw materials, consumables and changes in finished goods, and work-in-progress and component parts included as cost of sales amounted to RMB469,377,000 (2018: RMB521,636,000) during the financial year.

Write-down for slow-moving and obsolete inventories

The Group performs assessment on the condition of its inventories at the end of each reporting period and write down slow-moving and obsolete inventories identified. Management considers future demand, expected selling prices and ageing analysis of the inventories as part of its assessment process to arrive at their best estimate of the net realisable value of inventories. Such evaluation process requires significant judgement and may affect the carrying amount of inventories at the balance sheet date.

A write-back for slow-moving and obsolete inventories to net realisable value amounting to RMB2,176,000 (2018: Nil) was recognised in the "cost of sales" during the financial year due to change in management's estimates on the future consumption plan of the slow-moving inventories.

11 Cash and cash equivalents

	Group		Company	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks and on hand	42,423	11,965	780	366
Bank deposits	368	9,296	–	–
	42,791	21,261	780	366

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

11 Cash and cash equivalents (Cont'd)

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

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Cash and bank balances	42,791	21,261
Less: bank deposits pledged	(368)	(9,296)
Cash and cash equivalents per consolidated statement of cash flows	42,423	11,965

The Group's bank deposits with financial institution matures on varying dates within 3 months (2018: 6 months) from the end of the reporting period.

Bank deposits include amounts of RMB368,000 (2018: RMB9,296,000) that are pledged as securities for bills payables (Note 18) and trading facility.

12 Share capital

	Group and Company			
	2019	**2019**	**2018**	**2018**
	No. of shares		**No. of shares**	
	'000	**RMB'000**	**'000**	**RMB'000**
Issued and fully paid ordinary shares, with no par value				
At 1 January and 31 December	400,000	250,660	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.

13 Currency translation reserve

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

The translation reserves of the Group comprise all foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

14 Statutory reserves

	Group	
	2019	2018
	RMB'000	RMB'000
Statutory reserve fund	110,946	108,184
Staff welfare fund	–	20,510
	110,946	128,694

(a) *Statutory reserve fund*

The non-distributable statutory reserves represent amounts set aside in compliance with the local laws in the PRC where the PRC subsidiaries operate. The PRC 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 PRC subsidiaries.

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

In accordance with the Foreign Enterprise Law applicable to the PRC subsidiaries, the PRC 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 PRC 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. As the staff welfare fund is no longer required, the amount was transferred back to retained earnings during the year.

15 Capital reserve

On 1 December 2015, World Heavy Machine Tools (China) Co., Ltd. ("WHMT"), World CNC Machine Tool (Jiangsu) Co., Ltd. ("WCNC") and World Precise Machinery Marketing Company ("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 in accordance with the local laws in the PRC. This reserve is non-distributable.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

16 Deferred tax liabilities

Distributable earnings of the PRC subsidiaries generated from 1 January 2008 onward are subjected to withholding tax when the subsidiary declares dividend to its foreign investor.

Movement in temporary differences during the year

	Balance as at 1 January RMB'000	Recognised in profit or loss (Note 25) RMB'000	Balance as at 31 December RMB'000
Group			
2019			
Distributable earnings of PRC subsidiaries	5,018	–	5,018
2018			
Distributable earnings of PRC subsidiaries	4,885	133	5,018

Deferred tax liabilities not recognised

The total undistributed profits of the PRC subsidiaries are RMB133,562,000 (2018: RMB115,905,000). No deferred tax liability has been recognised for undistributed profits of RMB33,206,000 (2018: RMB15,549,000) because the Group controls the dividend policy of its subsidiaries and is of the opinion that these reserves will not be remitted back to the holding company in the foreseeable future.

17 Contract liabilities

Movement in the contract liabilities balances during the financial year are as follows:

	Group	
	2019 RMB'000	2018 RMB'000
Balance as at 1 January	77,869	79,110
Advance billing during the financial year	–	23,703
Increases due to advances received, excluding amounts recognised as revenue during the financial year	49,475	50,472
Revenue recognised that was included in the contract liability balance at the beginning of the financial year	(75,894)	(75,416)
Balance as at 31 December	51,450	77,869

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

18 Trade and other payables

	Group		Company	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
		Restated		
Trade payables	269,754	243,163	–	–
Amount due to related parties (trade)	3,696	1,058	–	–
Bills payables	5,000	9,125	–	–
Accrued operating expenses	65,490	55,933	164	134
VAT payables	3,363	4,094	–	–
Other payables	19,436	15,982	848	632
Bonus payables	17,657	19,481	–	–
Payables relating to property, plant and equipment	23,892	36,462	–	–
Amount due to related companies (non-trade)	885	981	–	–
Amount due to a subsidiary (non-trade)	–	–	511	1,012
Deferred income from government grants	1,252	–	–	–
	410,425	386,279	1,523	1,778
Non-current	1,072	–	–	–
Current	409,353	386,279	1,523	1,778
	410,425	386,279	1,523	1,778

Trade payables are non-interest bearing with credit periods ranging from 3 to 6 months (2018: 3 to 6 months).

Bills payables are non-interest bearing and have an average maturity period of 6 months (2018: 3 months). The bills payables are secured by certain bank deposits as disclosed in Note 11.

Other payables mainly consist of non-operating expenses and staff claims.

Non-trade amounts due to related companies and a subsidiary are unsecured, interest-free and repayable on demand.

19 Borrowings

	Group	
	2019	2018
	RMB'000	RMB'000
Current		
Secured bank loans	29,100	27,400
Lease liabilities	739	–
	29,839	27,400
Non-current		
Lease liabilities	4,801	–

Short-term bank loans are secured by a personal guarantee from a director and shareholder of the Company and his spouse.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

19 Borrowings (Cont'd)

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Group			
	Nominal interest rate %	Year of maturity	Face value RMB'000	Carrying amount RMB'000
2019				
Secured bank loans	4.70 to 5.10	2020	29,100	29,100
Lease liabilities	5.21	2020 to 2056	10,646	5,540
			39,746	34,640
2018				
Secured bank loans	5.22	2019	27,400	27,400

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Secured bank loans RMB'000
Group	
Balance at 1 January 2018	38,000
Changes from financing cash flows:	
- Proceeds from secured bank loans	37,400
- Repayments of secured bank loans	(48,000)
- Interest paid	(1,501)
Total changes from financing cash flows	(12,101)
Other changes	
- Interest expense	1,501
Balance at 31 December 2018	27,400

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

19 Borrowings (Cont'd)

	Secured bank loans RMB'000	Lease liabilities RMB'000	Total RMB'000
Balance at 1 January 2019	27,400	–	27,400
Recognition of lease liabilities on initial application of SFRS(I) 16 (Note 2.5)	–	5,155	5,155
Adjusted balance at 1 January 2019	27,400	5,155	32,555
Changes from financing cash flows:			
- Proceeds from bank loans	51,700	–	51,700
- Repayments of bank loans	(50,000)	–	(50,000)
- Payment of lease liabilities	–	(990)	(990)
- Interest paid	(1,425)	(330)	(1,755)
Total changes from financing cash flows	275	(1,320)	(1,045)
Other changes			
- Addition of leases	–	1,375	1,375
- Interest expense	1,425	330	1,755
Total other changes	1,425	1,705	3,130
Balance at 31 December 2019	29,100	5,540	34,640

20 Revenue

Revenue comprises sales of conventional stamping machines, high performance and high tonnage stamping machines and metal parts. All sales are recognised at a point in time.

