

# World Precision Machinery Limited



Sustainability Report 2017

## CONTENTS

---

I.	Message From the Board	1
II.	About this Report	2
III.	Organisational Profile	3
IV.	Stakeholders' Engagement	7
V.	Material Topics	8
VI.	Economic Performance	9
VII.	Occupational Health and Safety	10
VIII.	Employment	11
IX.	Energy	13
X.	Global Reporting Initiative (GRI) Content Index	14

## MESSAGE FROM THE BOARD

---

### **MR. SHAO JIANJUN**

*Executive Chairman*

Dear Shareholders, on behalf of the Board of Directors (the "Board"), I am pleased to announce the publication of our 2017 Sustainability Report that is in compliance with the Global Reporting Initiative (GRI), in relation to the financial year ended 31 December 2017 ("FY2017").

With stakeholders' growing expectations in engaging global issues, the Board believes that being sustainable and dynamic in the ever-changing world of business is the way to sustain growth. We believe that this demonstrates our commitment to our stakeholders.

World Precision Machinery Limited and its subsidiaries (the "Group") take pride in its assurance of the range of quality stamping machines produced, to suit the needs of a myriad of industries including automotive, home appliances and electronics. Through its very strong in-house Research and Development (R&D) team, the Group has adapted well to the gradual shift towards high-end stamping machines in its product mix, which is in line with its strategy to raise its market share in the premium sector.

We place strong importance in the relationship between customers and stakeholders and have steadily continue to improve our position in strengthening our current position and future projects. This will help us augment the current market presence and help us achieve our long term goals that we set for ourselves.

In this Sustainability Report, we have identified and selected 4 Environmental, Social and Governance (ESG) issues to focus on. These issues have been carefully selected, and have the greatest impact on our key stakeholders.

# ABOUT THIS REPORT

---

## **Report Background**

The Company has always adhered itself to the rules 711A and 711B of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”). Sustainability is paramount in the Group’s direction to move forward, and thus this report serves as a form of transparency to its relevant stakeholders.

This sustainability report focuses on the period from 1 January 2017 to 31 December 2017 across the Group, where its businesses are mainly focused in Danyang City, Jiangsu Province, the People’s Republic of China (“PRC”).

Risk management procedures are in place to identify major business risks and Management regularly reviews the Group’s strategic position, operational, financial and compliance risk through careful checks.

The Group has also designed processes to collect and/or estimate, assess and report on the data for this Sustainability Report and it plans to continue to report on its progress annually. No external assurance has been sought for FY2017.

### **Reporting Boundaries and Standards**

- **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 the Group’s performance.

### **Report Period and Scope**

This report covers data and information from 1 January 2017 to 31 December 2017 and discusses the Group’s achievements and performance towards Environmental, Social and Governance (“ESG”) issues.

### **Accessibility & Feedback**

The Group continues to print only limited copies of this sustainability report as part of our environmental conservation efforts. Current electronic edition can be obtained from the Group’s website.

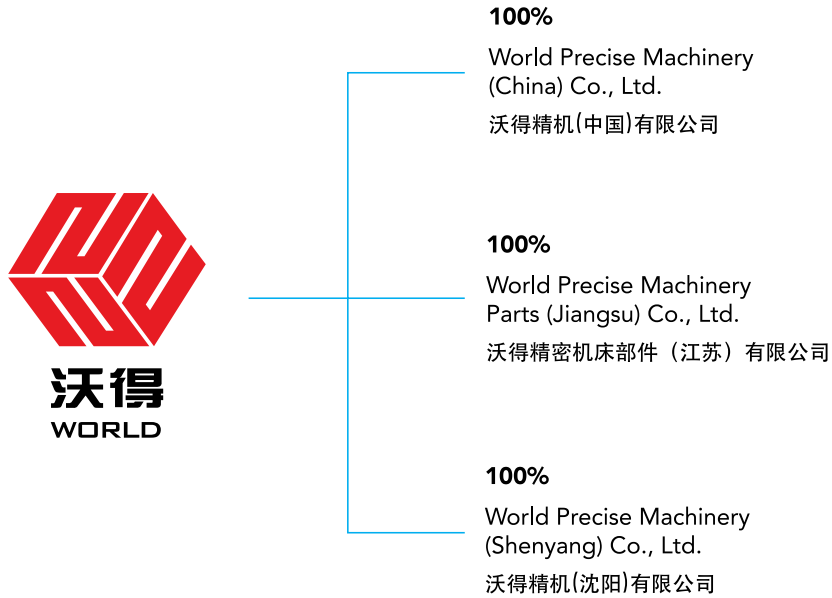
The Group is committed to listening to its stakeholders and look forward to their feedback. Please send your feedback through the Group’s website.

