沃得
WORLD

创新中国　创新沃得

ANNUAL REPORT 2017

沃得
WORLD

企业使命及愿景
CORPORATE MISSION AND VISION

成为中国乃至世界最具影响力的锻压行业制造商
To become the most influential stamping machine manufacturer in China and the world

为客户创造价值 为员工搭建发展平台
To create value for customers; To provide a development platform for employees

成为客户的首选品牌
To become the preferred brand of our customers

CONTENTS

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

COMPANY PROFILE

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

The Group currently manufactures 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)") is 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 2017-2019. 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 2017 grew by 3.2% and 3.0% year-on-year to 29,015,000 and 28,879,000 units respectively. The automobile industry is witnessing a stable growth despite facing some challenges from the implementation of the preferential reduction on purchase tax[1].

In FY2017, the Group's revenue contributed by the automotive sector was around RMB281.4 million and accounted for 35.0% of the Group's overall sales.

HOME APPLIANCES

According to statistics from market consultancy Statista, China's smart home market is expected to reach a value of RMB130 billion ($20.3 billion) by 2018, with an annual growth rate of about 48%, a big jump from the RMB40.3 billion market in 2015[2]. The demand for household appliances is expected to remain robust in China which will be mainly driven by the rising individual income levels and growing urbanization.

For FY2017, the Group's revenue from the home appliances sector was RMB201.0 million and accounted for 25.0% of the Group's overall sales.

ELECTRONICS

Overall, consumer electronics experienced retail volume growth in 2017 especially in the new categories such as wearable electronics and OLED TVs. There are growing demands among the consumers in China where they have expressed great interest in devices with smarter functions, such as smart TVs and smart wearable. Driven by rising disposable income, consumers would tend to purchase high-end products such as curved and big-screen monitors, convertible laptops or tablets with detachable keyboards and etc[3].

The Group's revenue from this sector was RMB192.9 million and accounted for 24.0% of the Group's overall sales for FY2017.

OTHERS

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

China has earmarked a total investment of RMB732 billion in railway construction in 2018. About RMB702 billion of the total investment will be used to build 4,000 km of new rail tracks, including 3,500 kilometers in high-speed railways in 2018.

China also plans to expand the total mileage of the nation's railways in operation to 150,000 km, covering most cities with a population larger than 200,000 by 2020[4].

For FY2017, the Group's revenue from this sector was RMB128.6 million and accounted for 16.0% of the Group's overall sales.

1 The automobile witnessed stable growth, http://www.caam.org.cn/AutomotivesStatistics/20180115/1305214919.html
2 AI-enabled smart homes coming soon, http://www.chinadaily.com.cn/a/201801/25/WS5a6936f3a3106e7dcc1367ab.html
3 Consumer electronics in China, http://www.euromonitor.com/consumer-electronics-in-china/report
4 China to invest $113b in railway in 2018, http://usa.chinadaily.com.cn/a/201801/03/WS5a4c90c4a31008cf16da4e93.html

MILESTONES

1999

MARCH

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

Established production area of approximately 6,600 sqm.

2000

AUGUST

Expanded production area to approximately 14,700 sqm.

2002

AUGUST

Expanded production area to approximately 36,800 sqm.

2003

OCTOBER

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

2004

MAY

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

2005

FEBRUARY

Acquisition of WPM (China).

JUNE

Expanded production area of approximately 130,000 sqm.

2011

APRIL

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

MAY

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

OCTOBER

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

NOVEMBER

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

DECEMBER

Increased investment in 60% owned subsidiary, SSP.

2012

FEBRUARY

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

JULY

Increased investment in wholly-owned subsidiary, WHMT.

SEPTEMBER

Increased investment in wholly-owned subsidiary, WPMS.

DECEMBER

WPMS completing Phase 1 of its plant.

2013

JANUARY

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

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

FEBRUARY

Increased investment in wholly-owned subsidiary, WHMT.

MARCH

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

2006

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

Expanded production area by a further 100,000 sqm.

2007

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

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

2008

China Holdings Acquisition Corp. proposed acquisition of the Group.

2009

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

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

2010

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

2013

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

New product launch, JX36-630.

DECEMBER
Divestment of SSP.

2014

JANUARY
New product launch, JS36-250.

JUNE
New product launch, JSG36-1000.

2015

JANUARY
New product launch, J31-1250.

JUNE
New product launch, JX36-1000.

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

2016

APRIL
New product launch, DS1-160.

JULY
New product launch, JS39-1600.

OCTOBER
New product launch, JH24-200.

2017

MARCH
New product launch, NC1-110.

MAY
New product launch, NC1-160.

JULY
New product launch, NC1-200.

OCT
New product launch, NC1-260.

NOV
New product launch, JA89-1000.

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 2017 ("FY2017").

2017: YEAR IN REVIEW

Global oil prices hit US$70 per barrel in early January 2018, reaching their highest level since December 2014[1]. Ongoing production cuts led by the Organisation of the Petroleum Exporting Countries (OPEC) have resulted in the stabilisation of global oil prices. In addition, expectation of robust global oil demand growth is also pushing oil prices higher on the demand side. Improving global growth outlook was also one of the main reasons for the rise in the oil prices.

China's Gross Domestic Product ("GDP") expanded 6.9% in 2017, representing the first acceleration in the annual growth pace in seven years. Two-thirds of its economic growth came from consumer spending largely due to China's intention to rebalance its economy away from investment and towards consumption-driven growth. According to the National Bureau of Statistics, China's industrial output expanded 6.6% in 2017, up from 6% in 2016 which is in line with the economic growth. In addition, the utilisation of China's industrial capacity has reached 77% in 2017. This marks the highest levels in nearly five years[2].

In line with the growth in GDP, the Group recorded higher sales for FY2017 due to the increase in high performance and high tonnage stamping machines sales volume which was partially offset by a downward revision in the average selling prices of the stamping machines. The Group's net profit attributable to equity holders increased by 22.2% year-on-year ("yoy") to RMB36.8 million for FY2017, which translated into basic earnings per ordinary share of 9 Renminbi cents for our shareholders.

INDUSTRY OUTLOOK

We foresee that China will still be facing challenges in further driving economic growth as it rebalances away from exports and towards consumption and investments. Besides that, systemic financial risk is also one of the top challenges China faces, in which the debt level at state-owned enterprises has continued to rise.

In line with the improved economy and sound performance of the housing market, consumer appliances sector registered a healthy volume growth, especially the smart home appliances are increasingly popular in China. Driven by the rise in affluence, faster pace of life and mounting work pressures, the demand for smart home appliances remains robust. Affluent consumers are pursuing a smarter, high-end lifestyle, which has given a big boost to the smart home market[3]. According to statistics from market consultancy, Statista, China's smart home market is expected to reach a value of RMB130 billion (S$20.3 billion) by 2018, with an annual growth rate of about 48%, a significant increase from RMB40.3 billion in 2015[4].

In addition, consumer electronics experienced retail volume growth in 2017 especially in the new categories such as wearable electronics and OLED TVs. However, the growth is partially offset by the volume decline in certain categories such as computers, in-car entertainment, video players and etc. Nevertheless, driven by rising disposable incomes and continued product innovation, emerging products such as smart wearables and OLED TVs are expected to record double-digit retail volume CAGRs over the next five years[5].

Green energy car sales have risen dramatically on the back of government policies and the Chinese Government will continue to promote the usage of new energy vehicles, targeting to achieve sales of 35 million vehicles by 2025[6]. Besides that, China has earmarked a total investment of RMB732 billion in railway construction in 2018. About RMB702 billion of the total investment will be used to build 4,000 km of new rail tracks by 2018[7]. Coupled with the Group's established brand name, the Group is well-capitalised to capture the huge business opportunities from these industries.

The Group is aware of the mounting cost pressure due to escalating raw material and labour costs. China steel price index rose 22.4% from the beginning of 2017 to 121.8 at the end of the year due to cutting overcapacity, a ban on low-quality steel, production restrictions during winter, and recovering market demand[8]. China's minimum wages are set to rise further in the coming years as the government has pledged to wipe out poverty by 2020 to build a "moderately prosperous society". With these in mind, the Group will proactively manage its inventory and lock in raw material prices with suppliers every three months while maintaining regular cost reviews of operations to maximise productivity and efficiency.

Going forward, the Group's strategy is to increase its market share aggressively through innovation. We have always been committed in research and development ("R&D") investment to stay relevant and to further enhance our market competitiveness and profitability. We strive to innovate our products and provide new products offerings to our customers. In addition, the Group is utilising more advanced equipment to improve production efficiency and product quality. Over the years, we have maintained a strong R&D team with around 200 technical staff and invest about 3.5% of annual sales in R&D. Currently, one of the Group's subsidiaries is accredited as "High/New Technology Enterprise" ("HNTE") by Jiangsu Ministry of Science and Technology Department. This subsidiary stands to enjoy a preferential tax rate of 15.0% instead of a standard tax rate of 25.0%.

A WORD OF APPRECIATION

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

Next, we would like to express our heartfelt gratitude to Ms. Jiang Hongdi, who has stepped down as Group Finance Director on 28 February 2018. The Board would like to express their heartfelt appreciation to Ms. Jiang for her contributions to the Group and wish her all the best for her future endeavour. We would also like to welcome Mr. Wen Hui who has been appointed as the Chief Deputy General Manager of World Precise Machinery (China) Co., Ltd.. He will be leading the production, technical, quality control, procurement and equipment departments.

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

Mr. Shao Jianjun
Executive Chairman

Mr. Ge Minglei
Chief Executive Officer

1 As oil hits US$70, warning lights flash up in Asia, http://www.businesstimes.com.sg/energy-commodities/as-oil-hits-us70-warning-lights-flash-up-in-asia
2 China's industrial capacity utilization hits five-year high, http://www.xinhuanet.com/english/2018-02/17/c_136982149.htm
3 Consumer Appliances in China, http://www.euromonitor.com/consumer-appliances-in-china/report
4 AI-enabled smart homes coming soon, http://www.chinadaily.com.cn/a/201801/25/WS5a6936f3a3106e7dcc1367ab.html
5 Consumer electronics in China, http://www.euromonitor.com/consumer-electronics-in-china/report
6 China targets 35 million vehicle sales by 2025, NEVs to make up one-fifth, https://www.reuters.com/article/us-china-autos-electric/china-targets-35-million-vehicle-sales-by-2025-nevs-to-make-up-one-fifth-idUSKBN17R086
7 Rail system to grow by 4,000km in 2018, http://www.chinadaily.com.cn/a/201801/03/WS5a4bfb27a31008cf16da4b5c.html
8 China's steel industry improves as capacity reduction pays off, http://www.xinhuanet.com/english/2018-02/11/c_136967480.htm

亲爱的股东，

我们，谨代表董事会，很荣幸为您介绍沃得精机有限公司（“World Precision”，连同其附属公司统称“本集团”）截至2017年12月31日（2017财年）的 年度报告。

2017财年回顾

国际油价在2018年1月初触及每桶70美元，创下自2014年12月以来的最高水平[1]。除了石油输出国组织(OPEC)持续地减产导致全球石油价格缓慢稳定之外，全球石油需求增长强劲也推动着油价的走高。此外，全球增长前景的改善也是油价上涨的主要原因之一。

中国国内生产总值（“GDP”）同比增长了6.9%，这是中国经济在过去7年以来首次提速。其中三分之二的经济增长来自国内消费，主要是由于中国试图将经济从投资重新平衡为国内消费。据国家统计局统计，2017年中国工业产值增长6.6%，高于2016年的6%，这与经济增长是一致的。此外，2017年中国工业产能利用率达到77%，这是近五年来达到的最高水平[2]。

随着国内生产总值的增长，本集团在2017财年实现了较高的销售额，因为高性能和高吨位冲压机销售量的增加，但部分的销售额被冲压机的平均销售价格的下调所抵消。本集团归属于权益持有人的净利润同比增长22.2%至人民币3,675.0万元，相等于普通股每股收益0.09元人民币。

展望未来

随着中国经济从出口转向消费和投资，我们估计中国在推动经济增长的过程中仍将面临挑战。除此之外，因为国有企业的债务水平居高不下，系统性金融风险也是中国面临的最大挑战之一。

随着经济状况的改善和房地产市场的良好表现，消费电器行业的销量增长良好，尤其是在中国越来越受欢迎的智能家电。随着富裕程度的提高，生活节奏逐步加快和工作压力大，消费者对智能家电的需求依然强劲[3]。富裕的消费者正在寻求更智能，更高端的生活方式，这给智能家居市场带来了巨大的推动力。根据市场咨询机构Statista的统计数据，中国智能家居市场预计到2018年将达到人民币1,300亿（203亿美元），年均增长率约为48%，较2015年的人民币403亿大幅增长[4]。

除此之外，中国消费电子市场持续增长，特别是在新型可穿戴电子产品和OLED电视等有创新和智能功能的产品。然而，这增长部分被电脑，车载信息娱乐系统，视频播放器等类别的销售下降所抵消。尽管如此，受可支配收入的增加和产品的持续创新的推动，智能穿戴设备和OLED电视等新兴产品预计将在2017至2022年取得两位数的零售量复合年增长率[5]。

政府所推出的政策使绿色能源汽车销量大幅增加，政府也将继续推动新能源汽车的使用，放眼在2025年实现3,500万辆的销售[6]。除此之外，中国在2018年预计铁路建设总投资将达到人民币7,320亿，其中约人民币7,020亿将在2018年内用于新建4,000公里的铁路[7]。凭着本集团的著名品牌，本集团能够抓住这些市场新的机遇。

执行董事和行政总裁致词

本集团注意到由于劳动力和原材料成本的增加，成本压力不断增加。中国钢材价格指数由于产能过剩，劣质钢材禁用，冬季生产限制以及市场需求回升等因素，从2017年初上涨22.4%至2017年末的121.8点。随着政府承诺到2020年消除贫困，建设“小康社会”，未来几年中国的最低工资将进一步提高。考虑到这些因素，本集团将主动管理库存并每三个月锁定原材料价格，同时保持对运营的定期成本评估，以最大限度地提高生产力和效率。

本集团未来的策略是通过创新积极增加其市场份额。我们一直致力于研发，以进一步提升我们的市场竞争力及盈利能力。我们也致力于创新我们的产品并为客户提供新的产品。此外，本集团正在利用更先进的设备来提高生产效率和产品质量。多年来，本集团一直 致力于保持一支由大约200名技术人员组成的强大的 研发团队，并投入约3.5%的年销售额用于研发。目前，本集团一家子公司被江苏省科技厅认定为“高新技术企业”（简称“HNTE”）。这子公司享有15.0%的优惠税率，而不是25.0%的标准税率。

致谢词

首先，我们要感谢客户在过去一年对于我们产品的坚 定支持。

蒋红娣女士于2018年2月28日卸任为本集团的集团财务董事。董事会谨此向蒋女士致以衷心之感谢，感谢她在本集团所作出的贡献，并预祝她一切顺利。我们也欢迎刚上任为常务副总经理的文辉先生。他将负责生产，技术，质量控制，采购和设备部门。

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

谢谢。

邵建军	葛明磊
执行主席	行政总裁

EARNINGS

The Group's revenue recorded a year-on-year ("yoy") increase of 11.2% to RMB803.9 million for the fiscal year ended 31 December 2017 ("FY2017") from RMB723.1 million for the fiscal year ended 31 December 2016 ("FY2016"). The Group's overall sales increased 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.