	Group	
	2019 RMB'000	2018 RMB'000
Conventional stamping machines	52,876	76,024
High performance and high tonnage stamping machines	707,532	740,467
Metal parts	76,818	72,372
	837,226	888,863

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

21 Other income

	Group	
	2019	2018
	RMB'000	RMB'000
Sale of raw and scrap materials	6,044	4,266
Cost of raw and scrap materials sold	(5,250)	(3,157)
Gain from disposals of raw and scrap materials	794	1,109
Government grants and subsidies	6,876	430
Insurance claims	10	435
Interest income on banks	–	50
Income from discounting of bills receivables	–	613
Penalty income	9	1,126
Processing income	3,791	2,832
Rental income from:		
- leasing of plant and machinery (net of rental expenses of RMB3,835,000 (2018: RMB3,073,000))	4,796	5,235
- investment property	266	–
Others	642	528
	17,184	12,358

Government grants and subsidies relate to following:

(i) refund on value-added taxes received on sales of software related products;

(ii) government subsidies for foreign-invested enterprises;

(iii) government subsidies for talent introduction and creation of employment opportunities and stability; and

(iv) government subsidies for quality development, smart manufacturing, patents development and registration.

22 Finance income and finance costs

	Group	
	2019	2018
	RMB'000	RMB'000
Finance income:		
Interest income on banks	213	–
Income from discounting of bills receivables	13	–
	226	–
Finance expenses:		
- interest expense on bank loans	(1,425)	(1,501)
- interest expense on lease liabilities	(330)	–
- interest expense on discounting of bills	(389)	–
- others	(58)	(134)
	(2,202)	(1,635)
Net finance costs	(1,976)	(1,635)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

23 Profit before tax

The following items have been included in arriving at profit for the year:

		Group	
	Note	2019	2018
		RMB'000	RMB'000
(Write-back)/Provision of impairment losses on trade and other receivables	29	(407)	2,658
Amortisation of intangible assets	8	8,488	10,363
Amortisation of land use rights	6	–	3,038
Audit fees paid/payable to:			
- auditors of the Company		350	387
- other auditors*		350	383
Non-audit fees paid/payable to auditors of the Company		–	9
Bad debts written off		–	763
Depreciation of investment property	7	360	–
Depreciation of property, plant and equipment		57,176	53,600
Directors' fees payable/paid to directors of the Company		1,307	1,290
Loss/(Gain) on foreign currency exchange		842	(276)
Loss/(Gain) on disposal of property, plant and equipment		365	(19)
Operating lease expense		–	1,167
Personnel expenses	24	153,614	160,184
Property, plant and equipment written off		185	1
Reversal of write-down for slow-moving and obsolete inventories	10	(2,176)	–
Rental expenses	30	43	–

* Includes independent member firm of KPMG International (2018: Baker Tilly International)

24 Personnel expense

	Group	
	2019	2018
	RMB'000	RMB'000
Wages, salaries and bonuses	142,273	149,405
Contribution to defined contribution plans	8,248	7,685
Other personnel expenses	3,093	3,094
	153,614	160,184

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

25 Tax expense

	Group	
	2019	2018
	RMB'000	RMB'000
Income tax		
- current year	–	1,179
- under/(over) provision in respect of prior years	1,156	(817)
Deferred tax expenses arising from net distributable earnings of the PRC subsidiaries	–	133
Withholding tax	213	198
	1,369	693

Reconciliation of effective tax rate

	2019	2018
Profit before tax	21,447	6,819
Tax using the PRC tax rate of 25% (2018: 25%)	5,362	1,705
Tax concessions arising from preferential income tax rate	(2,217)	(649)
Effect of tax rates in foreign jurisdictions	(75)	(277)
Expenses not deductible for tax purposes	629	1,856
Effect of tax incentives	(4,315)	(2,619)
Deferred tax assets not recognised	616	1,581
Deferred tax expenses arising from net distributable earnings of the PRC subsidiaries	–	133
Utilisation of deferred tax asset not recognised in prior year	–	(517)
Under/(Over) provision of income tax in respect of prior years	1,156	(817)
Withholding tax	213	198
Others	–	99
	1,369	693

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefit therefrom.

	Group			
	Gross amount 2019 RMB'000	Tax effect 2019 RMB'000	Gross amount 2018 RMB'000	Tax effect 2018 RMB'000
Tax losses	30,460	5,178	26,838	4,562

The unutilised tax losses are available for carry forward up to five years from the year of loss against future taxable profits/income of the PRC subsidiaries in which the tax losses arose, subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation in the PRC.

In 2019, the Group's unabsorbed tax losses brought forward amounting to RMB1,208,000 (2018: RMB6,275,000) had expired.

A subsidiary, World Precise Machinery (China) Co., Ltd., enjoys preferential income tax rate of 15% (2018: 15%) as it is regarded as high-tech enterprise. The statutory income tax rate applicable to other PRC subsidiaries is 25% (2018: 25%).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

26 Earnings per share

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

	Group	
	2019	2018
Profit for the year attributable to equity holders of the Company (RMB'000)	20,078	6,126
Weighted average number of ordinary shares ('000)	400,000	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 2019 and 31 December 2018.