# ORGANISATIONAL PROFILE

## Company Background

The Company was incorporated in Singapore in year 2004 and was listed on the Main Board of SGX-ST (stock code of B49) in year 2006. The Group's principal place of business is based in Danyang, PRC and the Company has three wholly-owned subsidiaries, as shown below:

## Corporate Structure



The subsidiaries provide and contribute related products such as machinery parts and accessories, as well as precision components. Our products are widely used in many different countries from China to South Africa, and in industries such as automotive parts, home appliances, electronics, railways, aeroplane, hardware, machinery, etc.

## Corporate Mission and Vision

The Group endeavours to become the most influential stamping machine manufacturer in the PRC and the world. We want to create value for customers and to provide a development platform for employees. Lastly, we want to become the preferred brand of our customers.

## Supply Chain Management

The Group's suppliers are extensively sourced and stringently evaluated to ensure that they meet the relevant specific guidelines that is in place, following the core values and vision of the Group. We aim to source from consistent, reliable and cost-effective suppliers and minimise the potential disruptions in the supply chain.

The Group also ensures that its Directors, substantial shareholders or any of their associates are independent of the major suppliers. It also ensures that no Directors and Executive Officers are materially dependent on any industrial, commercial or financial contract with any supplier.

# ORGANISATIONAL PROFILE

## 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 COMMITTEE

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

## External Initiatives

In response to the national environmental control policy of the PRC, the Group has invested a large number of air and water treatment equipments for environmental protection in the past two years. Equipments such as retractable folding, grinding rooms and oil film spraying rooms are being created to reduce pollution and achieve environmental protection purposes.

The Group prioritises the hiring of locals in Jiangsu Province. As of September 2018, there were 2028 employees working for the Group, of which, 1350 were local staff and 678 were non-local/foreigners. This initiative of promoting the employment of a larger number of locals in the Group will reduce the local unemployment rate and decrease the local labour shortfall.

## Membership of Associations and Certificates

### Certificates of Enterprise Awards



# ORGANISATIONAL PROFILE

## Membership of Associations and Certificates

### Certificates of Enterprise Awards



## Membership of Associations and Certificates

### 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)

# ORGANISATIONAL PROFILE

---

## **Governance and Sustainability**

The Board recognises that sound corporate governance practices are important to the proper functioning of the Group and enhance the interests of all shareholders. The Group will always strive to do its best in safeguarding against fraud with the aim to protect stakeholders' interests, and to minimise its environmental footprint on the environment. The Company has also established policies for issues such as Conflict of Interests, and Whistleblowing and Fraud.

## **Conflict of Interest Policy**

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee and that such transactions are reviewed and approved by senior executives, Audit Committee 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.

## **Whistleblowing and Fraud**

The Group has in place a culture to highlight any inappropriate behaviour among its employees in order to maintain high ethical standards of accountability, reliability and honesty for its stakeholders at all times.