Sales of conventional stamping machines increased by 9.4% from 3,719 units for FY2016 to 4,070 units for FY2017 while its ASP decreased by 5.7% to RMB20,499 per unit for FY2017. Sales of HPHT stamping machines increased by 24.1% from 4,061 units for FY2016 to 5,041 units for FY2017 while its ASP decreased by 3.7% to RMB135,326 per unit for FY2017. In terms of change in sales mix, sales of HPHT stamping machines over the total Group's revenue increased by 6.0 percentage points to 84.9% this year. Of the remaining sales, 10.4% came from conventional stamping machines.

The Group's gross profit for FY2017 decreased by 1.6% to RMB157.9 million from RMB160.5 million in FY2016. The gross profit margin for FY2017 decreased by 2.6 percentage points to 19.6% from 22.2% in FY2016. This was largely due to an increase in raw materials costs and a downward revision in the ASP of the stamping machines which was partially offset by an increase in production of conventional stamping machines and HPHT stamping machines.

Gross profit margin for conventional stamping machines decreased by 7.2 percentage points to 10.4% from 17.6% in FY2016 while gross profit margin for HPHT stamping machines decreased by 4.4 percentage points to 20.2% from 24.6% in FY2016.

The Group's distribution and selling expenses increased by 18.6% to RMB71.2 million from RMB60.1 million in FY2016 in tandem with the increase in revenue. As a percentage of total revenue, distribution and selling expenses increased by 0.6% to 8.9% in FY2017 from 8.3% in FY2016.

OPERATIONS REVIEW

Overall, the increase was mainly due to an increase in sales commission payable to sales personnel in tandem with the increase in revenue and an increase in transport expenses, travelling expenses and entertainment expenses which was partially offset by a decrease in after sales services expenses and sales consultation expenses.

The Group's administrative and other expenses decreased by 12.5% to RMB58.8 million from RMB67.2 million in FY2016. The decrease was mainly due to a decrease in allowance for doubtful debts (trade-and non-trade), write-down of inventories, foreign exchange loss and administrative expenses which was partially offset by an increase in research and development costs for stamping machines, staff related costs and depreciation charged.

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's earnings per ordinary share increased 12.5% yoy to RMB0.09 for FY2017 from RMB0.08 for FY2016, on a consistent basis of 400,000,000 outstanding shares.

FINANCIAL POSITION

Total assets were RMB1,507.1 million as at 31 December 2017, down RMB8.5 million yoy from the previous fiscal year. The Group's non-current assets increased by approximately RMB28.9 million mainly due to the acquisition of property, plant and equipment and intangible assets net of the depreciation and amortisation charges which was partially offset by a decrease in prepayment for property, plant and equipment. The Group's total current assets decreased by approximately RMB37.5 million from RMB639.4 million as at 31 December 2016 to RMB601.9 million as at 31 December 2017. This was attributable to a decrease in trade receivables, other receivables, amounts due from related parties which were partially offset by an increase in inventories and cash and cash equivalents.

Total liabilities stood at RMB445.7 million as at 31 December 2017, representing a yoy decrease of 9.2%. The Group's non-current liabilities increased by RMB1.6 million to RMB4.9 million. The Group's total current liabilities decreased by approximately RMB46.8 million from RMB487.6 million as at 31 December 2016 to RMB440.8 million as at 31 December 2017. This was attributable to a decrease in trade payables, bills payables, amounts due to related parties, bank loans and tax payable which was partially offset by an increase in other payables.

The Group is in a net current assets position as at 31 December 2017 of RMB161.1 million. Net assets value per ordinary share increased by RMB0.09 from RMB2.56 per share as at 31 December 2016 to RMB2.65 per share as at 31 December 2017.

CASH FLOW

Cash and cash equivalents were RMB15.9 million as at 31 December 2017, compared with RMB9.6 million in the previous fiscal year.

Net cash generated from operating activities was RMB190.5 million for FY2017. The reasons were discussed in the above Earnings and Financial Position.

Net cash used in investing activities was RMB93.4 million for FY2017. This was mainly due to the acquisition of property, plant and equipment and capitalisation of research and development costs partially offset by proceeds from disposal of property, plant and equipment.

Net cash used in financing activities was RMB90.7 million for FY2017. This was mainly due to net repayment of bank loans and bills payables and interest paid.

BOARD OF DIRECTORS

SHAO JIANJUN

WANG WEIYAO

PHANG KIN SENG (LAWRENCE)

LIM YOKE HEAN

MR. SHAO JIANJUN

Executive Chairman

Mr. Shao Jianjun was appointed as a director of the Company on 28 July 2004 and appointed as the Executive Chairman of the Company on 26 April 2013. He was last re-elected on 28 April 2017. Mr. Shao is currently Executive Chairman of World Precise Machinery (China) Co., Ltd. ("WPM (China)"). Prior to that, he was the Chief Executive Officer ("CEO") of World Precise Machinery (China) Co., Ltd. ("WPM (China)") and is in charge of the overall operations of WPM (China). Mr. Shao joined Jiangsu Danyang Stamping Machine Factory ("DSMF") as a production line worker in April 1974. He had an illustrious career in DSMF and was promoted to the position of Technical Section Leader in 1979 and further promoted to the position of Deputy General Manager in 1984. He was subsequently transferred to JWMT when JWMT acquired the assets and business of DSMF relating to the manufacturing of stamping machines.

On 18 June 1999, he was appointed as the General Manager of JWMT and continued to hold this position until he was transferred to WPM (China) in June 2004. He was subsequently appointed the CEO of WPM (China). Mr. Shao studied in 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 28 April 2016. 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 28 April 2015. Mr. Phang is currently the Managing Director of Vineyard Investments Pte Ltd, a boutique investment and financial consulting company with particular emphasis on the PRC market. Between May 2005 and September 2006, Mr. Phang was the Executive Vice President of Yanlord Land Group Limited, where he successfully led the IPO of this major PRC property developer on the SGX-ST. Mr. Phang was also Director of International Operations (China) for International Enterprise Singapore ("IE Singapore") between November 2001 and May 2005, where he was responsible for IE Singapore's operations in Southern and Western China, through its offices in Hong Kong, Guangzhou and Chengdu. Between August 1998 and August 2001, Mr. Phang was vice-president of the business development division of Singapore Technologies Telemedia Pte Ltd, where he explored investments in telecommunications projects in the Asia Pacific region. In 1982, Mr. Phang was awarded the Colombo Plan Scholarship by the Singapore government to attend the University of Melbourne, Australia, where he graduated with First Class Honours from the Faculty of Engineering in 1985. 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 28 April 2017. Prior to this, Mr. Lim has a 30 year-career in the financial sector which began as an Economist with the Monetary Authority of Singapore. He then became a Corporate Banker with DBS Bank before moving to the investment banking arena as a Senior Investment Manager with DBS Asset Management. Subsequently he spent 13 years with Merrill Lynch and left the global investment bank as one of its Managing Directors in the Global Markets and Investment Banking Division. For 6 years to 2010, he was a Dealing Director with OCBC Securities, responsible for corporate client businesses and capital market transactions. He then took up the position of executive director and chief executive officer of Pheim Asset Management (Asia) Pte Ltd. Currently he is the advisor and director of Aljo Consults (Singapore) Pte Ltd, a management consultancy firm incorporated in 2007. Mr. Lim graduated from Singapore University in 1979 with a 1st class honours in Bachelor of Science (Mathematics).

MR. GE MINGLEI

Chief Executive Officer and General Manager of WPM (China)

In August 2016, Mr. Ge Minglei has been promoted to Chief Executive Officer of the Company and General Manager of WPM (China) and is in charge of overall operation of WPM (China). In March 2016, Mr. Ge Minglei 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. WU YUFANG

Group Vice President

Mr. Wu Yufang was appointed as a director of the Company on 1 March 2013 and appointed as the CEO of the Company on 26 April 2013. Currently, Mr. Wu is the Group Vice President. Mr Wu stepped down as Executive Director on 28 April 2016 and CEO on 12 August 2016. Mr. Wu, since February 2013 was the CEO of WPM (China) and was in charge of overall operation of WPM (China). Mr. Wu, prior to February 2013 was the General Manager of WPM (China) and World Heavy Machine Tools (China) Co., Ltd ("WHMT") and was in charge of overall operation of WPM (China) and WHMT. Prior to that, Mr. Wu was General Manager of WPM (China) and was in charge of overall operation of WPM (China). Mr. Wu joined DSMF as a Production Line Worker in 1986 and was promoted to the position of Production Line Supervisor in 1988. He was subsequently transferred to Jiangsu Fuhao Machinery Manufacturing Co., Ltd ("JFMM") as Production Line Supervisor in June 1998 and was promoted to the position of Engineering and Manufacturing Leader in June 2004. In June 2006, he was appointed as the Deputy General Manager of WPM (China) and was in charge of overall production of WPM (China) and was promoted to the position of General Manager of WPM (China) in January 2008. Mr. Wu studied in the Danyang Picheng Secondary School (High School) from 1976 to 1978.

MR. WEN HUI

Chief Deputy General Manager of WPM (China)

In August 2017, Mr. Wen Hui has been appointed as Chief Deputy General Manager of WPM (China). Mr. Wen is in charge of production, technical, quality control, procurement and equipment department of WPM (China). Mr. Wen, since 2016, has been Deputy General Manager of Jiangsu World Agriculture Machinery Co., Ltd.'s ("JWAM") tractor business development department and was in charge of business development of tractor of JWAM. Mr. Wen has been the General Manager of Jiangsu World Agriculture Machinery & Parts Manufacturing Co., Ltd. ("WAMP") since 2015 and was in charge of the overall operation of WAMP. In 2011 to 2015, he was General Manager of Zhenji Machinery Co., Ltd. ("ZMCL") and in charge of the overall operation of ZMCL. In 2010 to 2011, he was Deputy Production Manager of Jiangsu World Plant- Protecting Machinery Co., Ltd. ("JWPP") and was in charge of production of JWPP. Prior to that, he was Supervisor of CNC production department of Jiangsu World Machinery and Electronics Group Co., Ltd. Mr. Wen studied in the Zhenjiang Zhijin School of Economics Xinqiao Branch from 1996 to 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. WANG YAWEI

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

Mr. Wang Yawei is in charge of marketing and sales of the Group. In 12 August 2016, Mr. Wang has been appointed as Deputy General Manager and Chief Marketing Officer of WPM (China). Mr. Wang, since October 2014, has been Marketing Manager of sales department of Jiangsu World Agriculture Machinery Co., Ltd. ("JWAM") and was in charge of marketing of JWAM. Prior to that, he was Sales Executive of Nanjing Wealth Interconnection Consulting Co., Ltd. ("NWIC") and is in charge of sales operation of NWIC. Mr. Wang graduated from the Jiangsu Province Nanjing Engineering Vocational College in September 2009.

MR. GE BAOPING

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

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

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").