27 Commitments

(a) Capital commitments

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

	Group	
	2019 RMB'000	2018 RMB'000
Capital commitments in respect of property, plant and equipment	889	30,024

(b) Operating lease commitments

Leases as lessee under SFRS(I) 1-17

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

	Group 2018 RMB'000
Not later than one year	1,016
Later than one year but not later than five years	1,407
Later than five years	7,788
	10,211

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

Year ended 31 December 2019

28 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	
	2019	2018
	RMB'000	RMB'000
Related companies		
Income		
Lease of premises to a related company	7,619	7,619
Sales to related companies	44,574	56,385
Processing services to related companies	4,008	2,895
Expenses		
Lease of premises from a related company	686	686
Processing services from related companies	3,049	3,429
Purchases of machineries and parts from related companies	48,532	690
Purchases of raw materials from related companies	14,483	24,025
Purchases of scrap materials from related companies	23,022	18,738
Affiliated companies		
Income		
Sales to affiliated companies	595	–
Processing services to affiliated companies	6	–
Expenses		
Purchases of raw materials from affiliated companies	140	–

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

An affiliated corporation is defined as one:

- in which a director of the Company has a substantial financial interests or who is in a position to exercise significant influence; and/or
- which directly or indirectly, through one or more intermediaries, are under the control of a common shareholder.

Outstanding balances with related parties at the end of the reporting period are disclosed in Notes 9 and 18 respectively.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

28 Related party transactions (Cont'd)

Key management personnel compensation

Key management personnel compensation is analysed as follows:

	Group	
	2019	2018
	RMB'000	RMB'000
Directors of the Company:		
- short-term employee benefits	1,080	866
- defined contribution benefits	43	42
- directors' fees	1,306	1,290
	2,429	2,198
Other key management personnel:		
- short-term employee benefits	3,116	4,213
- defined contribution benefits	128	157
	3,244	4,370
	5,673	6,568

29 Financial instruments

(a) Financial risk management

Overview

The Group has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk; and
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Management is responsible for developing and monitoring the Group's risk management policies. Management reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes review of risk management controls and procedures, the results of which are reported to the Group Audit Committee.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

29 Financial instruments (Cont'd)

(a) Financial risk management (Cont'd)

(i) Credit risk

Credit risk is the risk of financial loss to the Group or the Company if a customer or counterparty to a financial instrument fails to meet its contractual 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.

The following sets out the Group's internal credit evaluation practices and basis for recognition and measurement of expected credit losses:

Description of evaluation of financial assets	Basis for recognition and measurement of ECL
Debtors has a low risk of default and does not have any past due amount	12-month ECL
Contractual payments are more than 30 days past due or where there has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit-impaired
Contractual payments are more than 90 days past due or there is evidence of credit impairment	Lifetime ECL - credit-impaired
There is evidence indicating that the Group has no reasonable expectation of recovery of payments such as when the debtor has been placed under liquidation or has entered into bankruptcy proceedings	Write-off

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information, such as future economic and industry outlook, that is available without undue cost or effort.

In particular, the Group considers the following information when assessing whether credit risk has increased significantly since initial recognition:

- historical and current payment patterns of the debtors.
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations.
- an actual or expected significant deterioration in the operating results/key financial performance ratios of the debtors.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

29 Financial instruments (Cont'd)

(a) Financial risk management (Cont'd)

(i) Credit risk (Cont'd)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Regardless of the evaluation of the above factors, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group also assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if it has an internal or external credit rating of "investment grade" as per globally understood definition, or the financial asset has a low risk of default; the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Trade receivables

At 31 December 2019, the Group's trade receivables comprise 2 (2018: 2) debtors that represented approximately 26% (2018: 26%) of the trade receivables.

The carrying amounts of financial assets and contract assets represent the Group and the Company's maximum exposures to credit risk, before taking into account any collateral held. The Group and the Company do not require any collateral in respect of their financial assets.

The Group has applied the simplified approach by using a provision matrix to measure the lifetime expected credit loss allowance for trade receivables.

The Group categorises its trade receivables by its past due status and segregates debtors regarded as credit-impaired where one or more credit impairment events have occurred.

The Group estimates the expected credit loss rates for each category of past due status of the debtors based on historical credit loss experience adjusted as appropriate to reflect current conditions and forecasts of future economic conditions. A trade receivable is written off when there is information indicating that there is no realistic prospect of recovery from the debtor.

There has been no change in the estimation techniques or significant assumptions made during the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

29 Financial instruments (Cont'd)

(a) Financial risk management (Cont'd)

(i) Credit risk (Cont'd)

The Group's credit risk exposure in relation to trade receivables using simplified approach under SFRS(I) 9 as at 31 December is set out in the provision matrix below:

	Weighted average loss rate %	Gross carrying amount RMB'000	Impairment loss allowance RMB'000	Net carrying amount RMB'000	Credit impaired
Group					
2019					
Not past due	0.5	44,880	(246)	44,634	No
0 to 6 months past due	2.0	18,697	(382)	18,315	No
6 to 12 months past due	4.8	17,604	(850)	16,754	No
More than 1 year past due	70.6	28,938	(20,442)	8,496	Yes
		110,119	(21,920)	88,199	
2018					
Not past due	0.1	56,737	(26)	56,711	No
0 to 6 months past due	0.8	17,796	(143)	17,653	No
6 to 12 months past due	1.3	17,971	(228)	17,743	No
More than 1 year past due	73.8	29,689	(21,899)	7,790	Yes
		122,193	(22,296)	99,897	

Other financial assets at amortised cost

Other financial assets at amortised costs include amount due from employees, amount due from a subsidiary, other receivables and cash and cash equivalents.

The table below details the credit quality of the Group's and the Company's financial assets (other than trade receivables):

	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Group			
2019			
Amount due from employees	4,481	(1,339)	3,142
Other receivables	5,589	(602)	4,987
	10,070	(1,941)	8,129
2018			
Amount due from employees	7,900	(1,149)	6,751
Other receivables	2,865	(823)	2,042
	10,765	(1,972)	8,793

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

29 Financial instruments (Cont'd)

(a) Financial risk management (Cont'd)

(i) Credit risk (Cont'd)

	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Company			
2019			
Amount due from a subsidiary	57	–	57
2018			
Amount due from a subsidiary	25	–	25

Loss allowances for amount due from employees are measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the employee and an assessment of both the current and forecast general economic conditions at the reporting date.

Movements in allowance for impairment in respect of trade and other receivables

The movements in allowance for impairment in respect of trade and other receivables during the financial year was as follows:

	Note	Group 2019 RMB'000	Group 2018 RMB'000
At 1 January		24,268	22,506
(Write-back)/Provision of impairment losses	23	(407)	2,658
Bad debts written off against allowance		–	(896)
At 31 December		23,861	24,268

Cash and cash equivalents

The Group and Company held cash and cash equivalents of RMB42,791,000 and RMB780,000 respectively at 31 December 2019 (2018: RMB21,261,000 and RMB 366,000 respectively). The cash and cash equivalents are held with banks, which are regulated.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was negligible.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

29 Financial instruments (Cont'd)

(a) Financial risk management (Cont'd)

(ii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings, including inter-company sales, purchases and inter-company balances, that are denominated in a currency other than the respective functional currencies of Group entities. The functional currencies of Group entities are primarily the RMB and SGD. The currencies in which these transactions primarily are denominated are the RMB and US dollar ("USD").