# STAKEHOLDERS' ENGAGEMENT

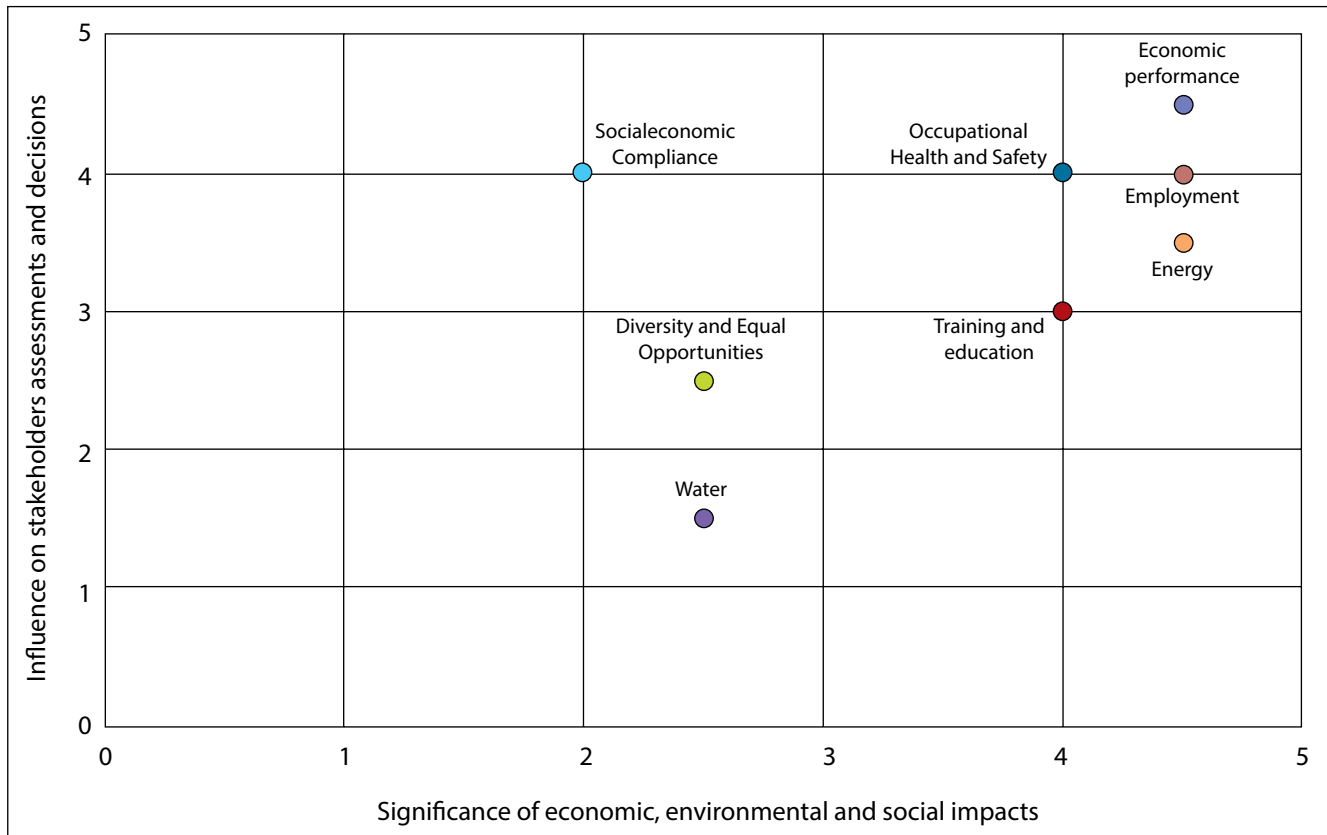
## Stakeholders' Participation

As the Group embarks on its sustainability journey to further enhance its continuous growth, it encourages feedback from stakeholders and will incorporate them into its corporate strategies if they are appropriate and relevant.

Stakeholder Group	Engagement Activities	Stakeholder's Expectations
Customers	<ul style="list-style-type: none"> <li>• Customer helpdesk</li> <li>• Hosting of customer feedback sessions</li> </ul>	<ul style="list-style-type: none"> <li>• Pleasant and efficient customer support</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Maintain and develop current and new business dealings</li> <li>• Fair and appropriate quotations</li> </ul>	<ul style="list-style-type: none"> <li>• Consistent and reliable communication between both parties</li> <li>• Ethical sourcing of raw materials</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Induction and Orientation Programme</li> </ul>	<ul style="list-style-type: none"> <li>• Staff welfare and benefits</li> <li>• Employee rights</li> </ul>
Investors and Shareholders	<ul style="list-style-type: none"> <li>• Annual general meetings</li> <li>• Circulation of annual reports and financial statements</li> </ul>	<ul style="list-style-type: none"> <li>• Transparency from Board and Management</li> </ul>
Government and Regulators	<ul style="list-style-type: none"> <li>• Maintain a good working relationship with authorities and regulators</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with all law and regulation guidelines</li> <li>• Timely reporting of issues</li> </ul>

## MATERIAL TOPICS

The material topics identified are based on the ESG framework and the degree of significance on the Group’s stakeholders. After gaining insightful feedback from its stakeholders such as sustainability and changes in global outlook, the Group has identified these topics as reflected in the materiality matrix table below:



The Sustainability Topics selected are:

- Economic Performance
- Occupational health and safety
- Employment
- Energy

## ECONOMIC PERFORMANCE

The Group is pleased to announce that in order to achieve sustainable strategic growth, it has released five new stamping models compared to three models from the previous year. The increase in production showcases its unique R&D capability to meet the demands of its customers.