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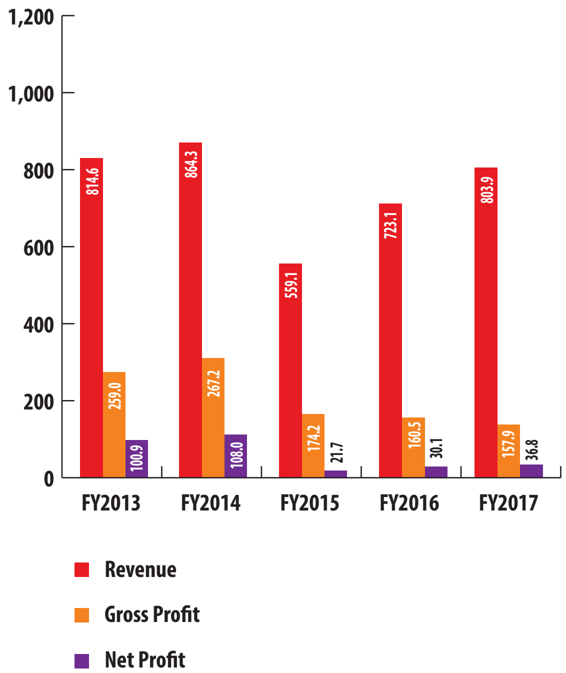
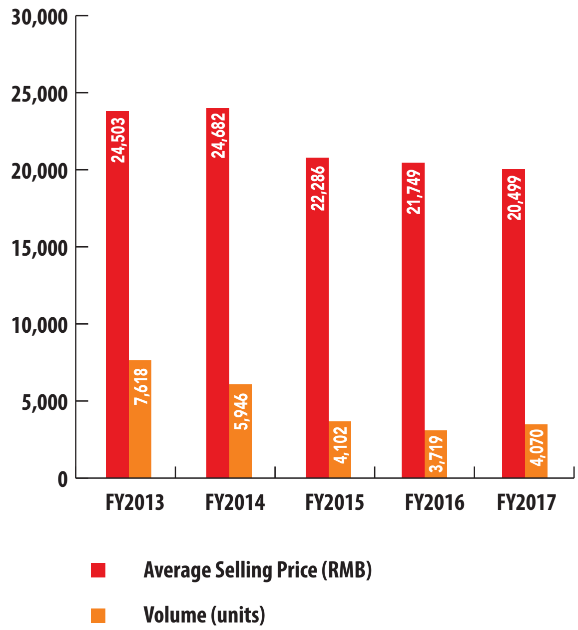
沃得精机

FINANCIAL HIGHLIGHTS

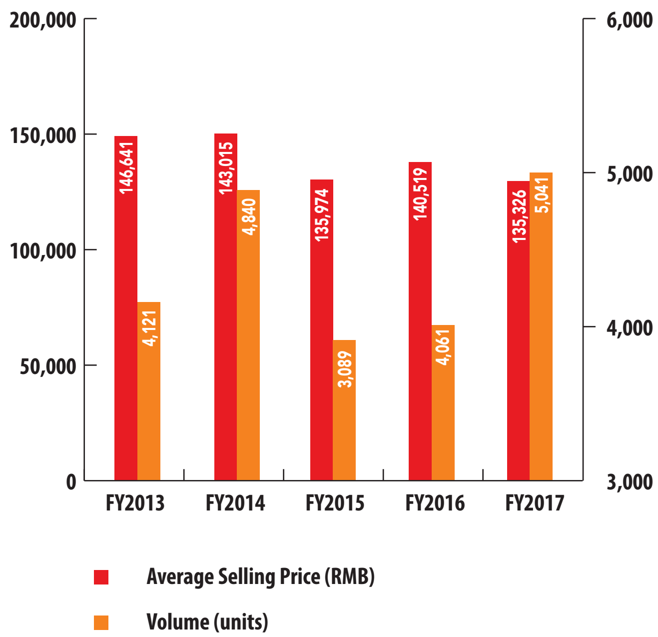
Revenue, Gross Profit and Net Profit
(RMB Million)



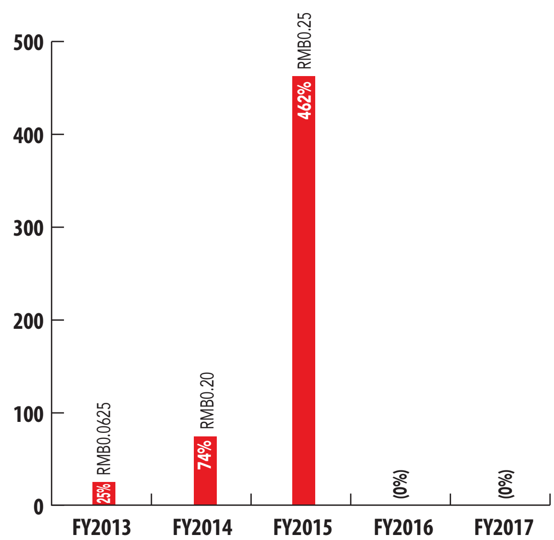
Conventional Stamping Machines



High-Performance / High-Tonnage Stamping Machines



Dividend Payout Ratio



EVENTS / IR ACTIVITIES

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

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

Our contact information is as follow:

World Precision Machinery Limited
Samuell Ng
Chief Financial Officer

Tel: 65-81802482
Email: saisamuelng@hotmail.com
Website: www.wpmlimited.com

01 Mar 2018
Change - Announcement of Cessation::
Resignation of Group Finance Director

28 Feb 2018
Financial Statements and Related Announcement::
Full Yearly Results

21 Feb 2018
Financial Statements and Related Announcement::
Notification of Results Release

11 Nov 2017
Financial Statements and Related Announcement::
Third Quarter Results

27 Oct 2017
Financial Statements and Related Announcement::
Notification of Results Release

31 Aug 2017
Change - Announcement of Appointment::
Appointment of Chief Deputy General Manager of WPMC

11 Aug 2017
Financial Statements and Related Announcement::
Second Quarter and/ or Half Yearly Results

01 Aug 2017
Financial Statements and Related Announcement::
Notification of Results Release

28 Apr 2017
Financial Statements and Related Announcement::
First Quarter Results

28 Apr 2017
REPL::Annual General Meeting:: Voluntary

24 Apr 2017
Financial Statements and Related Announcement::
Notification of Results Release

12 Apr 2017
Annual Reports and Related Documents::

12 Apr 2017
Annual General Meeting:: Voluntary

World Precision Machinery Limited
沃得精机有限公司

CORPORATE STRUCTURE

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

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 enhance 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 of the Code of Corporate Governance 2012 (the "Code") which is effective in respect of the Company's Annual Report for the financial year ended 31 December 2017 ("FY2017"). Any deviations from the guidelines of the Code or areas of non-compliance have been explained accordingly. Save for the deviations disclosed below, the Board confirms that the Company has adhered to the principles and guidelines of the Code (where they are applicable, relevant and practicable to the Group).

BOARD MATTERS

BOARD'S CONDUCT OF ITS AFFAIRS

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

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

1. Providing entrepreneurial leadership, guiding and setting strategic objectives and directions to ensure that the necessary financial and human resources are in place for the Group to achieve its objectives.

2. Approving annual budgets, key operational matters, major funding proposals, investment and divestment proposals, corporate or financial restructuring, material acquisitions and disposal of assets and interested person transactions of a material nature, dividend payment (if any) and convening of shareholders' meetings.

3. Reviewing the processes relating to risk management systems and adequacy and effectiveness of internal controls, including financial, operational, compliance and information 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.

REPORT ON CORPORATE GOVERNANCE

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

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

Only authorised spokespersons may discuss material information with the institutional and individual investment communities. All meetings with members of the investment community are attended by the Chief Executive Officer ("CEO"), and/or the Chief Financial Officer ("CFO"), and/or the Lead Independent Director and/or if applicable, the 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 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];
- 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 chief executive officer, directors and substantial shareholdings' interests – this includes becoming a substantial shareholder and cessation and during the appointment of chief executive officer and director[2];
- Share Buyback;
- Share Option or share schemes;
- Scrip Dividend Scheme;
- Interested Person Transactions[3];
- Call of securities for redemption;
- Borrowing of a significant amount of funds;
- Occurrence of an event of default under debt or other securities or financing or sale agreements;
- Significant litigation;
- Significant change in capital investment plans, e.g. building of factories, increasing plant and machinery and increasing production lines;
- Significant dispute/s with sub-contractors, customers or suppliers, or with any parties;
- Material financial loss/damage caused by disaster and/or loss of credibility arising from corporate scandals and other fraudulent activities pursuant to any reports received under the Whistle Blowing Policy adopted by the Company;
- Tender offer for another company's securities; and

- Valuation of the real assets of the Group that has a significant impact on the Group's financial position and/or performance. A copy of the valuation report must be made available for inspection at the Company's registered office during normal business hours for 3 months from the date of announcement.

Note:
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.

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

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

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 allow 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 believes that when making decisions, all Directors of the Board discharge their duties and responsibilities at all times as fiduciaries and act objectively in the interests of the Company.

DIRECTORS' MEETINGS HELD IN FY2017

The number of Board and Board Committees' meetings held for FY2017 and the details of Directors' attendance at those meetings are summarised in the table below:

DIRECTORS' ATTENDANCE AT BOARD AND BOARD COMMITTEES' MEETINGS

Meeting(s) of	**Board**	**AC**	**NC**	**RC**
Total meetings held in FY2017	4	4	1	1
Names of Directors				
Shao Jianjun	4	N.A.	N.A.	N.A.
Wang Weiyao	1	1	0	0
Phang Kin Seng (Lawrence)	4	4	1	1
Lim Yoke Hean	4	4	1	1

BOARD COMPOSITION AND BALANCE

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

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

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

Presently, the Board comprises one Executive Director (i.e. the Executive Chairman) and three Non-Executive Directors, two of whom are independent. Pursuant to Guideline 2.2 of the Code, at least half of the Board is made up of Independent Directors where *inter alia* the Chairman is part of Management team and the Chairman is not an Independent Director. Accordingly, the Board complies with Guidelines 2.1 and 2.2 of the Code.

None of the Independent Directors have served on the Board for a period exceeding nine years from the date of his first appointment.

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

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

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.

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

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

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

ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Different individuals assume the roles of the Chairman of the Board and the CEO respectively. The separation of the roles of the Chairman and CEO ensures an appropriate balance of power and authority such that no one individual represents a considerable concentration of power. Mr. Shao Jianjun has been appointed as Executive Chairman since 26 April 2013 and Mr. Ge Minglei, has been promoted to CEO with effect from 12 August 2016 while Mr. Wu Yufang had been re-designated as the Group Vice President.

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

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 and adequate, timely and clear information. In addition to making sure that effective communication is achieved with the shareholders, he acts as facilitator to Non-Executive Directors for them to effectively contribute to the Group. He is also responsible for encouraging constructive relations within the Board and between Management and the Board. The Company Secretary and/or his representative(s) assist(s) the Chairman in scheduling the Board and Board Committees' meetings with the CFO.

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

As the Group's CEO, Mr. Ge 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.

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

The Independent Directors are in frequent contact with one another outside the Board and Board Committees' meetings and hold constant informal discussions amongst themselves. For FY2017, 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.

BOARD MEMBERSHIP

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

NOMINATING COMMITTEE ("NC")

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

(a) making recommendations to the Board on all Board appointments and re-appointments (including Alternate Directors, if applicable), or re-elections, having regard to the directors' competencies, commitment, contribution and performance.

(b) regularly reviewing the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary.

(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) determining the process for search, nomination, selection and appointment of new Board members and assess nominees or candidates for appointment or election to the Board, determining whether or not such nominee has the requisite qualifications and whether or not he is independent, including disclosure on the search and nomination process.

(f) reviewing Board succession plans for Directors, in particular, the Chairman and CEO and progressive renewal of the Board by considering each Director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an Independent Director.

(g) 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.

(h) assessing the effectiveness of the Board as a whole and its Board Committees and assessing the contribution by the Chairman and each individual Director to the effectiveness of the Board.

(i) reviewing training and professional development programs for the Board.

The Company has in place a Process for Selection and Appointment of New Directors which provides the procedure for identification of potential candidates, evaluation of candidates' skills, knowledge and experience and assessment of candidates' suitability.

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

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

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

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

Newly appointed Directors are 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. 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 FY2017.

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 programs at the Company's expense to enable them to effectively discharge their duties as a Director, if required, from time to time.

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

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

The NC had reviewed the independence of Board members with reference to the guidelines set out in the Code. Mr. Wang Weiyao, who is the controlling shareholder of the Company, is considered not independent of the 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 relationship with the Company, its related corporations, its substantial shareholders with a shareholding of 10% or more, or its officers or are in any circumstances that could interfere or be reasonably perceived to interfere, with the exercise of their independent business judgement with a view to the best interests of the Company.

The Board, with the concurrence of the NC, having considered the Confirmation of Independence forms for FY2017 submitted by Messrs. Phang Kin Seng (Lawrence) and Lim Yoke Hean, concluded that they are independent and free from any relationships outlined in the Code.

Pursuant to its terms of reference, the NC is required to determine if a Director has been adequately carrying out his duties as a Director of the Company, particularly if he has multiple Board representations in listed companies and other principal commitments. In view of this, the NC, having considered the confirmations received from Messrs. Phang Kin Seng (Lawrence) and Lim Yoke Hean, 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.

REPORT ON CORPORATE GOVERNANCE

In determining whether each Director is able to devote sufficient time to discharge his duty, the NC has taken cognizance of the Code requirement, but is of the view that its assessment should not be restricted to the number of board representations of each Director and his respective principal commitments per se. The contributions by Directors to and during meetings of the Board and Board Committees as well as their attendance at such meetings, in addition to each of their principal commitments, should also be taken into account. 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 / 28 April 2017	Nil	Nil
Mr. Wang Weiyao (Non-Executive and Non-Independent Director)	28 July 2004 / 28 April 2016	Nil	Nil
Mr. Phang Kin Seng (Lawrence) (Lead Independent Director)	28 April 2010 / 28 April 2015	Nil	Nil
Mr. Lim Yoke Hean (Independent Director)	2 July 2010 / 28 April 2017	Nil	China Fibretech Ltd

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

Currently, there is no alternate Director appointed on the Board.