The summary of quantitative data about the exposure to currency risk of the Group is as follows:

	2019		2018	
	SGD	USD	SGD	USD
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
Cash and cash equivalents	781	50	–	1,447
Trade and other receivables	–	–	–	23,703
Trade and other payables	–	–	(1,012)	–
Net exposure	781	50	(1,012)	25,150
Company				
Trade and other payables	(511)	–	(1,012)	–
Net exposure	(511)	–	(1,012)	–

Sensitivity analysis

A reasonably possible 3% (2018: 3%) strengthening of the RMB, as indicated below, against the SGD and USD at 31 December would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

	Group		Company	
	Profit or loss		Profit or loss	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
SGD	23	(30)	(15)	(30)
USD	2	754	–	–

A weakening of the RMB against the above currencies would have the equal but opposite effect to the amounts shown above.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

29 Financial instruments (Cont'd)

(a) Financial risk management (Cont'd)

(ii) Market risk (Cont'd)

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.

Exposure to interest rate risk

At the reporting date, the interest rate profile of the interest-bearing financial instruments was as follows:

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Secured bank loans	29,100	27,400

The Group's borrowings at variable rates on which effective hedges have not been entered into, are denominated in RMB.

Sensitivity analysis

A change of 75 basis points in interest rates would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Group	
	Profit or loss	
	2019	**2018**
	RMB'000	**RMB'000**
Interest rate		
- Increase by 75 basis points	(186)	(175)
- Decrease by 75 basis points	186	175

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group and the 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

29 Financial instruments (Cont'd)

(a) Financial risk management (Cont'd)

(iii) Liquidity risk (Cont'd)

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements:

	Note	Carrying amount	Cash flows			
			Contractual cash flows	Within 1 year	1 to 5 years	More than 5 years
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group						
31 December 2019						
Trade and other payables#	18	407,062	407,062	407,062	–	–
Secured bank loans	19	29,100	29,674	29,674	–	–
Lease liabilities	19	5,540	10,646	1,263	2,053	7,330
		441,702	447,382	437,999	2,053	7,330
31 December 2018						
Trade and other payables#	18	382,185	382,185	382,185	–	–
Secured bank loans	19	27,400	27,652	27,652	–	–
		409,585	409,837	409,837	–	–
Company						
31 December 2019						
Trade and other payables	18	1,523	1,523	1,523	–	–
31 December 2018						
Trade and other payables	18	1,778	1,778	1,778	–	–

Excludes VAT payables

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

29 Financial instruments (Cont'd)

(b) Accounting classifications and fair values

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Note	Group 2019 RMB'000	Group 2018 RMB'000	Company 2019 RMB'000	Company 2018 RMB'000
Financial assets at amortised cost					
Trade and other receivables*	9	182,007	185,239	57	25
Cash and cash equivalents	11	42,791	21,261	780	366
		224,798	206,500	837	391
Financial liabilities at amortised cost					
Trade and other payables#	18	407,062	382,185	1,523	1,778
Borrowings	19	34,640	27,400	–	–
		441,702	409,585	1,523	1,778

* Excludes VAT receivables, advance payments to suppliers, prepayments and tax recoverable
# Excludes VAT payables

Estimation the fair value

The carrying amounts of the financial assets and the financial liabilities (including trade and other receivables, cash and cash equivalents, trade and other payables and borrowings) are assumed to approximate their fair values because of their short period to maturity.

30 Leases

(a) Leases as lessee (SFRS(I) 16)

The Group leases land and buildings. The leases typically run for a period of 2 to 50 years with renewal rights. Lease payments are renegotiated with landlords upon renewal of lease. There were no extension options granted in the lease agreements.

Information about leases for which the Group is a lessee is presented below.

(i) Right-of-use assets

	Leasehold land and buildings RMB'000
Recognition of right-of-use asset on initial application of SFRS(I) 16 (Note 2.5)	130,555
Depreciation charge for the year	(3,849)
Additions to right-of-use assets	1,375
Balance at 31 December 2019	128,081

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

30 Leases (Cont'd)

(a) Leases as lessee (SFRS(I) 16) (Cont'd)

(ii) Amounts recognised in profit or loss

2019 - Lease under SFRS(I) 16	**RMB'000**
Interest on lease liabilities	330
Expenses relating to short-term leases	43

2018 - Operating lease under SFRS(I) 1-17	**RMB'000**
Lease expense	1,167

(iii) Amounts recognised in statement of cash flows

	2019 RMB'000
Repayments of lease liabilities	990
Interest paid	330
Total cash outflow for leases	1,320

(iv) Commitments relating to short-term leases and leases of low-value assets under SFRS(I) 16

The Group applied practical expedients, therefore the Group did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application and leases of low value assets. Non-cancellable operating leases rentals for these leases are as follows:

	2019 RMB'000
Within one year	43

(b) Leases as lessor (SFRS(I) 16)

The Group leases out its investment properties consisting of its owned commercial properties. All leases are classified as operating leases from a lessor perspective.

Operating lease

The Group leases out its investment properties. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to ownership of the assets. Note 7 sets out information about the operating leases of investment properties.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

30 Leases (Cont'd)

(b) Leases as lessor (SFRS(I) 16) (Cont'd)

2019 – Operating leases under SFRS(I) 16

	RMB'000
Less than one year	266
One to two years	133
	399

2018 – Operating leases under SFRS(I) 1-17

	RMB'000
Not later than one year	266
Later than one year but not later than five years	399
	665

31 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group manages capital by monitoring the level of net debt and capital. Net debt is calculated as total liabilities less cash and cash equivalents. Capital includes equity attributable to the equity holders of the Company less the statutory reserves and capital reserve. The Group's overall strategy remains unchanged from 2018.

	Group	
	2019 RMB'000	2018 RMB'000
Total liabilities	501,533	496,566
Less: Cash and cash equivalents	(42,791)	(21,261)
Net debts	458,742	475,305
Equity attributable to the equity holders of the Company	1,087,459	1,067,394
Less: Statutory reserves (Note 14)	(110,946)	(128,694)
Capital reserve (Note 15)	(97,097)	(97,097)
Adjusted equity	879,416	841,603
Net debt to adjusted equity ratio	0.52	0.56

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

32 Segment information

The Group is principally engaged in manufacturing and selling of conventional and high performance and high tonnage stamping machines and metal parts. All business activities are of a similar nature and subject to similar risks and returns. Accordingly, the Group's operating activities are mainly attributable to a single reportable operating segment.