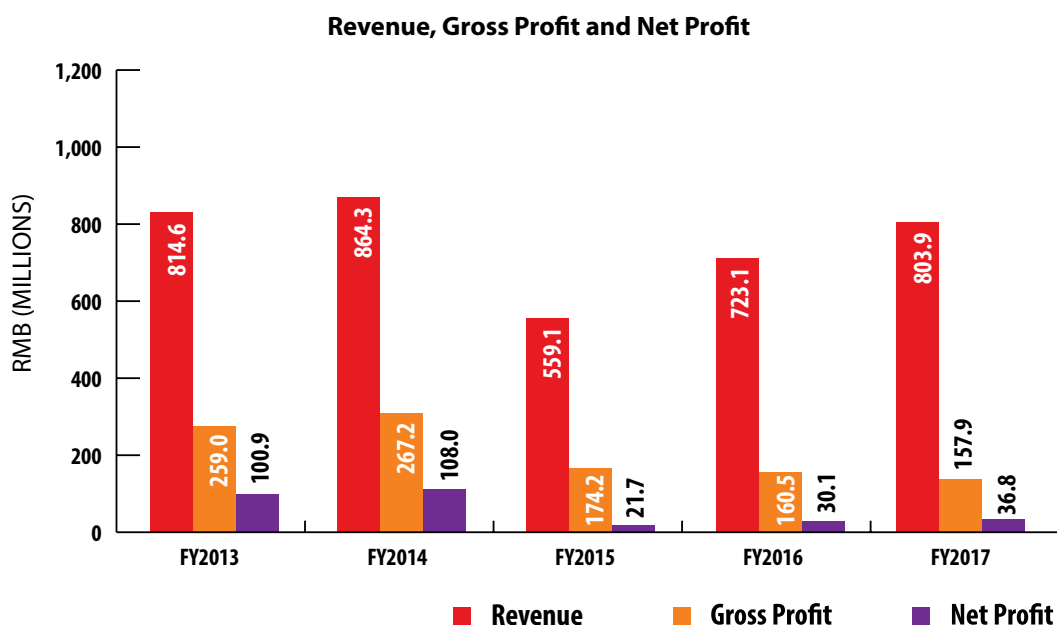
### Financial Highlights

The Group's revenue recorded a year-on-year ("yoy") increase of 11.2% to RMB803.9 million for FY2017 from RMB723.1 million for the financial year ended 31 December 2016 ("FY2016"). The increase in the Group's overall sales was largely due to the increase in number of units sold in conventional stamping machines and high performance and high tonnage ("HPHT") stamping machines, which was partially offset by a downward revision in the average selling prices ("ASP") of the stamping machines.

For FY2017, the Group's finance expenses recorded a decrease of 55.3% to RMB3.3 million from RMB7.5 million in FY2016 which was mainly due to a gradual decrease in interest expenses relating to a gradual decrease in bank loans.

As a result of the above, the Group's net profit for FY2017 increased by 22.2% to RMB36.8 million from RMB30.1 million for FY2016.

The Group strives to be the forerunner in the production of stamping machines to its customers, and integrate its cutting edge R&D developments into its current and future work plans. As such, the Group will be able to achieve more cost-saving and efficiency in an ever-changing and dynamic industry.



## OCCUPATIONAL HEALTH AND SAFETY

---

The Group has always strived to reinforce health and safety, which is of the highest paramount. It is always committed to upholding the stringent and rigorous standards of Occupational Health and Safety (OHS), and ensuring that a culture of health and safety is integrated throughout the Group and its stakeholders.

### Organisation Safety

The Group's OHS-related policies set out to create a healthy and safe environment for all its employees to work in. At the Group level, the Company has adopted policies such as fire protection, hygiene and sanitation in handling equipment to ensure that there will be no cross contamination in its products. The Group strives to conform to international recognised standards and codes such as OHSAS 18001 as well as comply with local legislation relating to health and safety.