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 members of the Audit, Nominating and Remuneration Committees and will be considered non-independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Mr. Phang Kin Seng (Lawrence) will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and members 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.

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

BOARD PERFORMANCE

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

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

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

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

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

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

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

The NC was generally satisfied with the results of the Board performance evaluation for FY2017, which indicated areas of strengths and those that could be improved further. No significant problems were identified. The NC had discussed the results with Board members who agreed to work on those areas that could be improved further. The NC would continue to evaluate the process for such review and its effectiveness from time to time.

ACCESS TO INFORMATION

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

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

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

The Company Secretary and/or his representative(s) attend(s) all Board and Board Committees' meetings and assist the Board and Board Committees in ensuring that Board and Board Committees' procedures and all other rules and regulations applicable to the Company are complied with. The Company Secretary also follow the direction of the Chairman to ensure that there is sufficient/pertinent information flow within the Board and its 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.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

REMUNERATION COMMITTEE ("RC")

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

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

(a) reviewing and recommending to the Board a general framework of remuneration for the Board and key management personnel.

(b) reviewing and recommending to the Board the specific remuneration packages and terms of employment for each Executive Director and key management personnel of the Group and employees related to the Directors or, controlling shareholders of the Group.

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

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

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

(i) to allow the Group to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatements of financial results or of misconduct resulting in financial loss of the Group.

(ii) to consider what compensation commitments the Executive Directors and key management personnel's contracts of service, if any, would entail in the event of termination with a view to be fair and reasonable, not overly generous and avoid rewarding poor performance.

(c) recommending the appropriate remuneration of the Non-Executive Directors to the level of their contribution, taking into account factors such as effort and time spent, and their responsibilities and that they should not be overly compensated to the extent that their independence may be compromised.

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

(d) reviewing whether the Executive Directors and key management personnel should be eligible for benefits under any long-term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith.

(e) administering the performance based Bonus scheme and any other share option scheme or share plan established from time to time for the Directors and key management personnel.

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

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

LEVEL AND MIX OF REMUNERATION

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

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

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

Mr. Ge Minglei, CEO, had entered into a service agreement with the Company for a period of three years commencing 12 August 2016, 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. Wu Yufang, key management personnel of the Company, had each entered into a service agreement with the Company which is subject to review and renewal upon expiry unless terminated during such term either as provided in the service agreements or by either party giving to the other not less than three months' written notice. His service agreement had been subsequently supplemented on 26 February 2017 with no changes in terms and conditions, save for his re-designation to a Key Officer.

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

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 FY2017, 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.

Directors' fees amounting to S$180,000 for the financial year ending 31 December 2018 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.

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

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

DISCLOSURE ON REMUNERATION

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

Directors and CEO

A breakdown of the level and mix of the remuneration of the Directors and CEO for FY2017 is as follows:

	Salary %	Variable/ Performance-related Income/Bonus %	Benefits in Kind %	Fees %	Total %
Below S$250,000:					
Directors					
Shao Jianjun	100	–	–	–	100
Wang Weiyao	–	–	–	100	100
Phang Kin Seng (Lawrence)	–	–	–	100	100
Lim Yoke Hean	–	–	–	100	100
CEO					
Ge Minglei	19	81	–	–	100

Key management personnel

The top five key management personnel of the Group (in terms of remuneration) for FY2017 are Messrs. Ng Keong Khoon (Samuell), Bao Guojun, Wang Yawei, Wen Hui and Shu Jianfei.

A breakdown of the level and mix of the remuneration of each of the key management personnel for FY2017 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
Wang Yawei	24	76	–	100
Wen Hui	4	96	–	100
Shu Jianfei	41	59	–	100

The aggregate remuneration paid to the top five key management personnel (who is not Directors or the CEO) is approximately RMB2.38 million.

There are no termination, retirement and post-employment benefits that may be granted to Directors, the CEO and the top five key management personnel (who is not Directors or the CEO) for FY2017. Due to the confidentiality and commercial sensitivity attached to remuneration matters, in particular those of our top five key management personnel, given the highly competitive environment the Group operates in, the Company does not fully disclose the remuneration of each individual Director and the key management personnel. Instead, the disclosures had been provided in applicable bands of S$250,000 as above, with a breakdown in percentage of the remuneration earned through fees, variable or performance-related income/bonus and/or benefits in kind.

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

Name	Immediate family member of:	Designation
Li Wenjuan*	Daughter-in-law of Mr. Shao Jianjun	Finance Manager of World Precision Machinery Limited.
Jiang Hongdi**	Wife of Mr. Ge Minglei	Group Finance Director of World Precision Machinery Limited.

* Ms. Li Wenjuan has resigned as Finance Manager of the Company with effect from 1 January 2018.
** Ms. Jiang Hongdi has resigned as the Group Finance Director of the Company with effect from 28 February 2018.

Save as disclosed below, none of the remuneration of the employee (who is an immediate family member of a Director or the CEO of the Company) exceeded S$50,000 for FY2017:

Name	Relationship with Director or the CEO
Between S$50,000 to S$100,000	
Li Wenjuan (Finance Manager of World Precision Machinery Limited)	Daughter-in-law of Mr. Shao Jianjun

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

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

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

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

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.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Board acknowledges that it is responsible for the overall internal control framework and maintains a sound system of 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 with effect from FY2015. For the purpose of the RMC, the head of Finance has been appointed as the Risk Compliance Officer. He will work with Nexia TS Risk Advisory Pte. Ltd. ("Nexia TS Risk Advisory") on their findings and report any risk matters to the CEO. The RMC comprises the CEO, the CFO and the Risk Compliance Officer.

For FY2017, 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 FY2017.

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 FY2017 audits be followed up and implemented by Management at the next audit reviews or within the timeline stipulated in the respect audit reports for FY2018.

In line with the Code, the AC, with the concurrence of the Board, had adopted a Management Assurance Confirmation Statement ("Management Assurance Statement") in May 2013. For FY2017, the CEO and the CFO had provided a Management Assurance Statement confirming that:

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

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

As recommended by the SGX-ST, an opinion of the Board with the concurrence of the AC on the adequacy and effectiveness of the internal controls, addressing financial, operational, compliance and information technology risks, and risk management policies is set out in the Directors' Statement under page 45 of the Annual Report.

The Group's financial risk management is disclosed under Note 32 of the Notes to the Financial Statements on pages 85 to 88 of this Annual Report.

AUDIT COMMITTEE ("AC")

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

The AC is regulated by a set of written terms of reference, which are in line with the guidelines 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 External Auditors firm, Messrs. Baker Tilly TFW LLP, within the last twelve months or hold any financial interest in the External Auditors firm.

REPORT ON CORPORATE GOVERNANCE

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

(a) with the Internal and External Auditors the audit plans, their evaluation of the system of internal controls, audit reports, letters to Management and Management's response respectively.

(b) the quarterly and annual financial statements and balance sheet and profit and loss accounts before submission to the Board for approval so as to ensure the integrity of the Company's financial statements, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement ,compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements.

(c) annually the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and risk management policies.

(d) where deficiencies in internal controls have been identified, to ensure that appropriate and prompt remedial attention is taken by Management.

(e) the internal controls and procedures to ensure co-ordination between the Internal and External Auditors and co-operation from Management and assistance given to facilitate their audit and problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of Management where necessary).

(f) with the External Auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and Management's response.

(g) the scope and results of the internal audit programme/procedures and review at least annually the adequacy of effectiveness of the Group's internal audit function including ensuring it is staffed with persons with the relevant qualifications and experience and has appropriate standing within the Group.

(h) annually the scope and results of the audit and its cost effectiveness as well as independence and objective of the External Auditors.

(i) co-ordination between the Internal and External Auditors.

(j) the appointment or re-appointment of the Internal and External Auditors and matters relating to resignation or dismissal of the auditors.

(k) arrangements by which staff of the Group and any other persons may in confidence, raise concerns about possible improprieties in financial reporting or, other matters.

(l) interested person transactions falling within the scope of Chapter 9 of the SGX-ST Listing Manual on a quarterly basis.

(m) potential conflicts of interests, if any.

(n) such other reviews and projects as may be requested by the Board and will report to the Board its findings from time to time on matters arising and requiring the attention of the AC and generally undertake such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.

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

The AC meets with the Group's Internal and External Auditors and Management to review accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained in the Group. For FY2017, the AC has met four times and:

(i) met up with the Internal and External Auditors, without the presence of Management, to discuss their findings set out in their respective reports to the AC. Both the Internal and External Auditors had confirmed that they had received the full co-operation of Management and no restrictions were placed on the scope of the respective audits;

(ii) conducted a review of the non-audit services provided by the External Auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the External Auditors as well as the cost effectiveness of the audit before confirming their re-nomination. The following fees amounting to S$121,500 were approved:

Audit fees	S$120,000
Non-Audit fees	S$1,500

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

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

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

(iv) confirmed that the Company had complied with Rule 715 of the SGX-ST Listing Manual in relation to the appointment of the same auditing firm based in Singapore to audit its accounts, and its foreign-incorporated subsidiaries. The Group's subsidiaries are disclosed under Note 12 of the Notes to the Financial Statements on page 74 of this Annual Report.

The AC, with the concurrence of the Board, had recommended the re-appointment of Messrs. Baker Tilly TFW LLP as External Auditors for FY2018 at the forthcoming Annual General Meeting, based on their performance and quality of their audit.

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

The Company has put in place a Whistle Blowing Policy which provides well-defined and accessible channels in the Group through which staff may in confidence, raise their concerns about possible improprieties, fraudulent activities, malpractices within the Group in a responsible and effective manner in matters of financial reporting or other matters. The Whistle Blowing Policy was updated in line with the Code to extend the policy to "any other persons" in addition to the Group's employees. The objective of the policy is to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. No reports on whistle-blowing incidents were received in FY2017.

INTERNAL AUDIT

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

The Group has also outsourced its internal audit function to Nexia TS Risk Advisory as its Internal Auditors. The Internal Auditors, 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.

The hiring, removal, evaluation and compensation of the Internal Auditors or corporationed 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 FY2017, the AC is satisfied that Nexia TS Risk Advisory has adequate resources and experience to meet its internal audit obligations.

SHAREHOLDER RIGHTS AND COMMUNICATION WITH SHAREHOLDERS

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

PRINCIPLE 15: COMPANIES SHOULD ACTIVELY ENGAGE THEIR SHAREHOLDERS AND PUT IN PLACE AN INVESTOR RELATIONS POLICY TO PROMOE REGULAR, EFFECTIVE AND FAIR COMMUNICATION WITH SHAREHOLDERS.

PRICIPLE 16: COMPANIES SHOULD ENCOURAGE GREATER SHAREHOLDER PARTICIPATION AT GENERAL MEETINGS OF SHAREHOLDERS, AND ALLOW SHAREHOLDERS THE OPPORTUNITY TO COMMUNICATE THEIR VIEWS ON VARIOUS MATTERS AFFECTING THE COMPANY.

In line with continuous disclosure obligations of the Company and pursuant to the SGX-ST 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. Shareholders can also access the Group's website at www.wpmlimited.com for the aforementioned information on the Group. Where there is inadvertent disclosure made to the Company, the Company will make the same disclosure publicly to all others promptly.

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.

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. Shareholders may vote in person or in absentia by way of proxy forms deposited, in person or by mail, at the registered address of the Company at least 48 hours before the meetings.

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

The Company would conduct its votings in general meetings by poll where shareholders are accorded rights proportionate to the shareholding and all votes are counted. For cost effectiveness, the Company currently uses paper polling instead of electronic polling. Electronic polling would be considered, if necessary. 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.

The Annual General Meeting is the principal forum for dialogue with shareholders. The Board welcomes questions from shareholders who have an opportunity to raise issues or seek clarifications either informally or formally before or at the Annual General Meeting. The minutes of every Annual General Meeting included substantial and relevant queries from shareholders relating to the agenda of the meeting and responses from the Board will be made available to the shareholders upon their request.

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

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.

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 FY2017, the Board did not recommend payment of dividends as the Group has to be prudent with its cash flow requirements for its business operations and future developments.

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	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S$100,000)
	RMB'000	**RMB'000**
Jiangsu World Machinery and Electronics Group Co., Ltd.		
Processing fees received, sale of raw materials and part.	-	99
Processing fees paid and purchase of raw materials.	-	924
Jiangsu World Plant-Protecting Machinery Co., Ltd.		
Processing fees received, sale of raw materials and parts.	-	219
Purchase of raw materials and scrap materials.	-	2,527
Jiangsu World Agriculture Machinery Co., Ltd.		
Processing fees received, sale of raw materials, parts and machineries.	-	15,460
Processing fees paid and purchase of raw materials and scrap materials.	-	501
Jiangsu World Agriculture Machinery & Parts Manufacturing Co., Ltd.		
Processing fees received, sale of raw materials, parts and machineries.	-	11,193
Processing fees paid and purchase of raw materials and equipment.	-	29,024
World Agriculture (Shenyang) Co., Ltd.		
Sales of raw materials, parts and machineries and rental income of factory.	-	8,189

World Heavy Industry (China) Co., Ltd.		
Processing fee received and sale of raw materials and parts.	-	2,472
Processing fee paid, purchase of raw materials, parts, scrap materials and equipment.	-	29,658
Jiangsu World Crane Co., Ltd.		
Processing fee paid and purchase of equipment.	-	3,754
Jiangsu World Precise Machinery Co., Ltd.		
Land rental paid.	-	685
Jiangsu World Furniture Co., Ltd.		
Processing fee received, sale of raw materials, parts and machineries	-	224
Jiangsu World High End Agriculture Equipment Co., Ltd.		
Sale of parts.	-	27

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. Ge Minglei, the CEO, for a period of three (3) years commencing 12 August 2016, which will expire on 12 August 2019.