Geographical information

The Group's revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to a single geographical region, the PRC, which is the Group's principal place of business and operations. Therefore, no analysis by geographical region is presented.

Information about major customer

No external customer individually contributed 10% or more of the Group's total revenue.

33 Prior year adjustments

The financial statements of the Group and Company for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on 25 March 2019.

The comparative financial information has been adjusted for the following:

i) Reclassification of input tax from construction work-in-progress under property, plant and equipment to other receivables as VAT receivables and prepayments for property, plant and equipment have been inadvertently classified in property, plant and equipment;
ii) Reclassification between trade receivables, amount due from employees, other receivables and respective allowance for expected credit losses to reflect more appropriately the nature of the account;
iii) Reclassification between trade receivables and VAT receivables to reflect more appropriately the nature of the account;
iv) Reclassification between trade payables and VAT payables to reflect more appropriately the nature of the account;
v) Reclassification between cash from changes in working capital from trade and other payables to contract liabilities for better comparable presentation; and
vi) Reclassification between cash flow from financing activities to cash flow from operating activities for cash flow from increase in bills payables to reflect more appropriately the nature of the cash flow.

As the prior year adjustments have no effect on the information in the statements of financial position, which include total assets, total liabilities and total equity, as at the beginning of the preceding period i.e. 1 January 2018, the third statements of financial position as at the beginning of the preceding period was not prepared.

These adjustments have no effect to the Company's statement of financial position, consolidated statement of profit or loss and other comprehensive income and earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

33 Prior year adjustments (Cont'd)

The following tables set out the prior year adjustments made to the consolidated statement of financial position and consolidated statement of cash flows as at and for year ended 31 December 2018.

		31 December 2018		
Group	**Note**	**As previously stated RMB'000**	**Reclassifications RMB'000**	**As restated RMB'000**
Statement of financial position				
Non-current assets				
Property, plant and equipment	(i)	783,146	(25,599)	757,547
Trade and other receivables	(i)	815	18,131	18,946
Current assets				
Trade and other receivables				
Trade receivables	(ii), (iii)	123,827	(1,634)	122,193
Less: allowance for expected credit losses	(ii)	(20,211)	(2,085)	(22,296)
		103,616	(3,719)	99,897
VAT receivables	(i), (iii)	–	11,187	11,187
Amount due from employees	(ii)	9,985	(2,085)	7,900
Less: allowance for expected credit losses	(ii)	(4,057)	2,908	(1,149)
		5,928	823	6,751
Other receivables	(ii)	2,865	–	2,865
Less: allowance for expected credit losses	(ii)	–	(823)	(823)
		2,865	(823)	2,042
Current liabilities				
Trade and other payables				
Trade payables	(iv)	247,257	(4,094)	243,163
VAT payables	(iv)	–	4,094	4,094
Consolidated statement of cash flows				
Cash flows from operating activities				
Currency translation differences	(v)	(217)	217	–
Contract liabilities	(v)	–	(1,241)	(1,241)
Trade and other payables	(v), (vi)	40,147	9,629	49,776
Trade and other receivables	(i)	(9,335)	18,131	8,796
Net cash from operating activities		100,725	26,736	127,461
Cash flows from investing activities				
Purchases of property, plant and equipment	(i)	(81,005)	(18,131)	(99,136)
Net cash used in investing activities		(92,580)	(18,131)	(110,711)
Cash flows from financing activities				
Increase in bills payables to bank	(vi)	8,605	(8,605)	–
Net cash used in financing activities		(12,222)	(8,605)	(20,827)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

34 Dividend

Subsequent to the reporting date, the following tax exempt (one-tier) dividend was proposed by the Board. This exempt (one-tier) dividend based on the number of ordinary shares of 400,000,000 (2018: 400,000,000) for the Company and the Group as at 31 December 2019 has not been provided for:

	2019 RMB'000	2018 RMB'000
Group and Company		
First and final dividend of RMB5 cents (2018: Nil) per ordinary share	20,000	–

35 Non-adjusting events after the reporting period

Impact of COVID-19 outbreak

The unexpected advent of novel coronavirus ("COVID-19") in early 2020 halts social and economic development throughout PRC, which also almost causes the stagnation of economic activities. Since then, the epidemic has gradually spread globally. The raging epidemic caused a significant decline in the overall economy, with almost no demand and greatly damaged supply chain. The grave impacts will inevitably prejudice the development of the precision machines industry and the operation of the Group.

The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place contingency measures. These contingency measures include scaling up our production and building up inventory in our factories, increasing our options for logistics movements, assessing our suppliers' readiness and liaising with higher-risk suppliers, negotiating with customers on delivery timetable. The Group will keep our contingency measures under review as the situation evolves.

Currently, the epidemic is gradually brought under control in PRC, evidenced by resumed production activities in companies, as well as recovering market demand and supply chain. In this view, the Group is mainly exposed to negative impacts during the first quarter of 2020. At the date of these financial statements, the Group has resumed the production activities on the condition that employee safety is safeguarded.

The Group considers COVID-19 outbreak to be a non-adjusting post-balance sheet event. The negative impacts of the epidemic had not been factored into the cash flow projections used to determine the value in use of the property, plant and equipment (Note 4) and intangible assets (Note 8).

As the situation is fast evolving, the effect of the outbreak is subject to significant levels of uncertainty, with the full range of possible effects unknown.

Sales of factory buildings and associated land

On 17 April 2020, World Precise Machinery (Shenyang) Co., Ltd., a wholly-owned subsidiary of the Group, has entered into a memorandum of understanding with World Agriculture (Shenyang) Co., Ltd. ("the Buyer"), in relation to the sale of factory buildings and the land associated with such factory buildings. The Buyer, a corporation incorporated in the People's Republic of China, is a wholly-owned subsidiary of Jiangsu World Agriculture Machinery Co., Ltd. ("JWAMCL"). Mr. Wang Weiyao, a director and controlling shareholder of the Group, is deemed interested in approximately 73.62% of the shareholding interest in JWAMCL, through Danyang World Industrial Development Co., Ltd., in which him and his wife collectively own 100% shareholding interest.

Subsequent to signing of the memorandum of understanding, the Group set up a subsidiary, Shenyang World High-End Equipment Manufacturing Co., Ltd, in the People's Republic of China with registered capital of RMB1,000,000 for the purpose of preparing for the proposed sale of factory buildings and the land associated with such factory buildings.

SHAREHOLDERS' INFORMATION

AS AT 22 May 2020

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

The Company does not hold any treasury shares and subsidiary holdings.