We also place great importance to accident reports. Any injury suffered by employee, no matter how serious it is, must be immediately reported to their manager or supervisor. The manager or supervisor will assess the severity of the accident and will decide on the appropriate action to be taken. It is compulsory for all incidents to be documented, reported and submitted to Management.

In 2017, there were 242 cases of industrial incidents and the total pay-out amount was RMB504,900. Looking ahead, the Group will continue to emphasize on workplace safety and staff training to reduce the occurrences of industrial accidents.



## EMPLOYMENT

The Group has adopted the policy of recruiting the best talents for specific positions. It recruits employees from a diverse range of backgrounds, qualifications, nationality and age group. It also cultivates an environment that promotes and encourages workers to acquire new skills, to better adapt to their work needs.

The table shows the increase in the number of employees from 2016 to 2017:

Year	2017 (No.)	2016 (No.)
Former Employees	1,699	1,648
New Hire	328	218
Resigned/Terminated	238	167
Existing Employees	1,789	1,699
Change (Percentage)	5.30%	3.09%

The increase in the labour force has brought about tremendous growth in production to meet its growing demand. All these changes have been documented in its financial report.

### **Appraisals and Evaluation**

All employees and staff will go through an annual appraisal for assessment and evaluation, so that the Group is able to recognise the contributions and talents of its employees and staff. This is to acknowledge the talents of its staff, and to further develop their skills and holistic well-being via trainings, promotion or workshops.

The Group treasures talent, and hope to retain productive employees with the necessary skills and the right attitude.



# EMPLOYMENT

## Diversity and Fair Practices

The Group's employees and staff are its most valuable assets. It is responsible for fair and just hiring processes, i.e. hiring based on talent rather than class privilege and wealth. The Group employs the best talent for the job, and also ensures that there is a healthy mix of men and women in the workplace.

## Gender Ratio

Year	Males		Females	
	Percentage	No.	Percentage	No.
2017	77.70	1,390	22.30	339
2016	77.40	1,315	22.60	384

The Group also maintains a two-way communication with all its employees and staff through emails and phone calls in order to acknowledge any feedback from its staff and employees, and vice versa, so that it can improve from these feedbacks/suggestions and build a better working environment for all.



## ENERGY

---

As supply chains get more and more extensive for the Group to source raw materials to create the stamping machines, there is an increase in its consumption of energy to sustain its business.

In 2017, the energy consumption of the company was as follows:

Source	Units
Water	177,500m <sup>3</sup>
Electricity	53,100,900 Kilowatt Hour (kWh)
Gas	1,355,600m <sup>3</sup>

The Group seeks to source energy that generates the most minimal impact on the community and the environment. It is committed to engaging with the relevant authorities and the local communities to acquire different forms of energy to power its businesses. In addition, the Group is also looking forward to increase its reliance on renewable sources in the future. It is not only committed to the procurement of new sources of energy but also to the use of cleaner and environmentally friendly sources of energy such as solar energy and also the use of energy-saving lamps. The Group is also committed to creating a green workplace for its employees and the local communities, and to reduce its future dependence on non-renewable energy.

# GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

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



# GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

GRI Standard/ Disclosure	Page Reference and Reasons for Omission, if applicable	
<b>MATERIAL TOPICS</b>		
<b>GRI 201: Economic Performance</b>		
103-1	Explanation of the material topic and its boundaries	
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
201-1	Direct Economic value generated and distributed	Page 9
201-2	Financial implications and other risk and opportunities due to climate change	
201-3	Defined benefit plan obligations and other retirement plans	
201-4	Financial assistance received from government	
<b>GRI 403: Occupational Health and Safety</b>		
103-1	Explanation of the material topic and its boundaries	
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
403-1	Workers representation in formal joint management–worker health and safety committees	Page 10
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	
403-3	Workers with high incidence or high risk of diseases related to their occupation	
403-4	Health and safety topics covered in formal agreements with trade unions	
<b>GRI 401: Employment</b>		
103-1	Explanation of the material topic and its boundaries	
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
401-1	New employee hires and employee turnover	Page 11-12
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	
401-3	Parental leave	
<b>GRI 302: Energy</b>		
103-1	Explanation of the material topic and its boundaries	
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
302-1	Energy consumption within the organization	Page 13
302-2	Energy consumption outside of the organization	
302-3	Energy intensity	
302-4	Reduction of energy consumption	
302-5	Reduction in energy requirements of products and services	