(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.

FINANCIAL CONTENTS

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of World Precision Machinery Limited (the "Company") and its subsidiary corporations (the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2017.

Opinion of the directors

In the opinion of the directors:

(i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 50 to 89 are properly drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2017 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

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

Arrangements to enable directors to acquire benefits

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

Directors' and chief executive officer's interests in shares and debentures

The directors and chief executive officer ("CEO") of the Company holding office at the end of the financial year had no interests in the shares and debentures of the Company and/or related corporations as recorded in the Register of Directors' and Chief Executive Officer's Shareholdings kept by the Company under Section 164 of the Act, except as follows:

	Number of ordinary shares					
	Shareholdings registered in their own names			Shareholdings in which a director/CEO is deemed to have an interest		
Name of directors, CEO and companies in which interest are held	At 1 January 2017	At 31 December 2017	At 21 January 2018	At 1 January 2017	At 31 December 2017	At 21 January 2018
The Company						
Directors						
Wang Weiyao	200,000	200,000	200,000	295,391,000	295,391,000	295,391,000
Shao Jianjun	–	–	–	54,100,000	54,100,000	54,100,000
Lim Yoke Hean	–	–	–	200,000	200,000	200,000

Directors' and chief executive officer's interests in shares and debentures (cont'd)

Name of directors, CEO and companies in which interest are held	Number of ordinary shares					
	Shareholdings registered in their own names			Shareholdings in which a director/CEO is deemed to have an interest		
	At 1 January 2017	At 31 December 2017	At 21 January 2018	At 1 January 2017	At 31 December 2017	At 21 January 2018
The Company						
CEO						
Ge Minglei	–	–	–	648,000	648,000	648,000
Ultimate holding corporation						
World Sharehold Limited						
Wang Weiyao	50,000	50,000	50,000	–	–	–

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

Share options

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

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

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

Audit Committee

The members of the Audit Committee ("AC") during the financial year and at the date of this statement, comprises three non-executive directors, majority of which are independent, as follows:

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

The AC carried out its functions in accordance with Section 201B(5) of the Act. Their functions are detailed in the Report on Corporate Governance in the Annual Report 2017.

In performing its functions, the AC met with the Company's independent 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 AC also reviewed the following:

- assistance provided by the Company's management to the internal and independent 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 Singapore Exchange Listing Manual).

The AC is satisfied with the independence and objectivity of the independent auditor and has recommended to the Board of Directors (the "Board") that Baker Tilly TFW LLP be nominated for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting.

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

Nexia TS Risk Advisory Pte. Ltd., the internal auditors of the Group, has been commissioned to assist management in the Group's Enterprise Risk Management ("ERM") to complement the Group's existing internal audit plan and thereafter to follow up with an annual Control Self-Assessment ("CSA") based on the risks identified from ERM exercise. The AC has reviewed the overall scope of the internal and external audits and the assistance given by management to the internal and independent auditors. The AC had also met once with the Company's internal and independent auditors for the financial year ended 31 December 2017 ("FY2017") to discuss the results of their respective examinations and their evaluation of the Group's system of internal accounting controls without the presence of management. Details on the duties and functions carried out by the AC, adequacy and effectiveness of the internal controls and internal audit during FY2017 are set out under the Report on Corporate Governance in the Annual Report 2017.

Based on the review of the key risks identified through the ERM process, internal controls established and maintained by the Group, work performed by the internal and independent auditors, assurances from the CEO and Chief Financial Officer and reviews carried out by management, various Board Committees and the Board, the AC and the Board are of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology risks, and risk management systems, were adequate and effective as at 31 December 2017.

Independent auditor

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

On behalf of the Board of Directors

Shao Jianjun Director	Wang Weiyao Director

2 April 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of World Precision Machinery Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of World Precision Machinery Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 50 to 89, which comprise the statements of financial position of the Group and the Company as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") 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 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company 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 *Auditor's 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 (ACRA) *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.

1. Inventories written down

   As disclosed in Note 15 to the financial statements, the Group has inventories of RMB384,119,000 (2016: RMB353,545,000), which accounted for more than 25% (2016: 23%) of the Group's total assets as at 31 December 2017. During the financial year, a write-down for slow-moving and obsolete inventories to net realisable value amounting to RMB761,000 (2016: RMB1,098,000) was charged to the Group's profit or loss.

   The write-down for slow-moving and obsolete inventories is considered a key audit matter, as it requires management to exercise judgement in identifying slow-moving and obsolete inventories and makes estimates of the net realisable value to determine the appropriate level of write-down required as disclosed in Note 3 to the financial statements.

   Our procedures to address the key audit matter

   We obtained an understanding of management's process of estimating the net realisable value of inventories.

   We attended and observed management's physical inventory counts process at material inventories locations, including management's identification of slow-moving and obsolete inventories. We also observed the physical conditions of those inventories aged more than 2 years on a sample basis.

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

1. Inventories written down (cont'd)

   Our procedures to address the key audit matter (cont'd)

   We have reviewed and tested the inventories ageing report which is used by management to identify slow-moving and obsolete inventories.

   We have corroborated management's assessment of the estimated net realisable value of inventories, by considering amongst others, factors such as actual subsequent selling price after the report date, historical sales record and historical gross margin, the expected demand and any alternative uses of the inventories.

   We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

2. Allowance for impairment of trade receivables

   As disclosed in Note 16 to the financial statements, the net carrying amount of the Group's trade receivables is stated at RMB176,852,000 (2016: RMB250,866,000), after deducting allowance for doubtful receivables of RMB19,190,000 (2016: RMB17,613,000) as at 31 December 2017.

   The allowance for impairment of trade receivables is considered a key audit matter, as it requires the application of judgement and use of assumptions by management as disclosed in Note 3 to the financial statements. Management monitors and assesses the Group's exposure to credit risk, and make significant judgement regarding the debtors' creditworthiness and their ability to pay.

   There is a risk that the Group's trade receivables which are past due but not impaired may not be recoverable and allowance for doubtful receivables may not be adequate or reasonable.

   Our procedures to address the key audit matter

   We have evaluated management's assessment of the recoverability of the Group's trade receivables which are past due but not impaired at the end of the reporting period, including the assessment of any allowance to be made by the Group in respect of the overdue debts.

   We have corroborated the reasons for the delay in payments on certain aged trade receivables and the adequacy of any allowance for doubtful receivables to be made, by considering amongst others, factors such as subsequent cash receipts, past payment practices, the ongoing business relationship with the debtors or where relevant, repayment schedule as agreed with the debtors.

   We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2017, but does not include the financial statements and our auditor's report thereon.

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.

Report on the Audit of the Financial Statements (cont'd)

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 FRSs, 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.

Auditor's 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 auditor's 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.

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 control.

- Obtain an understanding of internal control 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 control.

- 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 auditor's 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 auditor's 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.

Report on the Audit of the Financial Statements (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

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 control 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 to 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 auditor's report unless law or regulation precludes 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 have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Lim Kok Heng.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

2 April 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Note	Group 2017 RMB'000	Group 2016 RMB'000
Revenue	4	**803,883**	723,111
Cost of sales		**(645,944)**	(562,648)
Gross profit		**157,939**	160,463
Other income and gains	5	**17,235**	13,524
Distribution and selling expenses		**(71,228)**	(60,071)
Administrative and other expenses		**(58,776)**	(67,205)
Finance expenses	6	**(3,348)**	(7,483)
Profit before tax	7	**41,822**	39,228
Tax expense	9	**(5,073)**	(9,149)
Profit for the year		**36,749**	30,079
Other comprehensive (loss)/income for the year, net of tax:			
Items that are or may be reclassified subsequently to profit or loss:			
Currency translation differences arising on consolidation		**(33)**	1,923
Total comprehensive income for the year		**36,716**	32,002
Profit for the year attributable to:			
Equity holders of the Company		**36,749**	30,079
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**36,716**	32,002
Earnings per share for profit for the year attributable to equity holders of the Company			
Basic and diluted (RMB per share)	10	**0.09**	0.08

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

STATEMENTS OF FINANCIAL POSITION

At 31 December 2017

		Group		Company	
		2017	2016	**2017**	2016
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Non-current assets					
Property, plant and equipment	11	**737,820**	700,810	**–**	–
Investments in subsidiaries	12	**–**	–	**780,669**	769,293
Land use rights	13	**125,435**	128,366	**–**	–
Intangible assets	14	**33,802**	36,318	**–**	–
Other receivables	17	**8,106**	10,723	**–**	–
Total non-current assets		**905,163**	876,217	**780,669**	769,293
Current assets					
Inventories	15	**384,119**	353,545	**–**	–
Land use rights	13	**3,003**	3,003	**–**	–
Trade receivables	16	**176,852**	250,866	**–**	–
Other receivables	17	**21,416**	21,783	**14**	14
Due from a subsidiary (non-trade)	18	**–**	–	**–**	105
Cash and cash equivalents	19	**16,510**	10,166	**249**	375
Total current assets		**601,900**	639,363	**263**	494
Total assets		**1,507,063**	1,515,580	**780,932**	769,787
Non-current liabilities					
Deferred tax liabilities	21	**4,885**	3,300	**–**	–
Current liabilities					
Trade payables	22	**206,259**	214,221	**–**	–
Bills payables	23	**520**	27,936	**–**	–
Other payables	24	**195,773**	145,834	**559**	758
Due to related parties (non-trade)	18	**243**	587	**–**	–
Due to a subsidiary (non-trade)	18	**–**	–	**1,565**	1,840
Income tax payables		**–**	1,035	**–**	–
Borrowings	20	**38,000**	98,000	**–**	–
Total current liabilities		**440,795**	487,613	**2,124**	2,598
Total liabilities		**445,680**	490,913	**2,124**	2,598
Net assets		**1,061,383**	1,024,667	**778,808**	767,189
Equity					
Share capital	25	**250,660**	250,660	**250,660**	250,660
Retained earnings		**576,607**	543,919	**534,407**	534,131
Currency translation reserve	26	**9,901**	9,934	**(6,259)**	(17,602)
Statutory reserves	27	**127,118**	123,057	**–**	–
Capital reserve	28	**97,097**	97,097	**–**	–
Total equity		**1,061,383**	1,024,667	**778,808**	767,189

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

	Share capital RMB'000	Retained earnings RMB'000	Currency translation reserve RMB'000	Statutory reserves RMB'000	Capital reserve RMB'000	Total equity RMB'000
Group						
Balance at 1.1.2016	250,660	568,130	8,011	118,767	97,097	1,042,665
Profit for the year	–	30,079	–	–	–	30,079
Other comprehensive income						
Currency translation differences arising on consolidation	–	–	1,923	–	–	1,923
Total comprehensive income for the year	–	30,079	1,923	–	–	32,002
Transfer to statutory reserve fund	–	(4,290)	–	4,290	–	–
Dividends (Note 29)	–	(50,000)	–	–	–	(50,000)
Balance at 31.12.2016	250,660	543,919	9,934	123,057	97,097	1,024,667
Profit for the year	–	36,749	–	–	–	36,749
Other comprehensive loss						
Currency translation differences arising on consolidation	–	–	(33)	–	–	(33)
Total comprehensive income/(loss) for the year	–	36,749	(33)	–	–	36,716
Transfer to statutory reserve fund	–	(4,061)	–	4,061	–	–
Balance at 31.12.2017	**250,660**	**576,607**	**9,901**	**127,118**	**97,097**	**1,061,383**

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

	Share capital RMB'000	Retained earnings RMB'000	Currency translation reserve RMB'000	Total equity RMB'000
Company				
Balance at 1.1.2016	250,660	575,975	(52,307)	774,328
Profit for the year	–	8,156	–	8,156
Other comprehensive income				
Currency translation differences arising from translation into the presentation currency	–	–	34,705	34,705
Total comprehensive income for the year	–	8,156	34,705	42,861
Dividends (Note 29)	–	(50,000)	–	(50,000)
Balance at 31.12.2016	250,660	534,131	(17,602)	767,189
Profit for the year	–	276	–	276
Other comprehensive income				
Currency translation differences arising from translation into the presentation currency	–	–	11,343	11,343
Total comprehensive income for the year	–	276	11,343	11,619
Balance at 31.12.2017	**250,660**	**534,407**	**(6,259)**	**778,808**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

	Note	Group 2017 RMB'000	Group 2016 RMB'000
Cash flows from operating activities			
Profit before tax		**41,822**	39,228
Adjustments for:			
Allowance for doubtful receivables (trade)		**7,287**	10,769
Allowance for doubtful receivables (non-trade)		**424**	679
Amortisation of intangible assets		**9,930**	7,159
Amortisation of land use rights		**2,931**	3,037
Bad debts written off		**–**	635
Depreciation of property, plant and equipment		**51,039**	49,476
Interest expense		**3,312**	7,431
Interest income		**(38)**	(94)
Loss on disposal of property, plant and equipment		**326**	357
Property, plant and equipment written off		**5**	–
Write-down of inventories		**761**	1,098
Operating cash flow before working capital changes		**117,799**	119,775
Changes in operating assets and liabilities:			
Inventories		**(31,335)**	28,213
Receivables		**66,858**	(41,000)
Payables		**41,888**	47,751
Currency translation adjustments		**(26)**	1,872
Cash generated from operations		**195,184**	156,611
Interest received		**38**	94
Withholding tax (paid)/refunded		**(152)**	2,105
Income tax paid		**(4,559)**	(8,013)
Net cash from operating activities		**190,511**	150,797
Cash flows from investing activities			
Purchases of property, plant and equipment	A	**(90,391)**	(33,245)
Additions of intangible assets		**(6,073)**	(6,907)
Proceeds from disposal of property, plant and equipment		**3,019**	1,494
Net cash used in investing activities		**(93,445)**	(38,658)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

	Note	Group 2017 RMB'000	Group 2016 RMB'000
Cash flows from financing activities			
Repayments of bank loans		**(98,000)**	(118,000)
Proceeds from bank loans		**38,000**	66,000
Bank deposits released from pledge		**–**	2,000
Bank deposits pledged		**–**	(570)
Interest paid		**(3,312)**	(7,431)
Dividends paid		**–**	(50,000)
Decrease in bills payables to bank		**(27,416)**	(3,194)
Net cash used in financing activities		**(90,728)**	(111,195)
Net increase in cash and cash equivalents		**6,338**	944
Cash and cash equivalents at beginning of the year		**9,596**	8,601
Effect of exchange rate changes on cash and cash equivalents		**6**	51
Cash and cash equivalents at end of the year	19	**15,940**	9,596

Note A:

	Note	2017 RMB'000	2016 RMB'000
Total additions to property, plant and equipment	11	**92,740**	37,429
Add/(less): Changes in unpaid portion		**268**	(14,058)
(Less)/add: Changes in prepayments		**(2,617)**	9,874
Purchases of property, plant and equipment per consolidated statement of cash flows		**90,391**	33,245

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

1. Corporate information

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

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

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

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

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

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

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

Use of estimates and judgements

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

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

2. Summary of significant accounting policies (cont'd)

(a) Basis of preparation (cont'd)

New and revised standards

In the current financial year, the Group and the Company have adopted all the new and revised FRSs and Interpretations of FRSs ("INT FRSs") that are relevant to their operations and effective for the current financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRSs and INT FRSs.