STATISTICS OF SHAREHOLDINGS

Size of Shareholding			Number of Shareholders	%	Number of Shares	%
1	-	99	1	0.17	73	0.00
100	-	1,000	42	7.45	39,800	0.01
1,001	-	10,000	219	38.83	1,447,051	0.36
10,001	-	1,000,000	290	51.42	20,022,676	5.01
1,000,001		and above	12	2.13	378,490,400	94.62
			564	100.00	400,000,000	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 22 MAY 2020

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
World Sharehold Limited[1]	295,391,000	73.85	-	-
Wang Weiyao[1]	200,000	0.05	295,391,000	73.85
Minshun Private Limited[2]	54,100,000	13.53	-	-
Shao Jianjun[2]	-	-	54,100,000	13.53

Notes:

(1) *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.*

(2) *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 22 May 2020

TWENTY LARGEST SHAREHOLDERS AS AT 22 MAY 2020

No.	Name of Shareholders	Number of Shares	%
1	WORLD SHAREHOLD LIMITED	295,391,000	73.85
2	OCBC SECURITIES PRIVATE LTD	59,012,400	14.75
3	CHUA KUAN LIM CHARLES	6,104,500	1.53
4	DBS NOMINEES PTE LTD	4,025,800	1.01
5	PHILLIP SECURITIES PTE LTD	2,483,900	0.62
6	CHUA ZI EN ALEXANDRA JANE (CAI ZI'EN)	2,025,800	0.51
7	LIAN SENG INVESTMENT PTE LTD	2,000,000	0.50
8	DBSN SERVICES PTE LTD	1,926,000	0.48
9	ABN AMRO CLEARING BANK N.V.	1,658,600	0.42
10	SHAO XIAOPU	1,443,000	0.36
11	HONG LEONG FINANCE NOMINEES PTE LTD	1,400,000	0.35
12	RAFFLES NOMINEES (PTE) LIMITED	1,019,400	0.25
13	LI HUNG	781,000	0.20
14	KIANG TIANG TAN OR KIANG WEN JIANG	606,200	0.15
15	UOB KAY HIAN PTE LTD	570,000	0.14
16	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	561,410	0.14
17	MAYBANK KIM ENG SECURITIES PTE.LTD	531,000	0.13
18	SAHA ANSHUMAN MANABENDRANATH	530,000	0.13
19	TAN JIN SIN	457,000	0.11
20	LYNN LOW EU LIEN	447,000	0.11

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

12.17% 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.

ADDITIONAL INFORMATION REQUIRED PURSUANT TO RULE 720(6)

of the Listing Manual of the SGX-ST on Directors seeking for re-election (as at 11 June 2020)

The following additional information on Mr. Wang Weiyao and Mr. Phang Kin Seng (Lawrence), all of whom are seeking re-election as Directors at this Annual General Meeting, is to be read in conjunction with their respective biographies on pages 12 and 13 of this Annual Report.

	Wang Weiyao	Phang Kin Seng (Lawrence)
Date of Appointment	28 July 2004	28 April 2010
Date of last re-appointment (if applicable)	27 April 2018	27 April 2018
Age	56	58
Country of principal residence	China	Singapore
The Board's comments on this appointment (In the Company's case, the Board's comments on this re-election)	The Nominating Committee ("**NC**"), having considered the attendance and participation of the Director at Board and Board Committees' meetings, in particular, Mr. Wang Weiyao's contribution 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 by rotation pursuant to Article 89 of the Company's Constitution at the forthcoming Annual General Meeting ("**AGM**"). The Board supported the NC's recommendation. Mr. Wang Weiyao had abstained from voting on any resolution and making any recommendation and/or participate in respect of his own re-election.	The NC, having considered the attendance and participation of the Director at Board and Board Committees' meetings, in particular, Mr. Phang Kin Seng (Lawrence)'s contribution to the business and operations of the Company as well as Board processes, had recommended to the Board the re-election Mr. Phang Kin Seng (Lawrence) who will be retiring by rotation pursuant to Article 89 of the Comp any's Constitution at the forthcoming AGM. The Board supported the NC's recommendation. Mr. Phang Kin Seng (Lawrence) had abstained from voting on any resolution and making any recommendation and/or participate in respect of his own re-election.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-Executive and Non-Independent Director and a member of the Audit Committee, Nominating Committee and Remuneration Committee.	Lead Independent Director, Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee.
Professional qualifications	Please refer to the Directors' respective biographies on pages 12 and 13 of this Annual Report.	
Working experience and occupation(s) during the past 10 years	Please refer to the Directors' respective biographies on pages 12 and 13 of this Annual Report.	
Shareholding interest in the listed issuer and its subsidiaries	Deemed interest in 295,391,000 shares held by World Sharehold Limited, which is wholly-owned by him.	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil

ADDITIONAL INFORMATION REQUIRED PURSUANT TO RULE 720(6)

of the Listing Manual of the SGX-ST on Directors seeking for re-election (as at 11 June 2020)

	Wang Weiyao	**Phang Kin Seng (Lawrence)**
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer – Yes / No	Yes	Yes
Other Principal Commitments*	Chairman of Jiangsu World Machinery and Electronics Group Co., Ltd and Jiangsu World Machine Tool Co., Ltd. Legal representative of Jiangsu World Agriculture Machinery Co., Ltd., Jiangsu World High End Agriculture Equipment Co., Ltd., Danyang World Industrial Development Co., Ltd., Horgos World Strategic Venture Capital Co., Ltd. and Horgos World High End Agriculture Equipment Co., Ltd.	Director of Bartley Christian Church Limited
Other Directorships for the past 5 years	Nil	Vineyard Investments Pte. Ltd. (Singapore Inc) Vineyard Investments Ltd. (BVI Inc) Bartley Community Care Services
Other Present Directorships	World Sharehold Limited World Sharehold International Limited True Merit Group Limited	Bartley Christian Church Limited
Disclosure applicable to appointment of Director only		
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not applicable	Not applicable

The Company confirms that there is no change in the declaration items (a) to (k) of Appendix 7.4.1 of the SGX-ST Listing Manual concerning the Directors to be re-elected, which should be a "no".

**The term "principal commitments" shall include all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.*

NOTICE OF ANNUAL GENERAL MEETING

This Notice has been made available on the Company's corporate website (www.wpmlimited.com) and SGXNET. A printed copy of the Notice of Annual General Meeting will not be despatched to members of the Company.

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of WORLD PRECISION MACHINERY LIMITED (the "**Company**") will be held by way of electronic means on Friday, 26 June 2020 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 of the Company for the financial year ended 31 December 2019 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final tax-exempt (one-tier) dividend of RMB0.05 per share for the financial year ended 31 December 2019. **(Resolution 2)**

3. To re-elect the following Directors retiring pursuant to Article 89 of the Company's Constitution.

   Mr. Wang Weiyao **(Resolution 3)**
   Mr. Phang Kin Seng (Lawrence) **(Resolution 4)**

   Mr. Wang Weiyao will, upon re-election as a Director of the Company, remain as a member 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.