From 1 January 2017, as a result of the amendments to FRS 7 *Statement of Cash Flows (Disclosure Initiatives)*, the Group has provided additional disclosure in relation to changes in liabilities from financing activities for the current financial year (Note 20).

The adoption of these new and revised FRSs and INT FRSs did not have any material effect on the financial performance or financial position of the Group and the Company.

New standards, amendments to standards and interpretations that have been issued at the end of the reporting period but are not yet effective for the financial year ended 31 December 2017 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company except as disclosed below:

Convergence with International Financial Reporting Standards (IFRS)

The Accounting Standards Council ("ASC") announced that Singapore incorporated companies listed on the Singapore Exchange ("SGX") or are in the process of issuing equity or debt instruments for trading on SGX, will apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS Convergence"), known as Singapore Financial Reporting Standards (International) ("SFRS(I)"), with effect from annual periods beginning on or after 1 January 2018.

The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I) issued by ASC. These financial statements will be the last set of financial statements prepared under the current FRSs in Singapore.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International). In addition to the adoption of the new framework, the Group will be adopting other new SFRS(I), amendments to standards and interpretations of SFRS(I) which are effective from the same date.

The Group does not expect the application of the new standards, amendments to standards and interpretations, and the IFRS Convergence to have significant impact on the financial statements except as set out below:

Application of SFRS(I) 1 and IFRS Convergence

When the Group adopts SFRS(I) in its 2018 financial statements, the Group will apply SFRS(I) 1 with 1 January 2017 as the date of transition for the Group and the Company.

SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, subject to certain mandatory exceptions and optional exemptions under SFRS(I) 1. The Group does not expect the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 to have any significant impact on the financial statements.

2. Summary of significant accounting policies (cont'd)

(a) Basis of preparation (cont'd)

New and revised standards (cont'd)

SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 replaces IAS 18 'Revenue', IAS 11 'Construction contracts' and other revenue-related interpretations. It applies to all contracts with customers, except for leases, financial instruments, insurance contracts and certain guarantee contracts and non-monetary exchange contracts. SFRS(I) 15 provides a single, principle-based model to be applied to all contracts with customers. An entity recognises revenue in accordance with the core principle in SFRS(I) 15 by applying a 5-step approach.

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. SFRS(I) 15 includes disclosure requirements that will result in disclosure of comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group plans to adopt SFRS(I) 15 in its financial statements for the financial year ending 31 December 2018 using full retrospective approach. As a result, the Group will apply the changes in accounting policies retrospectively to each reporting year presented.

Management has performed a preliminary impact assessment of applying the new standard on the Group's financial statements. Based on the existing sources of revenue as at 31 December 2017, management does not anticipate that the application of SFRS(I) 15 will have a material impact on the Group's financial statements. Further evaluation will be undertaken should the source of revenue change in the year when SFRS(I) 15 becomes effective.

SFRS(I) 9 Financial Instruments

SFRS(I) 9 which replaces IAS 39, includes guidance on (i) the classification and measurement of financial assets and financial liabilities; (ii) impairment requirements for financial assets; and (iii) general hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on an expected credit loss model and replace IAS 39 incurred loss model.

The Group plans to adopt the new standard on the required effective date of 1 January 2018 without restating prior periods' information and recognises any differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 at the date of initial application in the opening retained earnings as at 1 January 2018.

(a) Classification and measurement

The Group has completed its preliminary assessment of the classification and measurement of its financial assets, and the Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under SFRS(I) 9. The Group's only financial assets are loans and receivables that are currently accounted for at amortised cost are expected to continue to be measured at amortised cost under SFRS(I) 9.

2. Summary of significant accounting policies (cont'd)

(a) Basis of preparation (cont'd)

New and revised standards (cont'd)

SFRS(I) 9 Financial Instruments (cont'd)

(b) *Impairment*

The new impairment requirements are expected to result in changes to and likely increases in impairment loss allowances on trade receivables and other receivables, due to earlier recognition of credit losses. For trade receivables, the Group will apply the simplified approach and will record an allowance for lifetime expected losses on trade receivables from initial recognition. For other receivables, the Group will initially provide for 12 months expected losses under the three-stage model. The Group will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

The Group will adopt SFRS(I) 9 when it becomes effective in financial year ending 31 December 2018. The Group is currently finalising the computation of the impact and the quantum of the final transition adjustments, which may be different upon finalisation.

SFRS(I) 16 Leases

SFRS(I) 16 replaces the existing IAS 17: Leases. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets (a "right-of-use" asset) and the associated obligations for lease payments (a lease liability), with limited exemptions for short term leases (less than 12 months) and leases of low value items. In addition, the nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of right-of-use asset and interest expense on lease liability. The accounting for lessors will not change significantly.

The standard is effective for annual periods beginning on or after 1 January 2019. The standard will affect primarily the accounting for the Group's operating leases. At the end of the reporting period, the Group has non-cancellable operating lease commitments of RMB8,704,000 (Note 30). The Group anticipates that the adoption of SFRS(I) 16 in the future may potentially have a material impact on the amounts reported and disclosures made in the financial statements. It is not practicable to provide a reasonable estimate of the impact of SFRS(I) 16 until the Group performs a detailed assessment. The Group is in the process of performing a detailed assessment of the impact and plans to adopt the standard on the required effective date.

(b) Basis of consolidation

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

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

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

2. Summary of significant accounting policies (cont'd)

(b) Basis of consolidation (cont'd)

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

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

(c) Subsidiaries

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

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

(d) Revenue

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

Sales of goods

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

Rendering of services

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

Interest income

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

Rental income

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

Dividend income

Dividend income is recognised when the right to receive payment is established.

2. Summary of significant accounting policies (cont'd)

(e) Government grants

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

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

(f) Borrowing costs

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

(g) Operating leases

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

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

(h) Employee benefits

Defined contribution plans

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

Employee leave entitlement

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

2. Summary of significant accounting policies (cont'd)

(i) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity in which the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively).

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

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

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

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

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

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

(j) Property, plant and equipment

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

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

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

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

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

2. Summary of significant accounting policies (cont'd)

(j) Property, plant and equipment (cont'd)

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

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

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

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

(k) Intangible assets

Research and development costs

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

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

The amortisation period and amortisation method are reviewed at least at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

(l) Land use rights

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 in value. The land use rights are amortised over its lease term of 50 years.

(m) Impairment of non-financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

(m) Impairment of non-financial assets (cont'd)

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

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

(n) Financial assets

Classification

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

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

Recognition and derecognition

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

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

Initial measurement

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

Subsequent measurement

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

2. Summary of significant accounting policies (cont'd)

(n) Financial assets (cont'd)

Impairment

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

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

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

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

(o) Cash and cash equivalents

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

(p) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. The cost of finished goods, 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 selling expenses.

(q) Financial liabilities

Financial liabilities includes trade payables, bills payables, other payables (excluding advances payments from customers), due to related parties and a subsidiary and borrowings.

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, derivatives are measured at fair value. Other financial liabilities (except for the financial guarantees) are measured at amortised cost using the effective interest method.

For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in profit or loss. Net gains or losses on derivatives include exchange differences. A financial liability is derecognised when the obligation under the liability is extinguished.

2. Summary of significant accounting policies (cont'd)

(r) Financial guarantees

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

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

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

(s) Provisions for other liabilities

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

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

(t) Share capital

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

(u) Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

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

2. Summary of significant accounting policies (cont'd)

(u) Foreign currencies (cont'd)

Translation of Group entities' financial statements

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

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

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

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

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

(v) Dividends

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

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

(w) Segment reporting

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

Critical judgements made in applying the Group's accounting policies

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

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

Critical judgements made in applying the Group's accounting policies (cont'd)

Functional currency

As disclosed in Note 2(u), the functional currency of the Company and its principal entities in PRC is Singapore dollar and RMB respectively.

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

Key sources of estimation uncertainty

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

Inventories written down

As disclosed in Note 2(p), inventories are stated at the lower of cost and net realisable value. Management performs an assessment of the condition of its inventories at the end of each reporting period, and write-down of slow-moving and obsolete inventories identified. Management applied their knowledge of the business to identify the slow-moving and obsolete inventories and also estimating the net realisable value for such inventories by taking into consideration the current economic condition, historical sales record, ageing analysis, alternative uses and subsequent selling prices of the inventories. When expectations differ from the original estimates, the differences will impact the carrying amounts of the inventories, and write-down value of the inventories recognised in profit or loss.

A write-down for slow-moving and obsolete inventories to net realisable value amounting to RMB761,000 (2016: RMB1,098,000) was charged to the Group's profit or loss during the financial year. The carrying amounts of the Group's inventories at the end of the reporting period are disclosed in Note 15.

Impairment of loans and receivables

Management reviews its loans and receivables for objective evidence of impairment at the end of each reporting period. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired.

Significant management's judgement is involved in the determination as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management assesses as to whether an impairment loss should be recorded as an expense in profit or loss. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

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

Key sources of estimation uncertainty (cont'd)

Impairment of loans and receivables (cont'd)

The carrying amounts of the Group's and the Company's loans and receivables at the end of the reporting period are disclosed in Note 32. If the present value of estimated future cash flows differ from management's estimates, the allowance for impairment for loans and receivables and the loans and receivables balance at the end of the reporting period will be affected accordingly.

Property, plant and equipment

The Group reviews the useful lives and residual values of property, plant and equipment at the end of each reporting period in accordance with accounting policies in Note 2(j). The estimation of useful lives and residual values involves assumptions concerning the future and estimations of the assets common life expectancies and expected level of usage. Any changes in the expected useful lives of these assets would affect the net carrying value of property, plant and equipment, and the depreciation charge for the financial year. The net carrying value of the Group's property, plant and equipment at the end of the reporting period and the depreciation charge for the financial year are disclosed in Note 11.

Income taxes

The Group has exposure to income taxes in Singapore and the PRC. Uncertainties exist with respect to the interpretation of complex tax regulations, the amount and timing of future taxable income and deductibility of certain expenditure. Accordingly, there are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is concluded and different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of tax payable at the end of the reporting period are presented on the statements of financial position, and tax recoverable and deferred tax liabilities at the end of the reporting period are disclosed in Notes 17 and 21 respectively.

4. Revenue

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

5. Other income and gains

	Group	
	2017	2016
	RMB'000	RMB'000
Sale of raw and scrap materials	**6,545**	3,166
Cost of raw and scrap materials sold	**(5,608)**	(2,364)
Gain from disposals of raw and scrap materials	**937**	802
Government grants and subsidies	**2,626**	2,109
Insurance claim received	**349**	105
Interest income on bank	**38**	94
Income from discounting of bills receivables	**3,874**	-
Penalty income	**778**	591
Processing income	**3,199**	4,673
Rental income [net of rental expenses of RMB4,033,000 (2016: RMB4,100,000)]	**4,693**	4,088
Others	**741**	1,062
	17,235	13,524

6. Finance expenses

	Group	
	2017	2016
	RMB'000	RMB'000
Finance expenses:		
- interest expense on bank loans	**3,312**	7,236
- interest expense on discounting of bills receivables	**–**	195
- others	**36**	52
	3,348	7,483

7. Profit before tax

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

	Group	
	2017	2016
	RMB'000	RMB'000
Allowance for doubtful receivables (trade) (Note 16)	**7,287**	10,769
Allowance for doubtful receivables (non-trade) (Note 17)	**424**	679
Write-back of allowance for doubtful receivables (trade) (Note 16)	**(5,401)**	(4,491)
Write-back of allowance for doubtful receivables (non-trade) (Note 17)	**(510)**	(1,034)
Write-down of inventories	**761**	1,098
Amortisation of intangible assets (Note 14)	**9,930**	7,159
Amortisation of land use rights (Note 13)	**2,931**	3,037
Bad debts written off	**–**	635
Depreciation of property, plant and equipment	**51,039**	49,476
Directors' fees payable/paid to directors of the Company	**970**	1,337
Fees payable/paid to independent auditor of the Company		
- Audit	**373**	375
- Non-audit services	**7**	7
Audit fees payable/paid to other auditors*	**275**	202
(Gain)/loss on foreign currency exchange	**(394)**	2,339
Loss on disposal of property, plant and equipment	**326**	357
Operating lease expense	**1,766**	1,029
Personnel expenses (Note 8)	**141,548**	110,323
Property, plant and equipment written off	**5**	–

* Includes independent member firm of the Baker Tilly International network

8. Personnel expenses

	Group	
	2017	2016
	RMB'000	RMB'000
Wages, salaries and bonuses	**131,930**	97,292
Contribution to defined contribution plans	**7,365**	8,250
Other personnel expenses	**2,253**	4,781
	141,548	110,323

9. Tax expense

	Group	
	2017	2016
	RMB'000	RMB'000
Tax expense attributable to profits is made up of:		
Income tax		
- current year	**4,302**	7,612
- (Over)/under provision in respect of prior years	**(966)**	838
Withholding tax	**152**	699
Deferred tax expenses arising from net distributable earnings of the PRC subsidiaries	**1,585**	–
	5,073	9,149

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

	Group	
	2017	2016
	RMB'000	RMB'000
Profit before tax	**41,822**	39,228
Tax at the domestic rates applicable to profit/loss in the countries where the Group operates	**6,281**	3,394
Expenses not deductible for tax purposes	**1,021**	3,162
Effect of tax incentives	**(2,248)**	(1,955)
Deferred tax expenses arising from net distributable earnings of the PRC subsidiaries	**1,585**	–
Withholding tax	**152**	699
(Over)/under provision of income tax in respect of prior years	**(966)**	838
Deferred tax assets not recognised	**154**	3,016
Utilisation of deferred tax asset not recognised in prior year	**(900)**	–
Others	**(6)**	(5)
	5,073	9,149

9. Tax expense (cont'd)

The above tax reconciliation is prepared by aggregating separate reconciliation for each national jurisdiction.

The Company

The Company has no taxable income during the financial year. The statutory income tax rate applicable to the Company is 17% (2016: 17%).

The PRC subsidiaries

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

WPM (China) enjoys preferential income tax rate of 15% (2016: 15%) as it is regarded as high-tech enterprise.

The statutory income tax rate applicable to other PRC subsidiaries is 25% (2016: 25%).

At the end of the reporting period, the Group has unutilised tax losses of RMB29,872,000 (2016: RMB39,846,000) that 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. No deferred tax asset has been recognised as it is uncertain that future taxable profits/income will be sufficient to allow the related tax benefits to be realised. During the financial year, the Group's unabsorbed tax losses brought forward amounting to RMB6,989,000 (2016: RMB1,715,000) has expired.

10. 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	
	2017	2016
	RMB'000	RMB'000
Profit for the year attributable to equity holders of the Company	**36,749**	30,079
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 2017 and 31 December 2016.

11. Property, plant and equipment

	Leasehold 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							
2017							
Cost							
At 1.1.2017	457,803	535,686	7,540	90,760	9,684	35,452	1,136,925
Additions	3,064	53,681	670	5,088	1,352	28,885	92,740
Reclassifications	–	7,010	16	–	–	(7,026)	–
Disposals	–	(16,927)	–	(119)	(2,025)	–	(19,071)
Write off	–	–	–	(29)	–	–	(29)
At 31.12.2017	**460,867**	**579,450**	**8,226**	**95,700**	**9,011**	**57,311**	**1,210,565**
Accumulated depreciation							
At 1.1.2017	77,773	274,967	6,568	68,660	8,147	–	436,115
Charge for the year	13,228	34,351	365	4,062	374	–	52,380
Disposals	–	(14,010)	–	(100)	(1,616)	–	(15,726)
Write off	–	–	–	(24)	–	–	(24)
At 31.12.2017	**91,001**	**295,308**	**6,933**	**72,598**	**6,905**	**–**	**472,745**
Net carrying value							
At 31.12.2017	**369,866**	**284,142**	**1,293**	**23,102**	**2,106**	**57,311**	**737,820**
2016							
Cost							
At 1.1.2016	457,599	529,471	7,158	89,085	10,930	9,434	1,103,677
Additions	86	8,864	416	1,675	238	26,150	37,429
Reclassifications	118	14	–	–	–	(132)	–
Disposals	–	(2,663)	(34)	–	(1,484)	–	(4,181)
At 31.12.2016	457,803	535,686	7,540	90,760	9,684	35,452	1,136,925
Accumulated depreciation							
At 1.1.2016	65,761	241,935	6,164	65,239	8,165	–	387,264
Charge for the year	12,012	34,732	436	3,421	580	–	51,181
Disposals	–	(1,700)	(32)	–	(598)	–	(2,330)
At 31.12.2016	77,773	274,967	6,568	68,660	8,147	–	436,115
Net carrying value							
At 31.12.2016	380,030	260,719	972	22,100	1,537	35,452	700,810

(a) During the financial year, the depreciation charge of plant and machinery capitalised as development costs amounted to RMB1,341,000 (2016: RMB1,705,000) (Note 14).

(b) In 2016, the leasehold buildings of the Group with a net carrying value of RMB264,793,000 were pledged for the bank borrowing (Note 20).

In 2017, the pledges were discharged upon full settlement of the bank borrowing.

12. Investments in subsidiaries

	Company	
	2017	2016
	RMB'000	RMB'000
Unquoted equity shares, at cost	**802,303**	802,303
Currency translation differences	**(21,634)**	(33,010)
	780,669	769,293

The details of the subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Ownership interest held	
			2017 %	2016 %
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 Baker Tilly China Certified Public Accountants, an independent member firm of the Baker Tilly International network.

In 2016, the Company increased its investment in WPM (China) by way of cash of RMB13,719,000.

13. Land use rights

	Group	
	2017	2016
	RMB'000	RMB'000
Cost		
At 1 January and 31 December	**150,130**	150,130
Accumulated amortisation		
At 1 January	**18,761**	15,724
Amortisation charge for the year (Note 7)	**2,931**	3,037
At 31 December	**21,692**	18,761
Net carrying value		
At 31 December	**128,438**	131,369
Amount to be amortised:		
- Not later than one year, current portion	**3,003**	3,003
- Later than one year but not later than five years	**12,010**	12,010
- Later than five years	**113,425**	116,356
Non-current portion	**125,435**	128,366
	128,438	131,369

The Group has land use rights over the state-owned land in the PRC where the Group's PRC manufacturing and storage facilities reside. The land use rights have a remaining tenure of 39 to 43 years.

In 2016, land use rights of the Group with a net carrying value of RMB114,008,000 were pledged for the bank borrowing (Note 20).

In 2017, the pledges were discharged upon full settlement of the bank borrowing.

14. Intangible assets

	Group	
	2017	2016
	RMB'000	RMB'000
Development costs		
Cost		
At 1 January	**50,552**	41,940
Additions	**7,414**	8,612
At 31 December	**57,966**	50,552
Accumulated amortisation		
At 1 January	**14,234**	7,075
Amortisation charge for the year (Note 7)	**9,930**	7,159
At 31 December	**24,164**	14,234
Net carrying value		
At 31 December	**33,802**	36,318

During the financial year, the depreciation charge of plant and machinery capitalised as development costs amounted RMB1,341,000 (2016: RMB1,705,000) (Note 11).

15. Inventories

	Group 2017 RMB'000	Group 2016 RMB'000
Finished goods	**80,681**	69,656
Work-in-progress and component parts	**234,762**	226,016
Raw materials	**68,676**	57,873
	384,119	353,545

Raw materials, consumables and changes in finished goods and work-in-progress and component parts included as cost of sales amounted to RMB429,463,000 (2016: RMB373,310,000) during the financial year.

16. Trade receivables

	Group 2017 RMB'000	Group 2016 RMB'000
Trade receivables	**108,701**	180,856
Less: allowance for doubtful receivables	**(19,190)**	(17,613)
	89,511	163,243
Bills receivables	**40,511**	29,481
Due from related parties	**46,830**	58,142
	176,852	250,866

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

	Group 2017 RMB'000	Group 2016 RMB'000
At 1 January	**17,613**	11,823
Allowance made (Note 7)	**7,287**	10,769
Bad debts written off against allowance	**(309)**	(488)
Write-back of allowance (Note 7)	**(5,401)**	(4,491)
At 31 December	**19,190**	17,613

At the end of the reporting period, the Group endorsed certain bills receivables in the PRC (the "Derecognised Bills") with a carrying amount in aggregate of RMB271,750,000 (2016: RMB176,520,000) to certain of its suppliers in order to settle the trade payables due to such suppliers. The Derecognised Bills have a maturity period of one to twelve months at the end of the reporting period. In accordance with the laws in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default. In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, the Group has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the continuing involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's continuing involvement in the Derecognised Bills are not significant to the financial statements taken as a whole.

16. Trade receivables (cont'd)

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

	Group	
	2017	2016
	RMB'000	RMB'000
Not past due and not impaired	**156,972**	208,130
Past due but not impaired	**15,010**	38,677
Past due and impaired	**24,060**	21,672
	196,042	268,479
Less: allowance for doubtful receivables	**(19,190)**	(17,613)
	176,852	250,866

The Group has trade receivables amounting to RMB15,010,000 (2016: RMB38,677,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period are as follows:

	Group	
	2017	2016
	RMB'000	RMB'000
Gross amount of trade receivables that are past due:		
< 6 months	**9,310**	27,493
> 6 months	**5,700**	11,184
	15,010	38,677

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

	Group	
	2017	2016
	RMB'000	RMB'000
Gross amount of trade receivables that are past due:		
< 6 months	**5,346**	331
> 6 months	**18,714**	21,341
	24,060	21,672
Less: allowance for doubtful receivables	**(19,190)**	(17,613)
	4,870	4,059

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

Trade receivables that are individually determined to be impaired at the end of the reporting period and those relating to receivables that are in significant financial difficulties, have defaulted on payments, or are disputing the amount due will be provided for doubtful receivables. These receivables are not secured by any collateral or credit enhancements.

17. Other receivables

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current				
Prepayments for property, plant and equipment	**8,106**	10,723	**–**	–
Current				
Advance payments to suppliers	**8,516**	7,847	**–**	–
Due from employees	**9,409**	9,446	**–**	–
Other receivables	**4,362**	4,289	**–**	–
Other prepayments	**2,088**	3,434	**14**	14
Tax recoverable	**357**	169	**–**	–
	24,732	25,185	**14**	14
Less: allowance for doubtful receivables on amounts due from employees	**(3,316)**	(3,402)	**–**	–
	21,416	21,783	**14**	14

Due from employees are unsecured, interest-free and repayable on demand. In 2016, due from employees included an amount of RMB368,000 bore interest at 8% per annum which was fully settled in 2017.

The movements in allowance for doubtful receivables on amounts due from employees during the financial year are as follows:

	Group	
	2017	2016
	RMB'000	RMB'000
At 1 January	**3,402**	9,006
Allowance made (Note 7)	**424**	679
Bad debts written off against allowance	**–**	(5,249)
Write-back of allowance (Note 7)	**(510)**	(1,034)
At 31 December	**3,316**	3,402

The table below is an analysis of other receivables at end of the reporting period:

	Group	
	2017	2016
	RMB'000	RMB'000
Not past due and not impaired	**20,801**	20,988
Past due but not impaired	**347**	741
Past due and impaired	**3,584**	3,456
	24,732	25,185
Less: allowance for doubtful receivables	**(3,316)**	(3,402)
	21,416	21,783

17. Other receivables (cont'd)

The Group has other receivables amounting to RMB347,000 (2016: RMB741,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period are as follows:

	Group	
	2017	2016
	RMB'000	RMB'000
Gross amount of other receivables that are past due:		
< 6 months	**300**	155
> 6 months	**47**	586
	347	741

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

	Group	
	2017	2016
	RMB'000	RMB'000
Gross amount of other receivables that are past due:		
< 6 months	**467**	6
> 6 months	**3,117**	3,450
	3,584	3,456
Less: allowance for doubtful receivables	**(3,316)**	(3,402)
	268	54

18. Due from/to a subsidiary/related parties (non-trade)

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

19. Cash and cash equivalents

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at banks and on hand	**15,940**	9,596	**249**	375
Bank deposit	**570**	570	**–**	–
	16,510	10,166	**249**	375

19. 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	
	2017	2016
	RMB'000	RMB'000
Cash and bank balances	**16,510**	10,166
Less: bank deposit pledged	**(570)**	(570)
Cash and cash equivalents per consolidated statement of cash flows	**15,940**	9,596

The Group's bank deposit with financial institution matures on varying dates within 6 months (2016: 6 months) from the end of the reporting period.

Bank deposit include amounts of RMB570,000 (2016: RMB570,000) that are pledged as securities for bills payables (Note 23).

Cash and cash equivalents of RMB16,261,000 (2016: RMB9,791,000) are held in the PRC and are subject to local exchange control regulations. These regulations place restrictions on the amount of currency being exported from the country, other than through dividends.

20. Borrowings

	Group	
	2017	2016
	RMB'000	RMB'000
Secured		
Short term bank loan (I)	**–**	60,000
Short term bank loan (II)	**–**	38,000
Short term bank loan (III)	**38,000**	–
	38,000	98,000

In 2017, short term loan bank (I) and (II) were fully settled.