   Mr. Phang Kin Seng (Lawrence) will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees, and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

   The information relating to Mr. Wang Weiyao and Mr. Phang Kin Seng (Lawrence) as required under Rule 720(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited is set out on pages 131 and 132 of the Annual Report.

4. To approve the payment of Directors' fees of S$180,000 for the financial year ending 31 December 2020, to be paid quarterly in arrears (FY2019: S$180,000). **(Resolution 5)**

5. To re-appoint KPMG LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**

6. 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 resolutions as Ordinary Resolutions:

7. **Share Issue Mandate**

   That pursuant to Section 161 of the Companies Act (Cap. 50) of Singapore 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 and subsidiary holdings) 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 and subsidiary holdings) 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 and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) 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 were issued and outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the Singapore Exchange Securities Trading Limited; 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 (i)] **(Resolution 7)**

8. **The Proposed Renewal of the Interested Person Transactions Mandate**

That for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**Chapter 9**"):

(a) approval be and is hereby given for the renewal of the mandate for the Company, its subsidiaries and associated companies that are considered to be "entities at risk" under Chapter 9, or any of them, to enter into any of the transactions falling within the types of interested person transactions described in Appendix A to the Company's Circular to Shareholders accompanying the Notice of Annual General meeting dated 11 June 2020 (the "**Circular**"), with any party who is of the class of interested persons described in Appendix A to the Circular, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions (the "**IPT Mandate**");

(b) the IPT Mandate shall, unless revoked or varied by the Company in a general meeting, 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; and

NOTICE OF ANNUAL GENERAL MEETING

(c) authority be given to the Directors of the Company to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Resolution.

[See Explanatory Note (ii)] **(Resolution 8)**

By Order of the Board

Yuen Pei Lur Perry
Company Secretary

11 June 2020

Explanatory Notes:

(i) The Ordinary Resolution 7 in item 7 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 and subsidiary holdings) 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 and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) 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 were issued and outstanding or subsisting at the time when this Ordinary Resolution is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the Singapore Exchange Securities Trading Limited; and any subsequent bonus issue, consolidation or subdivision of shares.

(ii) The Ordinary Resolution 8 in item 8 above, if passed, will authorise the Interested Person Transactions as described in the Circular and recurring in the year and will empower the Directors of the Company to do all acts necessary to give effect to the IPT Mandate. This authority will, unless previously revoked or varied by the Company in a general meeting, expire at 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 the earlier.

Notes:

General

1. Pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (as amended from time to time), the AGM of the Company will be held by way of electronic means and members of the Company will NOT be allowed to attend the AGM in person.

2. Alternative arrangements are instead put in place to allow shareholders to participate in the AGM by:

   (a) voting by proxy at the AGM. Please refer to Notes 3 to 10 below for further details;
   (b) watching or listening to the AGM proceedings via a Live Webcast (as defined below). Shareholders who wish to participate as such will have to pre-register in the manner outlined in Note 11 below; and
   (c) submitting questions ahead of the AGM. Please refer to the Notes 14 to 16 below for further details.

NOTICE OF ANNUAL GENERAL MEETING

Voting by proxy

3. The live webcast will not provide for online voting. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, such member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the instrument appointing the Chairman of the Meeting as proxy ("**Proxy Form**"), failing which the appointment will be treated as invalid.

4. The Chairman of the Meeting, as proxy, need not be a member of the Company.

5. The Proxy Form must be submitted through any one of the following means:

    (a) by depositing a physical copy at the registered office of the Company's Share Registrar, B.A.C.S. Private Limited, at 8 Robinson Road, #03-00 ASO Building, Singapore 048544; or
    (b) by sending a scanned PDF copy by email to main@zicoholdings.com.

    in each case, not later than 2.00 p.m. on 24 June 2020, and failing which, the Proxy Form will not be treated as valid.

6. The Proxy Form must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised. Where the Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.

7. 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 with respect to the AGM, in accordance with Section 179 of the Companies Act (Cap. 50) of Singapore and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

8. The Company shall be entitled to reject the Proxy Form if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the Proxy Form.

9. In the case of a member of the Company whose shares are entered against his/her name in the Depositor Register, the Company may reject any Proxy Form if the member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

10. A member of the Company who holds his/her shares through a Relevant Intermediary* (including CPFIS Members or SRS investors) and who wish to exercise his/her votes by appointing the Chairman of the Meeting as proxy should approach his/her Relevant Intermediary (including his/her CPF Agent Bank or SRS Approved Bank) to submit his/her voting instructions at least seven (7) working days prior to the date of the AGM.

    *A Relevant Intermediary is:

    (a) a banking corporation licensed under the Banking Act (Cap. 19) of Singapore 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; or

    (b) a person holding a capital markets services licence to provide custodial services under the Securities and Futures Act (Cap. 289) of Singapore and who holds shares in that capacity; or

    (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36) of Singapore (the "**CPF Act**"), in respect of shares purchased under the subsidiary legislation made under the CPF 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 Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

NOTICE OF ANNUAL GENERAL MEETING

Participation in AGM proceedings via "live webcast"

11. A member of the Company or their corporate representative (in the case of a member which is a legal entity) will be able to watch or listen to the proceedings of the AGM through a "live" webcast via mobile phone, tablet or computer ("**Live Webcast**"). In order to do so, the member must pre-register by 2.00 p.m. on 23 June 2020 ("**Registration Deadline**"), at the following URL: https://bigbangdesign.co/world-precision-machinery-pre-registration-microsite (the "**Pre-registration Website**").

12. It is important that you provide your email address in your registration form. Following authentication of his/her/its status as a member of the Company, such member will receive an email on their authentication status containing login credentials to access the Live Webcast of the AGM proceedings using the account created.

13. Members who have pre-registered by the Registration Deadline but do not receive the aforementioned email by 2.00 p.m. on 24 June 2020 should contact Samuell Ng at the following email address: saisamuelng@hotmail.com, with the following details included: (1) the full name of the shareholder; and (2) his/her/its identification/registration number.

Submission of questions prior to the AGM

14. A member of the Company may also submit questions relating to the resolutions to be tabled for approval at the AGM or the Company's businesses and operations. The Company will endeavour to address questions which are substantial and relevant during the AGM proceedings.

15. To do so, all questions must be submitted no later than 2.00 p.m. on 23 June 2020:

    (a) via the Pre-registration Website; or
    (b) in physical copy by depositing the same at the registered office of the Company's Share Registrar, B.A.C.S. Private Limited, at 8 Robinson Road, #03-00 ASO Building, Singapore 048544; or
    (c) by email to Samuell Ng at email address: saisamuelng@hotmail.com.

16. If the questions are deposited in physical copy at the registered office of the Company's Share Registrar or sent via email, and in either case not accompanied by the completed and executed Proxy Form (as defined below), the following details must be included with the submitted questions for verification purposes, failing which the submission will be treated as invalid: (i) the member's full name; and (ii) his/her/its identification/registration number.

Personal data privacy:

By pre-registering for the Live Webcast, submitting a Proxy Form appointing the Chairman of the Meeting as proxy to vote at the AGM and/or any adjournment thereof, and/or submitting questions relating to the resolutions to be tabled for approval at the AGM or the Company's businesses and operations, a member of the Company: (i) consents to the collection, use and disclosure of such 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 AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (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 such member discloses the personal data of such member's proxy(ies) and/or representative(s) to the Company (or its agents), such 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 such member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of such member's breach of warranty.

WORLD PRECISION MACHINERY LIMITED
(Incorporated in the Republic of Singapore)
(Co. Reg. No: 200409453N)

IMPORTANT:
1. Alternative arrangements relating to, amongst others, attendance, submission of questions in advance and voting by proxy at the AGM are set out in the Company's announcement dated 10 June 2020 which, together with the Notice of Annual General Meeting dated 11 June 2020, have been uploaded on SGXNET on the same day. The announcement and the Notice of Annual General Meeting can also be accessed at the Company's corporate website (www.wpmlimited.com).
2. A member will not be able to attend the AGM in person. Please see Note 2 below for further details.
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

This Proxy Form has been made available on the Company's corporate website (www.wpmlimited.com) and SGXNET. A printed copy of this Proxy Form will **not** be despatched to members of the Company.

I/We*, ______________________________ (Name), NRIC/Passport number*______________________

of ____ (Address)

being a member/members of World Precision Machinery Limited (the "**Company**"), hereby appoint the **Chairman of the Meeting** as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting ("**AGM**" or the "**Meeting**") of the Company, to be held by way of electronic means on Friday, 26 June 2020 at 2.00 p.m. and at any adjournment thereof.

The proxy shall vote on the Resolutions set out in the Notice of Annual General Meeting dated 11 June 2020 in accordance with my/our directions as indicated hereunder.

No.	Resolutions relating to:	For(1)	Against(1)	Abstain(1)
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2019			
2	Payment of proposed final dividend			
3	Re-election of Mr. Wang Weiyao as a Director			
4	Re-election of Mr. Phang Kin Seng (Lawrence) as a Director			
5	Approval of Directors' fees amounting to S$180,000 for the financial year ending 31 December 2020, to be paid quarterly in arrears			
6	Re-appointment of KPMG LLP as Auditors			
7	Share Issue Mandate			
8	The Proposed Renewal of Interested Person Transactions Mandate			

(1) *Voting will be conducted by poll. If you wish the Chairman of the Meeting, as your proxy, to cast all your votes for or against a Resolution, please indicate with a "√" in the space provided under "For" or "Against". If you wish the Chairman of the Meeting, as your proxy, to abstain from voting on a Resolution, please indicate with a "√" in the space provided under "Abstain". Alternatively, please indicate the number of shares that the Chairman of the Meeting as your proxy is directed to vote "For" or "Against" or to abstain from voting. In the absence of specific directions, the appointment of the Chairman of the Meeting as your proxy will be treated as invalid.*

Dated this ______________ day of June 2020

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

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 (Cap. 289) of Singapore), 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 form of proxy shall be deemed to relate to all the Shares held by you.

2. Pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (as amended from time to time), the AGM will be held by way of electronic means and members of the Company will NOT be allowed to attend the AGM in person.

3. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, such member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in this Proxy Form, failing which the appointment will be treated as invalid.

4. The Chairman of the Meeting, as proxy, need not be a member of the Company.

5. The Proxy Form must be submitted:

   (a) by depositing a physical copy at the registered office of the Company's Share Registrar, B.A.C.S. Private Limited, at 8 Robinson Road, #03-00 ASO Building, Singapore 048544; or
   (b) by sending a scanned PDF copy by email to main@zicoholdings.com.

   in each case, not later than 2.00 p.m. on 24 June 2020, and failing which, the Proxy Form will not be treated as valid.

6. This Proxy Form must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where this Proxy Form is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised. Where this Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this Proxy Form, failing which this Proxy Form may be treated as invalid.

7. 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 with respect to the AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

8. A member of the Company who holds his/her shares through a Relevant Intermediary* (including CPFIS Members or SRS investors) and who wish to exercise his/her votes by appointing the Chairman of the Meeting as proxy should approach his/her Relevant Intermediary (including his/her CPF Agent Bank or SRS Approved Bank) to submit his/her voting instructions at least seven (7) working days prior to the date of the AGM.

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(a) a banking corporation licensed under the Banking Act (Cap. 19) of Singapore 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; or

(b) a person holding a capital markets services licence to provide custodial services under the Securities and Future Act (Cap. 289) of Singapore and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36) of Singapore (the "**CPF Act**"), in respect of shares purchased under the subsidiary legislation made under that CPF 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 Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

PERSONAL DATA PRIVACY:

By submitting a Proxy Form appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 June 2020.

GENERAL:

The Company shall be entitled to reject this Proxy Form 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 this Proxy Form. In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject any Proxy Form 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)*
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 COMMITEE
Lim Yoke Hean *(Chairman)*
Phang Kin Seng (Lawrence)
Wang Weiyao

COMPANY SECRETARY
Yuen Pei Lur Perry

REGISTERED OFFICE
120 Robinson Road
#08-01 Singapore 068913
Tel: (65) 6535 3600
Fax: (65) 6225 7725

BUSINESS OFFICE
World Industrial Park, Picheng Village,
Danbei Town, Danyang City, Jiangsu Province
People's Republic of China
Postal Code 212311
Tel: (86) 511 8634 6999
Fax: (86) 511 8634 2767

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

EXTERNAL AUDITORS
KPMG LLP
Public Accountants and Chartered Accountants
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

AUDIT PARTNER-IN-CHARGE
Teo Han Jo
(Appointed wef financial year ended 31 December 2019)

INTERNAL AUDITORS
Nexia TS Risk Advisory Pte. Ltd.
80 Robinson Road
#25-00, Singapore 068898

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WORLD

WORLD PRECISION MACHINERY LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 200409453N)

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Danbei Town, Danyang City, Jiangsu Province
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Website: www.wpmlimited.com