In 2016, short term loan (I) bore interest of 4.84% per annum and was secured by the following:

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

In 2016, short term loan (II) bore interests ranging from 4.35% to 4.60% per annum and was secured by a personal guarantee from a director of the Company and his spouse.

In 2017, short term loan (III) bears interest of 4.35% per annum and is secured by a personal guarantee from a director of the Company and his spouse. The loan is repayable within 5 months from the end of the reporting period.

20. Borrowings (cont'd)

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

	Group Bank loans RMB'000
Balance at 1 January 2017	98,000
Changes from financing cash flows:	
- Proceeds	38,000
- Repayments	(98,000)
- Interest paid	(3,312)
Non-cash changes:	
- Interest expense	3,312
Balance at 31 December 2017	38,000

21. Deferred tax liabilities

The PRC subsidiaries' distributable earnings generated from 1 January 2008 onward are subjected to withholding tax when the subsidiary declares dividend to its foreign investor. The Group recognised deferred tax liabilities based on the PRC subsidiaries' distributable earnings that are expected to be distributed to the Company in the foreseeable future, based on the forecasted cash flow requirements of the Company.

22. Trade payables

	Group	
	2017	2016
	RMB'000	RMB'000
Trade payables	**204,419**	212,097
Due to related parties	**1,840**	2,124
	206,259	214,221

Trade payables are non-interest bearing and the credit periods ranging from 3 to 6 months (2016: 3 to 6 months).

23. Bills payables

Bills payables are non-interest bearing and have an average maturity period of 6 months (2016: 6 months). The bills payables are secured by certain bank deposits as disclosed in Note 19.

24. Other payables

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advance payments from customers	**79,110**	37,575	**–**	–
Accrued operating expenses	**70,687**	64,859	**129**	128
Other payables	**22,115**	19,271	**430**	630
Payables relating to property, plant and equipment	**23,861**	24,129	**–**	–
	195,773	145,834	**559**	758

25. Share capital

	Group and Company			
	2017		2016	
	No. of ordinary shares ('000)	**RMB'000**	No. of ordinary shares ('000)	RMB'000
Issued and fully paid				
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.

26. Currency translation reserve

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

27. Statutory reserves

	Group	
	2017	2016
	RMB'000	RMB'000
Statutory reserve fund (a)	**106,608**	102,547
Staff welfare fund (b)	**20,510**	20,510
	127,118	123,057

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.

27. Statutory reserves (cont'd)

(a) Statutory reserve fund

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.

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. PRC enterprises are prohibited from distributing dividends unless the losses (if any) of prior years have been made good.

28. 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.

29. Dividends

	Group and Company	
	2017	2016
	RMB'000	RMB'000
Ordinary dividend paid		
Final tax exempt dividend of RMB0.125 per ordinary share paid in respect of the previous financial year	**–**	**50,000**

30. Commitments

Capital commitments

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

	Group	
	2017	2016
	RMB'000	RMB'000
Capital commitments in respect of property, plant and equipment	**43,708**	46,455

30. Commitments (cont'd)

Operating lease commitments

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

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	
	2017	2016
	RMB'000	RMB'000
Not later than one financial year	**229**	229
Later than one financial year but not later than five financial years	**687**	687
Later than five financial years	**7,788**	8,017
	8,704	8,933

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

31. Related party transactions

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

	Group	
	2017	2016
	RMB'000	RMB'000
Income		
Lease of premises to a related party	**7,619**	7,619
Sales to related parties	**26,775**	46,021
Processing services to related parties	**3,489**	5,029
Expenses		
Lease of premises from a related party	**685**	800
Processing services from related parties	**2,258**	3,896
Purchases of machineries and parts from related parties	**30,884**	430
Purchases of raw materials from related parties	**22,780**	3,533
Purchases of scrap materials from related parties	**10,466**	6,322

Related parties 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.

Outstanding balances with related parties at the end of the reporting period are disclosed in Notes 16, 18 and 22 respectively.

31. Related party transactions (cont'd)

Key management personnel compensation

Key management personnel compensation is analysed as follows:

	Group	
	2017	2016
	RMB'000	RMB'000
Directors of the Company:		
- short-term employee benefits	**592**	1,268
- defined contribution benefits	**16**	37
- directors' fees	**1,290**	1,337
	1,898	2,642
Other key management personnel:		
- short-term employee benefits	**3,495**	2,545
- defined contribution benefits	**129**	126
	3,624	2,671
	5,522	5,313

32. Financial instruments

(a) Categories of financial instruments

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

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Loans and receivables	**203,814**	271,365	**249**	480
Financial liabilities				
Financial liabilities at amortised cost	**361,685**	449,003	**2,124**	2,598

(b) Financial risk management

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

32. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Foreign currency risk

At the end of the reporting period, the Group's and the Company's currency exposure based on information provided to key management is as follows:

	2017		2016	
	RMB	**USD**	RMB	USD
	RMB'000	**RMB'000**	RMB'000	RMB'000
Group				
Cash and cash equivalents	**–**	**1,675**	–	307
Due from a subsidiary	**–**	**–**	105	–
Due to a subsidiary	**(1,565)**	**–**	(1,840)	–
Net financial (liabilities)/assets denominated in foreign currency	**(1,565)**	**1,675**	(1,735)	307
Company				
Due from a subsidiary	**–**	**–**	105	–
Due to a subsidiary	**(1,565)**	**–**	(1,840)	–
Net financial (liabilities)/assets denominated in foreign currency	**(1,565)**	**–**	(1,735)	–

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

	Group		**Company**	
	Increase/(decrease) in profit after tax		**Increase/(decrease) in profit after tax**	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB/SGD				
- strengthened 3% (2016: 3%)	**(47)**	(52)	**(47)**	(52)
- weakened 3% (2016: 3%)	**47**	52	**47**	52
USD/RMB				
- strengthened 3% (2016: 3%)	**42**	8	**–**	–
- weakened 3% (2016: 3%)	**(42)**	(8)	**–**	–

32. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Credit risk

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

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

At the end of the reporting period, the Group and the Company have no significant concentrations of credit risk.

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

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due and/or impaired

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

Interest rate risk

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

The Group's borrowings at variable rates on which effective hedges have not been entered into, are denominated in RMB. If the RMB interest rates increase/decrease by 75 (2016: 75) basis points with all other variables, including tax rate being held constant, the effects arising from the profit net of tax are as follows:

	Group Increase/(decrease) in profit after tax	
	2017	2016
	RMB'000	RMB'000
Interest rate		
- Increase by 75 basis points	**(242)**	(580)
- Decrease by 75 basis points	**242**	580

32. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. 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.

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

	2017			2016		
	1 year or less	**1 to 5 year**	**Total**	1 year or less	1 to 5 year	Total
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Group						
Trade payables	**206,259**	**–**	**206,259**	214,221	–	214,221
Bills payables	**520**	**–**	**520**	27,936	–	27,936
Other payables	**116,663**	**–**	**116,663**	108,259	–	108,259
Due to related parties	**243**	**–**	**243**	587	–	587
Borrowings	**38,543**	**–**	**38,543**	100,479	–	100,479
	362,228	**–**	**362,228**	451,482	–	451,482
Company						
Other payables	**559**	**–**	**559**	758	–	758
Due to a subsidiary	**1,565**	**–**	**1,565**	1,840	–	1,840
	2,124	**–**	**2,124**	2,598	–	2,598

33. Fair value of assets and liabilities

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

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

34. Capital management

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

As disclosed in Note 27, the PRC subsidiaries are required to contribute to and maintain a non-distributable statutory fund.

The Group manages capital by monitoring the level of net debt and capital. Net debt is calculated as trade payables, bill payables, other payables, amounts due to related parties, borrowings 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 2016.

	Group	
	2017	2016
	RMB'000	RMB'000
Trade payables	**206,259**	214,221
Bills payables	**520**	27,936
Other payables	**195,773**	145,834
Due to related parties (non-trade)	**243**	587
Borrowings	**38,000**	98,000
Less: Cash and cash equivalents	**(16,510)**	(10,166)
Net debts	**424,285**	476,412
Equity attributable to the equity holders of the Company	**1,061,383**	1,024,667
Less: Statutory reserves (Note 27)	**(127,118)**	(123,057)
Capital reserve (Note 28)	**(97,097)**	(97,097)
Total capital	**837,168**	804,513

35. Segment information

The Group is principally engaged in manufacturing and selling of stamping, cutting and bending machines and metal parts. All provisions 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.

36. Authorisation of financial statements

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors dated 2 April 2018.

SHAREHOLDERS' INFORMATION

As at 16 March 2018

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	0.15	10	0.00
100	-	1,000	47	7.28	43,200	0.01
1,001	-	10,000	245	37.93	1,629,151	0.41
10,001	-	1,000,000	340	52.63	22,230,139	5.56
1,000,001		and above	13	2.01	376,097,500	94.02
			646	100.00	400,000,000	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 16 MARCH 2018

(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 16 March 2018

TWENTY LARGEST SHAREHOLDERS AS AT 16 MARCH 2018

No.	Name of Shareholders	Number of Shares	%
1	WORLD SHAREHOLD LIMITED	295,391,000	73.85
2	OCBC SECURITIES PRIVATE LTD	58,574,700	14.64
3	CHUA KUAN LIM CHARLES	3,617,000	0.90
4	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	3,069,400	0.77
5	PHILLIP SECURITIES PTE LTD	2,718,100	0.68
6	LIAN SENG INVESTMENT PTE LTD	2,000,000	0.50
7	DBSN SERVICES PTE LTD	1,926,000	0.48
8	DBS NOMINEES PTE LTD	1,867,800	0.47
9	HE GUANGLIN	1,464,000	0.37
10	SHAO XIAOPU	1,443,000	0.36
11	HONG LEONG FINANCE NOMINEES PTE LTD	1,400,000	0.35
12	CHUA ZI EN ALEXANDRA JANE (CAI ZI'EN)	1,372,000	0.34
13	RAFFLES NOMINEES (PTE) LTD	1,254,500	0.31
14	CITIBANK NOMINEES SINGAPORE PTE LTD	965,900	0.24
15	MAYBANK KIM ENG SECURITIES PTE LTD	864,000	0.22
16	LI HUNG	781,000	0.19
17	UOB KAY HIAN PTE LTD	580,000	0.15
18	KIANG TIANG TAN OR KIANG WEN JIANG	541,000	0.14
19	TAN JIN SIN	457,000	0.11
20	LYNN LOW EU LIEN	447,000	0.11
		380,733,400	95.18

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

12.00% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of WORLD PRECISION MACHINERY LIMITED (the "Company") will be held at Marina Mandarin Hotel, Libra Gemini, Level 1, 6 Raffles Boulevard, Marina Square, Singapore 039594 on Friday, 27 April 2018 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 2017 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to Article 89 of the Company's Constitution.

   Mr. Wang Weiyao **(Resolution 2)**
   Mr. Phang Kin Seng (Lawrence) **(Resolution 3)**

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

   Mr. Phang Kin Seng (Lawrence) will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and members 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.

3. To approve the payment of Directors' fees of S$180,000 for the financial year ending 31 December 2018, to be paid quarterly in arrears (FY2017: S$180,000). **(Resolution 4)**

4. To re-appoint Baker Tilly TFW LLP as the Company's Auditor and to authorise the Directors to fix their remuneration. **(Resolution 5)**

5. 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:

6. **Share Issue Mandate**

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

   (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

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

   (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 are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (i)] **(Resolution 6)**

7. **Renewal of Shareholders' Mandate for Interested Person Transactions**

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 12 April 2018 (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

(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 7)**

By Order of the Board

Yuen Pei Lur Perry
Company Secretary

Singapore, 12 April 2018

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) The Ordinary Resolution 6 in item 6 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 are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(ii) The Ordinary Resolution 7 in item 7 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:

1. (a) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "Meeting").

   (b) A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

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

2. A proxy need not be a member of the Company.

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

Personal data privacy:

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

WORLD PRECISION MACHINERY LIMITED
(Incorporated in the Republic of Singapore)
(Co. Reg. No: 200409453N)

PROXY FORM
(Please see notes overleaf before completing this Form)

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

I/We, ____________________

Of ____________________

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

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Marina Mandarin Hotel, Libra Gemini, Level 1, 6 Raffles Boulevard, Marina Square, Singapore 039594 on Friday, 27 April 2018 at 2.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

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

No.	**Resolutions relating to:**	**Number of Votes For[(1)]**	**Number of Votes Against[(1)]**
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2017		
2	Re-election of Mr. Wang Weiyao as a Director		
3	Re-election of Mr. Phang Kin Seng (Lawrence) as a Director		
4	Approval of Directors' fees amounting to S$180,000 for the financial year ending 31 December 2018, to be paid quarterly in arrears		
5	Re-appointment of Baker Tilly TFW LLP as Auditor		
6	Share Issue Mandate		
7	Renewal of Shareholders' Mandate for Interested Person Transactions		

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

Dated this ____________ day of April 2018

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

____
Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 not less than 48 hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2018.

GENERAL:

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Shao Jianjun *(Executive Chairman)*
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

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

BUSINESS OFFICE

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

SHARE REGISTRAR

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

EXTERNAL AUDITOR

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

AUDIT PARTNER-IN-CHARGE

Lim Kok Heng
(Appointed wef financial year ended 31 December 2016)

INTERNAL AUDITOR

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

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WORLD

WORLD PRECISION MACHINERY LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 200409453N)

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Jiangsu Province,
People's Republic of China.
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